

FRANCHISE DISCLOSURE DOCUMENT



1st Class Franchising, LLC d/b/a 1st Class
Real Estate
A Virginia Limited Liability Company
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Virginia Beach, VA 23451
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1st Class Franchising, LLC d/b/a 1st Class Real Estate offers a Unit franchise opportunity to provide real estate brokerage services. We offer two franchise opportunities, Standard or Virtual.

The total investment necessary to begin operation of a 1st Class Real Estate Standard Model is \$45,995- \$207,125. This includes \$25,950 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a 1st Class Real Estate Virtual Model is \$31,645-\$81,125. This includes \$25,950 that must be paid to the franchisor or affiliate.

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov 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: April 5, 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 Exhibits F and G.
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 H 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 1st Class Real Estate 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 1st Class Real Estate franchisee?	Item 20 or Exhibits F and G 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 B.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.

2. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchise'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 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse 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 obligation 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 Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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

To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to 1st Class Franchising, LLC d/b/a 1st Class Real Estate, the Franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

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

The Franchisor

We are a Virginia limited liability company formed on July 24, 2018. We do business as “1st Class Real Estate.” Our principal business address is 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451.

We have offered franchises of the type offered here since October 2018.

We do not operate a business of the type being franchised but reserve the right to do so. We do not engage in other business activities except the offering of franchises as disclosed here.

Exhibit B contains our agents for service of process

Since December 2018, through a separate Franchise Disclosure Document, we have also offered Area Representative franchises who recruit and support unit franchisees. The Area Representative franchise may not be offered in a franchise registration state unless there is an effective registration application in that state. Area Representatives will not exercise management responsibility relating to the sale or operation of unit franchises. As of December 31, 2022, we had 21 Area Representatives.

Parents and Predecessors

We have a parent, 1st Class Holding Inc., a Virginia corporation with a principal business address at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451 that was formed on December 31, 2022. 1st Class Holding Inc. does not conduct a business of the type being franchised nor has it offered franchises in any other line of business. Prior to that, our parent company was 1st Class Properties LLC, a Virginia limited liability company with a principal business address at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451 that was formed on November 5, 2012. 1st Class Properties LLC does not conduct a business of the type being franchised nor has it offered franchises in any other line of business.

We do not have any predecessors.

Affiliates

We have an affiliate, 1st Class Real Estate LLC (“1st Class Real Estate LLC”) with a principal business address at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451. 1st Class Real Estate LLC has conducted a real estate brokerage business since December 26, 2012.

We have an affiliate, Fortis Title & Escrow, LLC (“Fortis Title & Escrow”) with a principal business address at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, which was formed on May 1st, 2022. Depending upon where you are located, your clients may purchase title services from Fortis Title & Escrow. Fortis Title & Escrow does not operate a business of the type being franchised.

We have an affiliate, 1st Class Capital, LLC (“1st Class Capital”) with a principal business address at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, which was formed on February 24th, 2022. You may qualify for financing from 1st Class Capital. 1st Class Capital does not operate a business of the type being franchised.

We have an affiliate, Eden Holding LLC (“Eden Holding”) with a principal business address at 1805 Eden Way, Virginia Beach, VA 23454, which was formed on January 19, 2021. Depending upon where you are located, your clients may purchase mortgage services from Eden Holding. Eden Holding does not operate a business of the type being franchised.

We have an affiliate, All or Nothing LLC (“All or Nothing”) with a principal business address at 2540 Virginia Beach Blvd., Virginia Beach, VA 23452. All or Nothing has been a licensed real estate brokerage since August 13, 2013 but does not operate a business of the type being franchised nor does it provide products or services to you.

None of our affiliates have ever offered franchises in any line of business.

The Franchise Offered. The franchise offered is to operate a full-service real estate brokerage business (“Franchised Business”). A real estate brokerage assists buyers and sellers in real estate purchases and sales. You may operate a full-service real estate brokerage agency (“Standard Model”), or you may operate a real estate agency through an online Virtual Model (“Virtual Model”).

If you operate under the Virtual Model, you will operate online. You will hold your own broker license. And you do not have a duty to convert to a Standard Model.

The General Market. The general market for this service is developed. Your services will primarily be sold to individuals specifically homeowners, prospective homeowners, and landlords. Sales are year-round but may be busier in the summer and slower in the holiday and winter months.

Laws and Regulations. You or your Principal Broker must maintain a real estate broker license to establish a real estate office. Some states and municipalities have broker licensure requirements as well as continuing education requirements for brokers. Some states may require any entity owning the franchise to have a separate license from the individual brokers. In addition, some

states may require you to have a business address with signage. Your Franchised Business must comply with the rules and regulations of the real estate commission or department in your state and the federal statutes concerning settlement procedures. Additionally, states and municipalities have different regulations for the place of business, maintenance of financial records, waste disposal, nuisance, disclosure of major defects in the property and flood insurance requirements.

You must comply with federal, state, and local laws that apply to your business. You must comply with the Residential Lead-Based Paint Hazard Reduction Act which requires disclosure of lead-based paint, Title VIII of the Civil Rights Act (Fair Housing) which prohibits discrimination in housing transactions, the Federal Trade Commission, and any other federal law applying to your business, including limits on commission rates.

In addition, your Business must comply with the Code of Ethics of the National Association of Realtors, National Association of Residential Property Managers (if applicable), and the rules and regulations of state and local boards of realtors in your area.

You should investigate the application of these laws further.

Competition. Our primary competition comes from other real estate brokers and agencies who assist consumers in buying and sell real estate as well as property and Homeowner Association management companies.

ITEM 2 BUSINESS EXPERIENCE

Rhyan Finch, CEO and Manager. Mr. Finch serves as our CEO and Manager in Virginia Beach, Virginia since July 2018. Mr. Finch also serves as CEO and Manager of 1st Class Real Estate LLC in Virginia Beach since December 2012. Mr. Finch serves in the following positions in Virginia Beach, Virginia: CEO of 1st Class Properties since November 2012 and All or Nothing LLC since May 6, 2013; and Managing Member of 1st Class Title, LLC since March 2019, 1st Class Title 3, LLC since October 2019, 1st Class Title 2, LLC since March 2020, Eden Holding LLC since January 2021, 1st Class Capital, LLC since April 2022, 1st Class Communications, LLC since October 2022, 1st Class Assets, LLC since December 2012, Fortis Title and Escrow, LLC since May 2022, and 1st Class Holding, Inc. Since December 2022. Mr. Finch was Managing Member of 1st Class Financial from July 2018 until March 2022, and 1st Class Financial 2, LLC from December 2019 until May 2022.

Rhendi Ross, Vice President of Operations. Mrs. Ross is a Co-Founder of 1st Class Real Estate since July 2018 in Virginia Beach, VA. Mrs. Ross served as COO from July 2018 until January 2021 and has served as VP of Operations since December 2022. Mrs. Ross also serves in the following positions in Virginia Beach, Virginia: President of Rhendi, Inc. since May 2003; and Member of 1st Class Title, LLC, 1st Class Title 2, LLC and 1st Class Title 3, LLC since March 2019.

Faith Kraft, President of Franchise Operations. Ms. Kraft serves as our President of Franchise Operations in Virginia Beach, Virginia since April 2022. Mrs. Kraft has also served as a Managing

Member of 1st Class Capital, LLC since its formation in April 2022. Mrs. Kraft served as our Director of Franchise Operations in Virginia Beach, Virginia from March 2021 to April 2022. From January 2017 to March 2021, Ms. Kraft served as Store Manager of Starbucks in Foley, Alabama.

Alexis Sawyer, Digital Marketing Manager. Ms. Sawyer serves as our Digital Marketing Manager in Virginia Beach, Virginia since July 2018. From August 2017 to July 2018, Ms. Sawyer served as Digital Marketing Manager for 1st Class Real Estate LLC in Virginia Beach, Virginia since August 2017. Ms. Sawyer served as Executive Assistant for 1st Class Real Estate LLC in Virginia Beach, Virginia. From May 2015 to May 2016, Ms. Sawyer served as an Office Manager for 1st Class Real Estate LLC in Virginia Beach, Virginia.

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

You must pay to us an Initial Franchise Fee of \$25,000 for either the Standard or Virtual Model.

You must also pay to us an initial training fee of \$950. The initial training fee covers training for you and any Branch Office Manager and Principal Broker required to attend. We also recommend that you have your branch office administrator and expansion team leader attend training.

The initial fees are due to us in full when you return to us signed copies of your Franchise Agreement. The initial franchise fee and initial training fee are fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

We disclose financing terms in Item 10.

ITEM 6 OTHER FEES

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Technology Plus Fee	\$50/per person (Yourself, Agent, Staff Member, or Vendor)	Monthly on the 10th	You must pay this fee for your Franchised Business and also per person that is required to have access to our Technology Plus Package.
Technology Premium Fee	\$25/per person (Agent, Staff Member or Vendor)		This fee is required each month per person that is required to have access to our Technology Premium Package.
Franchise Website Fee	\$25/per month	Monthly on the 10th	If you elect to have a 1 st Class branded website through our vendor, you must pay a monthly website fee for each website setup for your franchise.
Agent Website Fee	\$25/per month per agent	Monthly on the 10th	If your agents elect to have a website through our website vendor rather than free one included with our CRM system, you agree to pay a monthly website fee for each agent that has a website.
Re-onboarding and Agent Transfer Fee	\$50/ per person (Yourself, Agent, Staff Member, or Vendor)	Monthly on the 10 th	This fee is required for each person that is rehired to your branch within a 60-day window of termination or for any agent that is transferred from another 1 st Class franchise location to your office. Any transfers need to be approved by us.
Closing Transaction Coordination	\$200/Per Transaction	Monthly on the 10th	This fee is required if you elect to use our closing coordinators to assist you with closing a ratified contract. You can sign up for this service at any time and if you need to cancel it we ask that you give us a 30-day written notice via email.
Closed Transaction Fee	\$150/Per Transaction;	Monthly on the 10th	You must pay this fee for each buyer and seller your office represents that closes

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
	minimum \$500 per month		on a property and for each referral fee that your office receives. Minimum of 3 transactions per month with a \$500 minimum.
Accounting Fee	Based on the number of transactions your office performs each month, and currently ranges from \$500 per month for up to 5 transaction to \$4,500 per month for 126-200 transactions.	Monthly on the 10 th	This fee is required if you elect to use our accounting services. You can sign up at any time and if you elect to cancel we ask that you give us a 30-day written notice via email.
Branch Office Administration	Based on the number of agents in your office, and currently ranges from \$250 per month for up to 5 agents and \$6,000 per month for 251-275 agents.	Monthly on the 10 th	You must pay us our then-current Branch Office Administration Fee each month if you elect for us to perform your branch office administration functions. If you elect to cancel the administration, we ask that you give us a 30-day written notice via email.
Payroll and Human Resources	Based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees to \$1,900 per month for 46-55 employees.	Monthly on the 10 th	You must pay us our then-current Payroll and Human Resources Fee each month if you elect for us to process your payroll or assist with other human resources duties.
Audit Fee	Costs in performing the audit	At time of audit	If we perform an audit of the Franchised Business and the audit discloses an under reporting of Gross Revenues or underpayment to us of 2% or more for the period audited, you must pay to us our costs in performing the audit.
Testing/ Inspection Fees	Our actual costs incurred	As incurred	If you request us to test and inspect a new supplier.

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
to Approve a Supplier			
Transfer Fee	\$2,500 for transfer of controlling interest; \$1,000 for a transfer of less than a controlling interest.	At the time of transfer	Paid upon a transfer or change of ownership.
Renewal Fee	\$7,500	Upon Renewal	You must pay us a renewal fee to enter a new current franchise agreement at the expiration of the term of this franchise agreement.
Legal and Administrative Fee	\$500	As incurred	You must pay to us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.
Territory Amendment Fee	\$500	As incurred	You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the cost of legal and administration costs.
Early Termination Fee	\$500 multiplied by the number of months remaining in the Term of the Franchise Agreement	At time of early termination	You must pay to use an Early Termination Fee if the Franchise Agreement is terminated early based on a material breach or at your request
Interest	12% per annum or the maximum permitted by law	As incurred	Owed on past due amounts.
Client Refunds	The amount of any fee we refund to a client	As incurred	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.
Sales or gross receipts tax	Actual amount incurred	At time of payment of fees to us which	If required by the state or locality in which your franchise is located, the initial

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
		are subject to any tax	franchise fee and possibly other fees will be subject to sales or gross receipts tax.
Assistance Fee in the event of incapacity or death	Reimbursement for reasonable expenditures incurred	At time of expense	In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.
Fees to Third Parties	Actual amount of charge	At time of expense	You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.
Indemnity	Our actual loss incurred	At the time of the loss	You must pay to us any loss or damage caused because of your operation of the Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expenses	If we are the substantially prevailing party as to any Claims, or if you sue an Area Representative, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

Note 1: Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them.

Note 2: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. See Schedule 2 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

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ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT*

Standard Model

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$25,000	\$25,000	Lump sum	Upon entering into franchise agreement	Us
Initial Training Fee (Note 2)	\$950	\$950	Lump sum	Before training	Us
Leasehold Improvements (Note 3)	\$0	\$30,000	As incurred	Prior to opening	Third-party vendors
Rent and Security Deposit (Note 4)	\$500	\$10,000	As incurred	Prior to opening and Monthly	Landlord
Signage (Note 5)	\$500	\$10,000	Lump sum	Prior to opening	Third-party vendors
“For Sale” Signage (Note 6)	\$500	\$15,000	Lump Sum	Prior to opening	Third-party vendors
Equipment and Furniture (Note 7)	\$0	\$50,000	As incurred	Prior to opening	Third-party vendors
Computers and Software (Note 8)	\$120	\$8,000	As incurred	Prior to opening	Third-party vendors
Start-up Supplies/Inventory (Note 9)	\$500	\$3,000	As incurred	Prior to opening	Third-party vendors
Franchise and Agent Website Fees (Note 10)	\$25	\$25	As incurred	As incurred	Us
Technology Fees (Note 11)	\$50	\$150	As incurred	As incurred	Us
Advertising materials (Note 12)	\$0	\$500	As incurred	As incurred	Third-party vendors

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Grand Opening Marketing (Note 13)	\$500	\$4,000	As incurred	Prior to and day of opening	Third-party vendors
Insurance (Note 14)	\$1,000	\$1,500	Lump sum	As incurred	Third-party vendors
Professional Fees (Note 15)	\$1,500	\$3,500	As incurred	As incurred	Accountants, Attorneys
Utilities (Note 16)	\$350	\$1,000	As incurred	Monthly	Third-party utilities
Licensing costs (Note 17)	\$500	\$2,500	As incurred	As incurred	State agencies
Vehicle (Note 18)	\$0	\$2,000	As incurred	As incurred	Third-party vendors
Payroll (first 90 days) (Note 19)	\$10,000	\$25,000	As incurred	Bi-weekly	Employees
Additional Funds-3 months (Note 20)	\$4,000	\$15,000	As incurred	As incurred	Third-party vendors
TOTAL (Note 21 & 22)	\$45,995	\$207,125			

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

Note 1 – Initial Franchise Fee. The initial franchise fee is \$25,000. Depending upon your creditworthiness and industry experience, we may finance up to 100% of the initial franchise fee up to 36 months at 12% APR. If you finance \$25,000 over 36 months at 12% APR, your monthly payment would be approximately \$830.36. See Item 10 for further information.

Note 2- Initial Training Fee. The initial training fee is \$950. We offer initial training virtually. The initial training fee covers training for you and any Branch Operations Manager and Principal Broker required to attend. We also recommend that branch office administrator and expansion team leader attend training. You are responsible for your employees' wages to attend initial training.

Note 3 - Leasehold Improvements. You will need to operate from an appropriate office location. The amount of leasehold improvement expense that you will incur will depend upon whether you already have a suitable office location and, if not, the extent to which you will need to make renovations and repairs. We suggest negotiating the cost of improvements into your lease terms.

Note 4 - Rent and Security Deposit. You will need to rent a location containing approximately 500-2,500 square feet. The amount of rent that you will incur will depend upon whether you already have a suitable office location and will also vary considerably in different market areas.

We estimate rent for the first three months plus a security deposit for one month's rent. Your office space may not be a Regus, Gather, WeWork type of workspace as signage is required to be placed on the building where your office will be located

Note 5 – Signage. We provide estimates for exterior signage. Type of signage allowed or required varies depending on state requirements, city ordinances, property owner's association covenants, the specifics of the property, and landlord preferences. We must approve all signage placed on the outside of your location. Your signage needs and costs will vary.

Note 6- “For Sale” Signage. We provide estimates for “For Sale” signs to place at properties that you list for sale. Your signage needs and costs will vary.

Note 7 - Equipment and Furniture. You will need telephones, chairs, desks, file cabinets, tables, and other items we specify. The low figure assumes you already have the required equipment and furniture.

Note 8 – Computers and Software. We require you to have an internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff member. You must have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. The low figure assumes you already have the required computers and some software.

Note 9 - Start-Up Supplies/Inventory. Your primary cost for start-up supplies and inventory will be basic real estate related marketing materials, products (listing presentations, buyer books, relocation booklets, branded closing gifts, About Us brochures, etc.), paper, and general office supplies.

Note 10- Franchise and Agent Website Fees. You must pay a monthly fee of \$25 per month for a subdomain on our 1stClassRealEstate.com website. If your agents elect to have a website through our website vendor rather than the free one provided to Technology Plus Users, you agree to pay a monthly website fee of \$25 per agent for each agent that has a website page.

Note 11- Technology Fees. You must pay this fee each month for each Agent, Staff Member, or Vender to have access to required software. The minimum requirement is one \$50 fee for a Technology Plus Fee. The two technology fees options are as follows: Technology Premium: \$25/month per person to receive access to our required agent software, excluding CRM and email. Technology Plus: \$50/month per person to receive access to our required agent software, including CRM and email.

Note 12 – Advertising Materials. You will need to purchase business cards, brochures, and other branded items.

Note 13 – Grand Opening Marketing. We recommend that you engage in a Grand Opening Marketing campaign to draw attention to the opening of your business, but there is not a required expense amount.

Note 14 – Insurance. You will need insurance as we describe in Item 8.

Note 15 – Professional Expenses. You may incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

Note 16 – Utilities. Utilities rates vary by market areas. Additionally, some utilities such as gas, electric, sewer, water, or trash removal are included in the lease rate and some are not.

Note 17 – Licensing Costs. You or your Principal Broker will need a real estate brokers license(s). You or your Principal Broker will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listings services (MLS). The costs vary state by state.

Note 18 – Vehicle. You must own or lease any suitable vehicle which has a professional appearance to carry out your duties. The cost will vary depending on whether you already own a vehicle or must obtain a vehicle, and the price point of any vehicle you obtain. We assume you already have a vehicle, or you lease or finance the purchase of a vehicle. If you purchase a vehicle and pay cash, your cost will be higher.

Note 19 – Payroll. We base the payroll estimate on your employing a Branch Office Manager/Principal Broker, a branch office administrator and an expansion team leader. Your payroll expenses will vary depending on employee hours incurred and the local wage rates.

Note 20 - Additional Funds. Additional funds are to pay for other fees, accounting fees, permits, miscellaneous expenses, and to maintain sufficient working capital. We base this estimate upon the years of experience our management team has in the real estate industry.

Note 21 - Does not include interest expenses or taxes.

Note 22 - These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on: how well you follow our methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; and competition. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

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Virtual Model

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$25,000	\$25,000	Lump sum	Upon entering into franchise agreement	Us
Initial Training Fee (Note 2)	\$950	\$950	Lump sum	Before training	Us
“For Sale” Signage (Note 3)	\$500	\$3,000	Lump Sum	Prior to opening	Third-party vendors
Equipment and Furniture (Note 4)	\$0	\$6,000	As incurred	Prior to opening	Third-party vendors
Computers and Software (Note 5)	\$120	\$1,000	As incurred	Prior to opening	Third-party vendors
Start-up Supplies/Inventory (Note 6)	\$500	\$1,000	As incurred	Prior to opening	Third-party vendors
Franchise and Agent Website Fees (Note 7)	\$25	\$25	As incurred	As incurred	Us
Technology Fees (Note 8)	\$50	\$150	As incurred	As incurred	Us
Advertising materials (Note 9)	\$0	\$500	As incurred	As incurred	Third-party vendors
Grand Opening Marketing (Note 10)	\$0	\$4,000	As incurred	Prior to and day of opening	Third-party vendors
Insurance (Note 11)	\$1,000	\$1,500	Lump sum	As incurred	Third-party vendors
Professional Fees (Note 12)	\$1,000	\$3,500	As incurred	As incurred	Accountants, Attorneys
Licensing costs (Note 13)	\$500	\$2,500	As incurred	As incurred	State agencies
Vehicle (Note 14)	\$0	\$2,000	As incurred	As incurred	Third-party vendors
Payroll (first 90 days) (Note 15)	\$0	\$25,000	As incurred	Bi-weekly	Employees
Additional Funds-3 months	\$2,000	\$5,000	As incurred	As incurred	Third-party vendors

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
(Note 16)					
TOTAL (Notes 17 and 18)	\$31,645	\$81,125			

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

Note 1 – Initial Franchise Fee. The initial franchise fee is \$25,000. Depending upon your creditworthiness and industry experience, we may finance up to 100% of the initial franchise fee up to 24 months at 12% APR. If you finance \$25,000 over 24 months at 12% APR, your monthly payment would be approximately \$1,176.84. See Item 10 for further information.

Note 2- Initial Training Fee. The initial training fee is \$950. We offer initial training virtually. The initial training fee covers training for you and any Branch Operations Manager and Principal Broker required to attend. We also recommend that your branch office administrator and expansion team leader attend training. You are responsible for your employees’ wages to attend initial training.

Note 3- “For Sale” Signage. We provide estimates for “For Sale” signs to place at properties that you list for sale. Your signage needs and costs will vary.

Note 4 - Equipment and Furniture. You will need telephones, chairs, desks, file cabinets, tables, and other items we specify. The low figure assumes you already have the required equipment and furniture.

Note 5 – Computers and Software. We require you to have an internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff members. You must have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. The low figure assumes you already have the required computers and some software.

Note 6 - Start-Up Supplies/Inventory. Your primary cost for start-up supplies and inventory will be basic real estate related marketing materials, products (listing presentations, buyer books, relocation booklets, branded closing gifts, About Us brochures, etc.), paper, and general office supplies.

Note 7- Franchise and Agent Website Fees. You must pay a monthly fee of \$25 per month for a subdomain on our 1stClassRealEstate.com website. If your agents elect to have a website through our website vendor rather than the free one provided to Technology Plus Users, you agree to pay a monthly website fee of \$25 per agent for each agent that has a website page.

Note 8- Technology Fees. You must pay this fee each month for each Agent, Staff Member, or Vender to have access to required software. The minimum requirement is one \$50 fee for a Technology Plus Fee. The two technology fees options are as follows: Technology Premium:

\$25/month per person to receive access to our required agent software, excluding CRM and email. Technology Plus: \$50/month per person to receive access to our required agent software, including CRM and email.

Note 9– Advertising Materials. You will need to purchase business cards, brochures, and other branded items.

Note 10 – Grand Opening Marketing. We recommend that you engage in a Grand Opening Marketing campaign to draw attention to the opening of your business, but there is not a required expense amount.

Note 11 – Insurance. You will need insurance as we describe in Item 8.

Note 12 – Professional Expenses. You may incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

Note 13 – Licensing Costs. You or your Principal Broker will need a real estate brokers license(s). You or your Principal Broker will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listings services (MLS). The costs vary state by state.

Note 14 – Vehicle. You must own or lease any suitable vehicle which has a professional appearance to carry out your duties. The cost will vary depending on whether you already own a vehicle or must obtain a vehicle, and the price point of any vehicle you obtain. We assume you already have a vehicle, or you lease or finance the purchase of a vehicle. If you purchase a vehicle and pay cash, your cost will be higher.

Note 15 – Payroll. We base the low end of the payroll estimate on your not employing any staff members and the high end on your employing an assistant. Your payroll expenses will vary depending on employee hours incurred and the local wage rates.

Note 16 - Additional Funds. Additional funds are to pay for other fees, accounting fees, permits, miscellaneous expenses, and to maintain sufficient working capital. We base this estimate upon the 20+ years of experience our management team has in the real estate industry.

Note 17 - Does not include interest expenses or taxes.

Note 18 - These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on: how well you follow our methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; and competition. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

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

The Goods or Services Required to be Purchased or Leased:

Accounting and Closing Transaction Services. If you use a third-party vendor to assist you with accounting services or closing transaction services, you must use an approved vendor.

Branded Marketing Materials. You must purchase branded materials subject to our specifications, which may include a vendor designation. These items include, but are not limited to, apparel, yard signs, directional signs, open house signs, posters, and marketing materials.

Computers and Software. We require you to use such computer hardware and software as we specify, which may include vendor designations.

Equipment and Furniture. You must purchase equipment and furniture subject to our specifications and approval.

Insurance. You must purchase and maintain insurance that we specify. You may purchase insurance from any carrier with a rating of at least “A” by Standard and Poor, Moody’s and A.M. Best or better subject to our approval, not to be unreasonably withheld. All policies must name us and our designated affiliates as an additional insured and you must furnish up proof of coverage. You may obtain additional insurance coverage as you feel necessary. Here are our present insurance specifications:

Type	Amount
Comprehensive General Liability Insurance	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Additional Comprehensive General Liability Insurance	\$1,000,000
Errors and Omissions Professionals Insurance	\$1,000,000
Employer’s Liability, Worker’s compensation, and Occupational Disease Insurance	\$1,000,000
Care, Custody, or Control Insurance (optional)	\$150,000
All-Risk Property Insurance (optional)	80% of the replacement cost of the building; 100% of the replacement costs of the contents”

You may, with our written consent, elect to have reasonable deductibles for the coverages described in above.

Certificates of insurance must be sent in upon annual expiration date.

Inventory/Supplies. You must purchase inventory and supplies subject to our specifications, which may include a vendor designation.

Leased Location. You will need a site in which to operate the Franchised Business. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord. If you operate under the Virtual Model, you will normally operate from a home office.

Leasehold Improvements. You may purchase leasehold improvements from suppliers we designate and must build out your location pursuant to our specifications.

Licensing. You will need a real estate brokers license(s) from the state(s) in which you do business. You will need to be a member of the state, local, and national Association of Realtors, Nation Association of Residential Property Managers (if applicable). You will also need to be a member of the local or regional multiple listings services (MLS) as we specify.

Signs. You must purchase interior and exterior signage from a supplier we designate or subject to our brand guidelines and approval.

Vehicle. You must own or lease any suitable vehicle which has a professional appearance to carry out your duties. We do not require your use of a designated vendor.

Whether we or our Affiliates are Approved Suppliers:

We are a supplier of branded marketing materials but not the only approved supplier.

Officer Interests in Suppliers:

Our officer, Rhyan Finch and Rhendi Ross, owns an interest in us and the affiliate suppliers.

Alternative Suppliers:

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge any costs incurred to test another supplier you propose. If you wish to propose another supplier, you may submit your request for the proposed supplier to us writing. Your request must include enough specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

We may derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year ended December 31, 2022, neither we nor an affiliate earned revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases as a Proportion of Costs:

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 30-50% of your operating costs.

Supplier Payments to Us:

Designated suppliers may make payments to us from franchisee purchases.

We have an arrangement with Rocketmedia to pay us a 10% rebate for all franchisee purchases.

We have an arrangement with GSD Mastery Bootcamp to pay to us a 25% rebate for paid franchisee enrollments in the program.

We have an arrangement with PromoRepublic to pay to us a 23% rebate for paid franchisee enrollments in the program.

We have an arrangement with SendOutCards to pay to us a 20% rebate for paid franchisee enrollments in the program.

We have an arrangement with Castly to pay to us a 10-20% rebate for rendered services to franchisees.

Purchasing or Distribution Cooperatives:

We do not have any purchasing or distribution cooperatives currently.

Purchase arrangements:

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits:

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards contained in our Operations Manual.

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.

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6.2, 6.6, 6.10, 6.11, 6.12, 6.13	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.1, 5.8, 6.1	11
e. Opening	6.3	11
f. Fees	4, 6.17, 6.18, 7.5, 14.3, 15.2, 20.11, 20.15	5, 6, 7, 8
g. Compliance with standards and policies/Manual	6.4	8, 11
h. Trademarks and proprietary information	7, 8	13, 14
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7	6
k. Territorial development and sales quotas	3	12
l. Ongoing product/service purchases	6.10, 6.11, 6.12	8

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
m. Maintenance, appearance & remodeling requirements	6.14	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
p. Indemnification	14.3	6
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	10	11
s. Inspections and Audits	10	11
t. Transfer	15	17, Exhibit E
u. Renewal	2.2	17, Exhibit E
v. Post-termination obligations	12	15, 16, 17
w. Non-competition covenants	13	15, 16, 17
x. Dispute resolution	20	17

ITEM 10 FINANCING

We may offer financing for your Initial Franchise Fee if you meet our qualifications. The following table summarizes the financing we may offer you for the Initial Franchise Fee.

Item Financed	Initial Franchise Fee
Source of Financing	Us
Down Payment	Minimum of 0%*
Amount Financed	Up to 100%*
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	36 months
Security Required	None
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt	If the franchisee is an entity, its owners must personally guarantee the debt

Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.

*The required down payment, amount financed, term, and interest rate will vary depending upon your creditworthiness, down payment, desired term, and industry experience.

Exhibit D contains the form of Promissory Note that we require you to sign.

We do not guarantee your notes, leases, or obligations. We may sell, assign, or discount any note, contract or other instrument signed by you to any affiliate or third party who may be immune under the law to claims or defenses you may have against us. We do not receive any direct or indirect payments or other consideration for placing financing.

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 Obligations:

Initial Training. We offer approximately 18 hours of initial training online and a 3-hour live webinar with the operations team. You may complete initial training at your own pace, however, the online training must be completed within 90 days of the effective date of the franchise agreement and before you may operate the Franchised Business. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. We do not generally own the premises and lease it to you. We provide to you criteria to help you select a site. We reserve the right to disapprove any site you select before you sign a lease for that location. We do not select the site. If we elect to exercise our right of disapproval, we will typically do so within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other 1st Class Real Estate offices, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. You may also operate virtually. (Franchise Agreement, Section 5.2(a)).

Plans and Layout. We or our designee will furnish a sample site layout plan. You are required to submit the layout and have it approved by us. We will typically approve or disapprove a proposed layout within 14 days of your submission to us. Once approved by us, it is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly. (Franchise Agreement, Section 5.2(b); 6.2(c)).

Build out. It is your responsibility to conform the premises to federal, state, or local ordinances, building codes, licensing requirements, and obtain any required permits. (Franchise Agreement, Section 6.2(b)).

Lease. Before you sign a lease, sublet a space, purchase space or make any binding commitment to do so, we reserve the right to disapprove your proposed lease or purchase agreement. (Franchise Agreement, Section 5.2(d)).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. Otherwise, we provide the names of approved vendors or specifications for these items. (Franchise Agreement Section 5.3).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.4).

Length of Time Before Opening:

The typical length of time between the signing of the Franchise Agreement and the opening of your franchise is 60-90 days. If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. You may also operate virtually. (Franchise Agreement, Section 6.3).

Factors that can affect the time length in which to be open for business include the time it takes to attend initial training; locate, equip, and staff your office; and secure any necessary permits, requirements of local zoning laws and other ordinances, the availability of labor and materials, the time needed to acquire and install furniture, fixtures, and equipment, obtaining broker license(s); hiring and training any staff; and obtaining any needed occupancy permit.

During the Operation of the Franchise:

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.5).

Transaction Coordination Fee. We offer Transaction Coordination services to assist you with closing a ratified contract. (Franchise Agreement, Section 5.6(c))

Computer Systems and Software. We provide access to required software, Google Suite, and an email account. We may specify computer systems and additional software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.7).

Additional Training or Seminars. We may elect to offer additional trainings, seminars, and webinars. (Franchise Agreement, Section 5.8).

Marketing Support. We provide you with advertising templates to use for advertising. We offer access to branded materials as well as marketing assistance and support. (Franchise Agreement, Section 5.10).

Relocation Review. We will evaluate locations you propose to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site. (Franchise Agreement, Section 5.2(d).)

Advertising Program and Fund:

Advertising Fund. At present, we do not have an Advertising Fund or collect Advertising Fees.

We reserve the right to require you to pay up to \$1,000 per year in Advertising Fees into an Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, 2022, we did not raise or spend any Advertising Fees.

If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of Advertising Fees to solicit new franchise sales. (Franchise Agreement, Section 4.3).

Advertising Program. We provide you with advertising templates to use for advertising. We may conduct advertising using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 5.10).

Private Websites. We will provide you with a subdomain to be used for the website for your Franchised Business. Subject to our guidelines and right to disapprove, you may also have a personal website provided that it does not use the mark “1st Class” or “1st Class Real Estate.” (Franchise Agreement, Sections 5.9 and 7.2).

Use of Your Own Advertising Material. You may not use your own advertising materials unless you submit them to us and we approve them, in writing, and they adhere to federal, state and local

law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. You must participate in all promotional programs that we create, offer or advertise. (Franchise Agreement, Section 7.1).

Advertising Council. We do not have an advertising council composed of franchisees that advise us on advertising policy.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Computer Systems:

We require you to have an internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff members.

You also must pay to us a Technology Fee for each person (Yourself, Agent, Staff Member, and Vendor) given access to required Agent and customer relations software, along with Google Suite and an email account. You must also have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. Depending on what computer systems and software you already have, and the number and type of equipment you will need, these items can be purchased for approximately \$5,500 - \$8,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

Anti-virus protection. You must use anti-virus protection on your computer. At present, we do not specify a particular vendor, but reserve the right to do so.

Independent Access to Information. We have, and you are required to provide, independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information. There are no contractual limitations on our right to access the information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us, at your expense, these records within five business days of receiving our request.

Operations Manual:

Exhibit I contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 237 pages.

Initial Training Program:

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Introduction	1.0	0	Online
Setting up your business	0.5	0	Online
Office Procedures	1.0	0	Online
Onboarding Agents and Employees	2.5	0	Online
Advertising and Marketing	2.0	0	Online
Brokermint	3.0	0	Online
Client Care and Salesforce	1.0	0	Online
kvCore Systems Training	1.5	0	Online
Salesforce Reporting, Dashboard and Cases	0.5	0	Online
Coaching and Training	1.5	0	Online
Accounting Procedures	3.5	0	Online
Total	18	0	Online

The following Instructors teach our initial training program: Rhyan Finch, our Chief Executive Officer, has over 17 years of experience in real estate and 11 years of experience with us or an affiliate. Rhendi Ross, our Co-Founder and VP of Operations, has 10 years of experience in real estate and 10 years of experience with us or an affiliate. Herbert (“Buddy”) Buchner, our Former VP of Franchise Development, has 5 years of experience in the field and 5 years of experience with us or an affiliate. Faith Kraft has 2 year of experience in real estate franchising and 2 year of experience with us. Alexis Sawyer, our Digital Marketing Manager, has over 9 years of experience in the field and 9 years of experience with us or an affiliate.

Dora Cuyler serves as our Franchise Development Specialist in Virginia Beach, Virginia since January 2021. Ms. Cuyler also serves as a Business Consultant in Virginia Beach, Virginia since May 2016. From January 2017 to February 2019, Ms. Cuyler was the Vice President of Operations for Happy Tax Franchising in Miami, Florida. From August 2016 to July 2019, Ms. Cuyler was

an Area Representative for Happy Tax Franchising in Miami, Florida. From May 2014 to May 2016, Ms. Cuyler was a Franchise Development Representative for Liberty Tax Service in Virginia Beach, Virginia. Ms. Cuyler has 7 years of experience in the field and 2 years of experience with us.

We offer initial training online, so they are available on demand anytime. You may complete initial training at your own pace, however, the online training must be completed within 90 days of the effective date of your franchise agreement and prior to operating the Franchised Business.

We use online learning modules to conduct initial training.

You must pay to us an initial training fee of \$950. The initial training fee covers training for you and any Branch Operations Manager and Principal Broker required to attend. We recommend that your branch office administrator and expansion team leader attend training. You are responsible for any travel, lodging, transportation, meals, and your employees' wages to attend initial training.

We require that your Branch Operations Manager and Principal Broker attend initial training. The Branch Operations Manager and Principal Broker may be the same individual. Successful completion of initial training is required to operate a franchise within 90 days of signing the franchise agreement. We advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars we may offer.

ITEM 12 TERRITORY

When you receive a Standard Model, your territory will be a four (4) mile radius from the location of your 1st Class Real Estate Office in which we promise not to locate another Standard Model franchise. Your office space may not be or shared workspace such as Regus, Gather, or a WeWork location because signage is required to be placed on the building where your office will be located.

If you receive a Virtual Model, you will not receive any defined territory. If you elect this model, you cannot operate out of an office building with signage outside the building. If you reside in a state that requires a business address with signage you may not be able to operate the Virtual Model.

If you would like to relocate your Franchised Business you must submit a request to us in writing. We may approve relocation of the Franchised Business, if we feel conditions have changed such that relocation represents a sound business decision (e.g., better lease terms, more visibility, or other improvements in the new location).

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

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

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones you will use under the franchise agreement.


We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.


You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed. You may solicit and accept orders from customers outside your territory, including through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing. You must engage in any internet, social media, or other marketing solely pursuant to our guidelines.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

ITEM 13 TRADEMARKS

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
1 st Class Real Estate	4497386	Principal	March 18, 2014
	4620379	Principal	October 14, 2014

	6690354	Principal	April 5, 2022
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We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by us. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

1st Class Real Estate LLC owns the trademarks listed in the chart above and licenses them to us pursuant to a written License Agreement effective July 24, 2018. The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days' written notice. If the License Agreement was terminated, you could lose the right to use the trademarks licensed to us under the License Agreement. There are no other currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us in writing. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If, in our sole discretion, we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere except as follows:

Below we list users who may have prior right to a mark similar to or identical to our Marks in their geographical location:

Location	Company or Use
Birmingham, AL	First Class Realty Services, LLC
San Leandro, CA	First Class Realty & Mortgage, Inc.
Garden Grove, CA	First Class Real Estate Inc.

Clearwater, FL	1 st Class Real Estate LLC d/b/a 1 st Class Real Estate and 1 st Class Property Management
Ripley, MS	1 st Class Realty LLC
Henderson, NV	First Class Realty & Property Management LLC
Portland, OR	First Class Properties
Portland, OR	First Class Property Management, LLC
Cypress, TX	First Class Realty, Inc. d/b/a First Class Realty & Management

Below we list users who may be infringing our mark by using an identical or substantially similar trademark, we have notified each entity of their infringement:

Location	Company or Use	Approximate Length of Infringement
Burbank, CA	Bill Toth Real Estate Inc. d/b/a First Class Real Estate	August 3, 2015
Downey, CA	J.L and Associations Inc. d/b/a First Class Realty Services	March 22, 2021
Miami, FL	AGDC Inc. d/b/a American First Class Realty	October 21, 2020
Ocala, FL	1 st Class Waterfront Properties LLC	March 3, 2015
Robinson, IL	1 st Class Realty, Inc.	May 28, 2014
Lords Valley, PA	1 st Class Realty LLC	August 14, 2013
Gillete, WY	1 st Class Realty	March 15, 2015

Other than as disclosed above, we do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not currently hold any patents. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your Franchised Business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Agent Data” is considered Confidential Information and includes all information about Agents that may be collected in connection with their use of your services, including, but not limited to, commission rates, name, telephone number, address and email address. We retain all right, title, and interest in and to the Agent Data, including all intellectual property rights.

“Customer Data” is considered Confidential Information and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address. We retain all right, title, and interest in and to the Customer Data, including all intellectual property rights.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information, including Customer Data. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

We do not require that you personally supervise the franchised business, but we do recommend it. The Franchised Business must have a Branch Office Manager who will be responsible for on-premises supervision of your office at all times. Your Franchised Business must also have a Principal Broker who will be responsible for all licensing and real estate activities and transactions handled by the Franchised Business. The Branch Office Manager and Principal Broker may be the same individual.

Neither the Branch Operations Manager or the Principal Broker is required to have an equity interest in the franchisee’s business. Your Branch Operations Manager and Principal Broker must successfully complete our initial training program and sign a nondisclosure and non-competition agreement. The Principal Broker must be in good standing with the local association/board of Realtors and the state and national board of Realtors.

The Franchise Agreement requires you, including all holders of an ownership interest in a franchise that is an entity, to sign a personal guaranty, confidentiality clause, and a covenant not to compete. However, unless your spouse is an owner of the franchise, your spouse is not required to sign a personal guaranty.

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

You may offer for sale through your Franchised Business only the products and services we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services we have not authorized or approved.

Subject to any territorial or legal limitations (e.g., real estate licensure in the jurisdiction at issue) you may offer real estate and property management services to any customers.

You are required to sell all goods or services we authorize, except property management is an optional service, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

In your discretion, you may offer property management services, provided that the Franchised Business does not primarily offer property management services.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

**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.

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	2	5 years.
b. Renewal or extension	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirement for franchisee to renew or extend	2	Renewing your Franchise Agreement means you can continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current

Provision	Section In Franchise Agreement	Summary
		Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	11.1	You may terminate the Agreement if you do not renew or if you sell the franchise pursuant to the terms of the Agreement.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisee with cause	11.2, 11.3	We can terminate only if you default.
g. "Cause" defined – curable defaults	11.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. "Cause" defined – non-curable defaults	11.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i. Franchisee's obligations on termination/non-renewal	12	Discontinue operating the Franchised Business; stop using our marks; deliver to us business records; pay debts due to us; cancel or assign URLs and social media to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to the post-term covenants not to compete or solicit; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	15.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee – defined	15.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all assets of the Franchised Business.
l. Franchisor approval of transfer by franchisee	15.2	We have the right to approve all transfers.

Provision	Section In Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	15.5	<p>You must be:</p> <ul style="list-style-type: none"> -current in monetary obligations; -in compliance with the Franchise Agreement; -execute any transfer, amendment, or release forms we may require; -provide to us a copy of the proposed transfer documents; -transferee must meet our criteria; -transferee must execute our then-current Franchise Agreement; -pay to us the Transfer Fee; -transferee must satisfactorily complete our initial training program; -comply with the post-termination provisions; -transferee must obtain necessary licenses and permits; -obtain any lessor approval for transfer; -the transfer must be made in compliance with any laws that apply to the transfer; -the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation; -you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	15.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	11(h)	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability of franchisee	16	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	13	No competition allowed in the United States and its territories.

Provision	Section In Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	13.2	You will not solicit prior customers for 2 years in a 50-mile radius.
s. Modification of the agreement	17	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	19	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	20.2, 20.9	You must first attempt to resolve claims against us through mediation. Arbitration does not apply except as to Illinois and Maryland franchisees.
v. Choice of forum	20.2	All claims must be brought in Virginia Beach, Virginia (subject to applicable state law).
w. Choice of Law	20.1	Virginia law governs (subject to applicable state law).

**ITEM 18
PUBLIC FIGURES**

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

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ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any 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 Rhyan Finch, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, Telephone (757) 504-4636, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION
Table No. 1

System Wide Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	9	29	+20
	2021	29	57	+28
	2022	57	95	+38
Company-Owned	2020	2	2	0
	2021	2	4	+2
	2022	4	0	-4
Total Outlets	2020	11	31	+20
	2021	31	61	+30
	2022	61	95	+34

Table No. 2

**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2020 to 2022**

State	Year	Number of Transfers
Florida	2020	0
	2021	0
	2022	2
Georgia	2020	0
	2021	1
	2022	1
New York	2020	0
	2021	0
	2022	2 ¹
North Carolina	2020	0
	2021	0
	2022	1 ²
South Carolina	2020	0
	2021	0
	2022	1
Total	2020	0
	2021	1
	2022	7

**Table No. 3
Status of Franchised Outlets
For Years 2020 to 2022***

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Franchised Stores Operating at Year End
AL	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	8	0	0	0	0	10
AZ	2020	1	3	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
CA	2020	0	0	0	0	0	0	0

¹ This includes the transfer of a Franchise Agreement signed but not open.

² One franchise was transferred twice in the same year.

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Franchised Stores Operating at Year End
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
FL	2020	2	2	0	0	0	0	4
	2021	4	12	0	0	0	0	16
	2022	16	5	0	0	0	0	21
GA	2020	1	3	0	0	0	0	4
	2021	4	4	0	0	0	0	8
	2022	8	4	0	0	0	0	12
IL	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
LA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
MO	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NC	2020	1	2	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	2	0	0	0	0	6
NV	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
OH	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
TN	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
VA	2020	3	4	0	0	0	0	7
	2021	7	5	0	0	1	0	11
	2022	11	13	0	0	0	0	24
WI	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Franchised Stores Operating at Year End
Total	2020	9	20	0	0	0	0	29
	2021	29	29	0	0	1	0	57
	2022	57	38	0	0	0	0	95

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4

**Status of Company-Owned Outlets*
For Years 2020-2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Virginia	2020	2	0	0	0	0	2
	2021	2	1	1	0	0	4
	2022	4	0	0	0	4	0
Total	2020	2	0	0	0	0	2
	2021	2	1	1	0	0	4
	2022	4	0	0	0	4	0

*Company outlets refers to outlets run by our affiliate 1st Class Real Estate LLC as disclosed in Item 1.

**Table No. 5
Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	2	0
Arizona	0	3	0
California	0	1	0
Colorado	0	1	0
Connecticut	0	1	0
Florida	3	5	0
Georgia	0	5	0
Illinois	1	2	0

Kansas	0	2	0
Massachusetts	0	1	0
Minnesota	1	0	0
Mississippi	0	1	0
Nevada	0	1	0
New Jersey	1	1	0
North Carolina	0	2	0
Ohio	0	1	0
Rhode Island	0	1	0
South Carolina	0	2	0
Tennessee	0	4	0
Texas	0	2	0
Virginia	3	6	0
Wisconsin	0	1	0
TOTALS	9	44	0

Exhibit F contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit G contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21 FINANCIAL STATEMENTS

Exhibit H contains our unaudited Balance Sheet and Profit and Loss Statement as of February 28, 2023 as well as our audited financial statements for our fiscal years ended December 31, 2022, 2021 and 2020.

ITEM 22
CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
 - Schedule 1-Franchise Elections
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number Assignment
 - Schedule 4-Rider to Lease Agreement
 - Schedule 5-Franchisee Disclosure Acknowledgment
 - Schedule 6-State Addenda to the Franchise Agreement
 - Schedule 7-Confidentiality Agreement
- D. Promissory Notes
- E. Release

ITEM 23
RECEIPT

Exhibit K contains two copies of a Receipt of our Disclosure Document.

[Remainder of page intentionally left blank]

EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

**CALIFORNIA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 5 of the Disclosure Document is amended by adding the following sentence:

We defer collection of initial fees until after we have completed our initial obligations to you and the franchise is open for business.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF

FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.1stClassRealEstate.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

The amount of interest charged will not exceed the maximum amount allowed by state law. The highest interest rate allowed in California is 10%.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

**HAWAII ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813

The Special Risks page of the Disclosure Document is modified to also state that we have negative owner's equity.

Item 5 of the Disclosure Document is modified to also provide that we defer the payment of all initial fees paid to us until we have performed all of our pre-opening obligations and you are open for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection

with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. Items 5 and 7 are modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.f. is modified to also provide, “Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.)”

3. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

4. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

5. Items 5 and 7 of the Disclosure Document are modified to also provide: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

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

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

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NORTH DAKOTA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Restrictive Covenants: To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

Applicable Laws: North Dakota law will govern the franchise agreement.

Waiver of Trial by Jury: Any waiver of a trial by jury will not apply to North Dakota Franchises.

Waiver of Exemplary & Punitive Damages: Any waiver of punitive damages will not apply to North Dakota Franchisees.

General Release: Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

Enforcement of Agreement: Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation shall be agreeable to all parties and may not be remote from the franchisee's place of business.

**RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

**VIRGINIA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 5 of the Disclosure Document is modified to also provide as follows: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

“No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Item 5 is amended to also provide:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The “Risk Factors” on the second page of the Disclosure Document is amended to also include the following:

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT B

State Administrators and Agents for Service of Process

State	State Administrator	Agent for Service of Process
California	<p>The Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p> <p>2101 Arena Blvd. Sacramento, CA 95834 1-866-275-2677</p> <p>1455 Frazee Rd, Suite 315 San Diego, CA 92108</p> <p>One Sansome St, Suite 600 San Francisco, CA 94104 (866) 275-2677</p>	<p>Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p>
Connecticut	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>
Hawaii	<p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>	<p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813</p>
Illinois	<p>Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p>Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706</p>
Indiana	<p>Secretary of State, Securities Division 302 West Washington Street, Room E-111</p>	<p>Secretary of State, Securities Division 302 West Washington Street, Room E-111</p>

	Indianapolis, IN 46204 (317) 232-6681	Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 335-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex	Department of Business Regulation Securities Division John O. Pastore Complex

	1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9500	1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 13193 Austin, TX 78711 (512) 475-0775	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Washington State Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608)-266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

1ST CLASS FRANCHISING, LLC



FRANCHISE AGREEMENT

EXHIBIT C

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WHEREAS, 1st Class Franchising, LLC d/b/a 1st Class Real Estate (“we,” “us,” or “our”) offers a real estate brokerage franchise program (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

1. GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our System and our Marks in the territory described in Schedule 1 (“Territory”). You may operate a full-service real estate brokerage agency (“Standard Model”), or you may operate a real estate agency through an online Virtual Model (“Virtual Model”).

2. TERM AND RENEWAL

2.1. Term. This Agreement will be effective for a five (5) year term beginning on the Effective Date specified in this Agreement.

2.2 Renewal. You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

3. TERRITORY

When you receive a Standard Model, your territory will be a four (4) mile radius from the location of your 1st Class Real Estate Office in which we promise not to locate another Standard Model franchise.

If you receive a Virtual Model, you will not receive any defined territory.

If you would like to relocate your Franchised Business, you must submit a request to us in writing. We may approve relocation of the Franchised Business, if we feel conditions have changed such that relocation represents a sound business decision (e.g., better lease terms, more visibility, or other improvements in the new location).

We would not normally grant you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

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

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed. You may solicit and accept orders from customers outside your territory, including through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing. You must engage in any internet, social media, or other marketing solely pursuant to our guidelines.

4. FEES AND PAYMENTS

4.1 Initial Franchise Fee. You must pay an Initial Franchise of \$25,000

The Initial Franchise Fee is due to us in full when you return to us signed copies of your Franchise Agreement. The Initial Franchise Fee is fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

4.2 Initial Training Fee. You must pay to us an initial training fee of \$950. We offer initial training virtually. The initial training fee covers training for you, your Branch Operations Manager and any Principal Broker required to attend. We recommend that your branch office administrator and expansion team leader attend training. For any in-person training, you are responsible for any travel, lodging, transportation, meals, and your employees' wages to attend initial training.

4.3 Technology Fees.

(a) **Technology Plus Fee.** You must pay a monthly Technology Plus Fee of \$50 for your Franchised Business and also per person that is required to have access to our Technology Plus Package.

(b) **Technology Premium Fee.** You must pay a monthly fee of \$25 per person for each person that is required to have access to our Technology Premium Package.

(c) **Franchise Website Fee.** You must pay a monthly fee of \$25 per month for a 1stClassRealEstate.com subdomain.

(d) **Agent Website Fee.** If your agents elect to have a website through our website vendor, you agree to pay a monthly website fee of \$25 per agent for each agent that has a website page.

(e) **Re-onboarding and Agent Transfer Fee.** You agree to pay a \$50 fee for each person that is rehired to your branch within a 60-day window of termination or for any agent that is transferred from another 1st Class franchise location.

4.4 Closing Transaction Coordination Fee. If you elect to use our closing coordinators to assist you with closing a ratified contract, then you must pay a fee of \$200 per transaction. You can sign up at any time. If you elect to cancel the service, we require that you provide us a 30-day written notice via email.

4.5 Closed Transaction Fee. You must pay \$150 for each buyer or seller that your office represents that closes on a property and for each referral fee that your office receives. If you fail to meet a minimum of 3 transactions per month, you must pay the difference between \$500 and the actual fee amount.

4.6 Accounting Fee. Our Accounting Service is highly recommended. You can sign up at any time and if you elect to cancel it, we ask that you provide us a 30-day written notice via email.

4.7 Branch Office Administration. You must pay us our then-current Branch Office Administration Fee each month if you elect for us to perform your branch office administration functions. The fee will be based on the number of agents in your office, and currently ranges from \$250 per month for up to 5 agents and \$6,000 per month for 251-275 agents. If you elect to use this service, you must commit to a minimum 60-day service period and pay the fees each month for as long as you use our branch office administration services. If you elect to cancel it, we ask that you provide us a 30-day written notice via email.

4.8 Payroll and Human Resources. You must pay us our then-current Payroll and Human Resources Fee each month if you elect for us to process your payroll or assist with other human resources duties. The fee will be based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees to \$1,900 per month for 46-55 employees. If you elect to cancel it, we ask that you provide us a 30-day written notice via email.

4.9 Audit Fee. If we perform an audit of the Franchised Business and the audit discloses an under reporting of Gross Revenues or underpayment to us of 2% or more for the time period audited, you must pay to us our costs in performing the audit.

4.10 Testing/ Inspection Fees to Approve a Supplier. You must pay to us our actual costs incurred if you request us to test and inspect a new supplier.

4.11 Transfer Fee. You agree to pay to us a Transfer Fee of \$2,500 if you wish to transfer controlling interest of the rights under this Franchise Agreement, or a majority of the ownership interest in this Franchise Business or in an entity holding this Agreement. You agree to pay to us a transfer fee of \$1,000 for a transfer of less than a controlling interest. We do not charge a transfer fee if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages, however, you must pay a Legal and Administrative Fee.

4.12 Renewal Fee. You must pay to us a Renewal Fee of \$7,500 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

4.13 Legal and Administrative Fee. You must pay to us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.

4.14 Territory Amendment Fee. You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the Legal and Administrative Fee.

4.15 Early Termination Fee. In the event this Franchise Agreement is terminated due to a material breach or otherwise, you must pay us an Early Termination Fee. The Early Termination Fee is \$500 multiplied by the number of remaining months in the Term.

4.16 Interest. You must pay 12% per annum or the maximum amount permitted by law, if less, on any amounts owed to us that are past due. Interest will begin to accrue on the day after payments are due, generally on the 11th of the month.

4.17 Client Refunds. If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

4.18 Sales, Excise, or Gross Receipts Tax. If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, training fee, fees for products and possibly other services, may be subject to sales, excise, gross receipts or similar type tax, which you must pay to us at the same time and in the same manner as you pay these fees to us. You shall be solely responsible for paying all sales, income, and other taxes imposed upon you with respect to your operation of the Franchised Business.

4.19 Assistance Fee in the event of Death or Incapacity. In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business.

4.20 Advertising Fee. We reserve the right to require you to pay \$1,000 per year as an Advertising Fee into an Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may use up to 10% of Advertising Fees to solicit new franchise sales.

4.21 Fees to Third Parties. You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

4.22 Payment Period and Method. You must pay to us recurring fees by the 10th of the month incurred or accrued in the prior month. You must pay to us all other fees when incurred. Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. See Schedule 2. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We reserve the right to modify the payment methods and schedule in our Operations Manual.

4.23 Failure to Pay Fees. Should you fail to timely pay any fees associated with this Agreement, Franchisor shall have the right, in its sole discretion, to utilize the services of a collection agency to recover any fees. Franchisee shall be responsible for any additional fees incurred should a collection agency become involved.

5. OBLIGATIONS OF FRANCHISOR

5.1. Initial Training. We offer approximately 18 hours of initial training online. You may complete initial training at your own pace; however, the online training must be completed within 90 days from the Effective Date of this Agreement and before you may operate the Franchised Business. We also require a 3-hour live webinar with our operations team before you start to operate the Franchised Business.

5.2 Site Selection and Build Out.

(a) Site Selection. We provide you with criteria to help you select a site. We reserve the right to disapprove any site you select before you sign a lease for that location. We do not select the site. If we elect to exercise our right of disapproval, we will typically do so within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other 1st Class

Real Estate offices, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. You may also operate virtually.

(b) Plans and Layout. We or our designee will furnish to you a sample site layout plan.

(c) Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we reserve the right to disapprove your proposed lease or purchase agreement.

(d) Relocation Review. We will evaluate locations you propose to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

5.3 Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, and supplies. We must approve all signage placed on the outside of your location.

5.4 Operations Manual. We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

5.5 Operational Support. We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business. You agree that we are not responsible for damages caused by weather, actions of third-parties, or other events beyond our control, that may prevent us from being able to provide operational support.

5.6 Closing Transaction Coordination. Our closing coordinators will assist you with closing a ratified contract upon request and payment of the fee as provided in Section 4 of this Agreement. We reserve the right to modify or discontinue these services.

5.7 Software and Computer Systems. We provide access to required software. We may specify computer systems and additional software to assist in the operation of your Franchised Business. You agree that we are not responsible for damages caused by weather, actions of third-parties, or other events beyond our control, that may prevent us from being able to provide access to required software.

5.8 Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

5.9 Private Website. If we require you to have a website, we will provide you with a subdomain to be used for the website for your territory.

5.10 Advertising and Marketing. We provide you with advertising templates to use for advertising. We may advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

6. OBLIGATIONS OF FRANCHISEE

6.1 Training. You must successfully complete our initial training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

6.2 Site Selection and Build Out.

(a) **Site Selection.** You must select a site for operation of your Franchised Business pursuant to our guidelines. You may operate the Franchised Business only at the accepted site. Or you may operate virtually.

(b) **Buildout.** It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements, and obtain any required permits.

(c) **Plans and Layout.** We reserve the right to disapprove the layout of your site within 14 days of your submission to us, if we so request or require. It is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly.

(d) **Lease.** We reserve the right to disapprove your proposed lease or purchase agreement for your site.

(e) **Relocation Review.** You must obtain our approval if you wish to relocate. We will evaluate locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

6.3 Starting Date. You agree to be operational within 3 months of the Effective Date of this Agreement.

6.4 Operations Manual. You agree to operate the Franchised Business per the then current Operations Manual and brand standards, as well as information bulletins and guidance that we disseminate electronically.

6.5 Participation. We do not require that you personally supervise the franchised business, but we do recommend it. The Franchised Business must have a Branch Office Manager who will be responsible for on-premises supervision of your office at all times. The Franchised Business must also have a Principal Broker who will be responsible for all licensing and real estate activities and

transactions handled by the Franchised Business. The Branch Office Manager and Principal Broker may be the same individual.

Your Branch Operations Manager and Principal Broker must successfully complete our initial training program and sign a nondisclosure and non-competition agreement. The Principal Broker must be in good standing with the local association/board of Realtors and the state and national board of Realtors.

6.6 Authorized Products and Services Only. You may offer for sale through your Franchised Business only the products and services we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services we have not authorized or approved.

You are required to sell all goods or services we authorize, except property management is an optional service, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

In your discretion, you may offer property management services, provided that the Franchised Business does not primarily offer property management services.

6.7 Client Service. You shall interact with prospective and actual clients in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they engage your services. We may with just cause arising from a customer complaint or conduct detrimental to the brand, require you to dis-associate with an agent, vendor, or employee.

6.8 Employee Training. You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law, including necessary state real estate license(s). You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

6.9 Insurance. You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. If you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

6.10 Furniture, Fixtures, Equipment and Supplies. You agree to use furniture, fixtures, equipment, and supplies as we specify to operate the franchise.

6.11 Software and Computer Systems. You are required to purchase or use such software and computer systems to operate your Franchised Business as we may specify.

6.12 Telephone Number. You agree to maintain a dedicated telephone number for your Franchised Business.

6.13 Licensing/MLS Data Feed. You will need to be a member of the state, local, and national association of Realtors. You will also need to be a member of the local or regional multiple listings services (MLS) as we specify.

6.14 Brand Image and Remodeling. You agree to keep your Franchised Business clean and well maintained to uphold the image and goodwill of our franchise system. You agree to remodel your Franchised Business when we request, at your cost, pursuant to our guidelines at the time. However, we promise not to require you to do a full remodel of your Franchised Business more than once every ten years.

6.15 Minimum Days and Hours. You agree to agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

6.16 Laws and Regulations. Your Franchised Business must comply with the rules and regulations of the real estate commission or department in your state and the federal statutes concerning settlement procedures. You must comply with federal, state, and local laws that apply to your business. You must comply with the Residential Lead-Based Paint Hazard Reduction Act which requires disclosure of lead-based paint, Title VIII of the Civil Rights Act (Fair Housing) which prohibits discrimination in housing transactions, the Federal Trade Commission, and any other federal law applying to your business, including limits on commission rates. It is your responsibility to investigate the application of these laws further.

In addition, your Franchised Business must comply with the Code of Ethics of the National Association of Realtors, National Association of Residential Property Managers (if applicable), and the rules and regulations of state and local boards of realtors in your area.

6.17 Conversion Warranty. If you are converting an existing brokerage to this franchised system, you understand that you must pay us a transaction fee and all other applicable fees on pending real estate contracts that close after the Effective Date of this Agreement. You further warranty that there are no lawsuits or claims against you or your current brokerage, except as you may disclose in writing to us and we approve, before entering into this Franchise Agreement, and you are not violating any other agreement in entering into this Franchise Agreement.

6.18 Minimum Capital Reserves. You must maintain sufficient capital to operate your 1st Class Real Estate business.

7. ADVERTISING

7.1 Local Advertising and Promotions. Your advertising and promotions shall conform to the following requirements:

(a) You shall advertise and promote only in a manner that will reflect favorably on us;

(b) You shall use our advertising templates or, if you wish to use your own material, you shall submit to us for written approval all advertising and promotional material, including proposed signage, prior to its use. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved;

(c) You agree to participate in all promotional programs that we create, offer or advertise; and

(d) Your advertising must comply with federal, state, and local laws.

7.2 Private Websites. Subject to our guidelines and right to disapprove, you may also have a personal website provided that it does not use the mark “1st Class” or “1st Class Real Estate.”

7.3 Publicity. Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

7.4 Name and Likeness. You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

8. TRADEMARKS

8.1 Use of our Marks. We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

8.2 Entity Name Requirements. You may not use the words “1st Class” or any confusingly similar words, as any part of the name of a corporation, limited liability company, or other entity. However, “1st Class” followed by your entity number, or such other designation as we shall specify, shall be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

8.3 No Confusingly Similar Marks. You agree not to use any marks that could be confused with our Marks.

8.4 Update to our Marks. We may replace, modify, or add to our Marks. If we replace, modify, discontinue, or add additional marks, you agree to adopt the new marks and update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

8.5 Infringement Claims. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us.

8.6 Control of Proceedings. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. We are not required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

9. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS

9.1 Definition. “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

9.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

9.3 Return of Information. Upon termination or expiration of this Agreement, you will return to us all Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will always remain subject to the confidentiality restrictions of this Agreement.

9.4 Customer, Client, and Agent Data. We retain all right, title, and interest in and to Customer and Agent Data, including all intellectual property rights therein and thereto. However, you may use Customer and Agent Data during the Term of this Agreement as permitted by this Agreement or our Manual. “Customer Data” means all information about Customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address, and email address. “Agent Data” means all information about Agents that may be collected in connection with their use of your services, including, but not limited to, commission rates, name, telephone number, address, and email address. Customer and Agent Data shall be considered Confidential Information for purposes of this Agreement.

9.5 Intellectual Property Ownership. We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest

exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

9.6 Suggestions. You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

9.7 Performance Data. You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential, but you may share the performance data of your outlet with prospective franchisees.

10. REPORTS AND REVIEW

10.1 Reports. You must send us such reports in the time and manner we may specify in the Operations Manual.

10.2 Profit and Loss. By January 30 of each year, you must send us an unaudited profit and loss statement of the Franchise Business, in the manner and form we specify, for the 12-month period ending the prior December 31. You must also send us unaudited profit and loss statements monthly, no later than the 10th of each month.

10.3 Reviews. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

10.4 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us, at your expense, these records within five (5) business days of receiving our request.

10.5 Independent Access to Information. You agree that we have and that you will provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must always give us unrestricted and independent electronic access to your computer systems and information.

11. TERMINATION

11.1 Termination by You. You may terminate this Agreement by not renewing or by selling the franchise pursuant to the terms of this Agreement. If you do not renew, you must notify us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all the provisions of this Agreement that require performance post-termination.

11.2 Termination by Us. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- (a) If you do not pass our initial training in accordance with our passing standards;
- (b) If you fail to obtain our approval of a site or open on time;
- (c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- (d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- (e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- (f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- (g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- (h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- (i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- (j) You fail to permit us to inspect or audit your franchise; or
- (k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us or an affiliate, in any 12-month period regardless of whether such breaches were cured after notice.

11.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- (a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; however, there is a 90-day cure period on failure to meet Minimum Requirements; or
- (b) Any amount owing to us from you is more than 30 days past due.

11.4 No Refund of Initial Fee. We have no obligation to return or refund any fee to you upon termination of this Agreement.

12. POST TERMINATION OBLIGATIONS

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

(a) Cease operating the Franchised Business and discontinue use of any aspects of our System or Confidential Information;

(b) Stop identifying yourself as a franchisee of ours and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;

(c) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);

(d) Pay to us all amounts owing to us;

(e) At our request, cancel or assign to us all web URLs and social media under your ownership used in the Franchise Business;

(f) Reimburse customers for any fees paid for services not yet rendered;

(g) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment, if needed;

(h) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;

(i) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;

(j) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;

(k) Adhere to the provisions of the post-term covenant not to solicit;

(l) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and

(m) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 12.

13. NON-COMPETE AND NO SOLICITATION.

13.1 Non-Compete.

(a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly offer real estate agency or brokerage services except in the provision of such services through the Franchised Business.

(b) **Post-Term.** You will not, for a period of two years after expiration or termination of this Agreement, or a sale or assignment of the Franchised Business, in the Territory or within fifty (50) miles of the boundaries of the Territory or another Territory franchised by us and in operation at that time, directly or indirectly, for a fee or charge, offer real estate brokerage services.

13.2 No Solicitation. You will not, for a period of two years after expiration or termination of this Agreement, in the Territory or within fifty (50) miles of the boundaries of the Territory, directly or indirectly solicit the patronage of any client or customer served by your prior Franchised Business or any Agent that provided real estates for your Franchised Business during the last 24 months that you were a franchisee, or such shorter time as you were a franchisee, for the purpose of offering such person or entity, for a fee or charge, real estate agency or brokerage products or services.

13.3 Waiver of Bond. You agree that if we bring suit to enforce Sections 12, 13.1 or 13.2 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

13.4 Severability. If any covenant or provision of Section 13.1 or 13.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

14. ADDITIONAL IN-TERM AND POST-TERM COVENANTS

14.1 Maintenance of Goodwill. You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

14.2 Independent Contractor. You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to

bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

14.3 Indemnity. You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

15. TRANSFER

15.1 Assignment by Us. We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

15.2 Transfer by You. You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 15. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability. For any applicable transfer in this Section 15, you shall sign our then-current amendment, transfer, or release form and pay to use the Transfer and Legal and Administrative Fee specified in Section 4 above.

15.3 Transfer to a Controlled Entity. A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 15.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest.

15.4 Transfer within an Entity. A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 15.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest.

15.5 Conditions for Approval of Transfer. We may condition our approval of any proposed sale or transfer of the Franchised Business or of your interest in this Agreement upon satisfaction of the following occurrences:

- (a) You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;
- (b) You are in full compliance with this Agreement;
- (c) You execute any transfer, amendment, or release forms that we may require;

(d) You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

For a transfer under Section 15.2 above, the following conditions also apply:

(e) The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

(f) The transferee must execute our then-current Franchise Agreement;

(g) You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

(h) The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

(i) You must comply with the post-termination provisions of this Agreement;

(j) The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

(k) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

(l) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

(m) The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

(n) You must request that we provide the prospective transferee with our current franchise disclosure document;

(o) Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

(p) We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

(q) In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

15.6 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

(a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.

(b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or your ownership interest per the terms set forth in the Notice, if you satisfy the conditions in Section 15.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

16. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination. The term "incapacity" means a condition that prevents you from reasonably carrying out your duties under this Agreement.

17. MODIFICATION

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

18. NON-WAIVER OF BREACH

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such term or condition or of either party's right to enforce each and every term and condition of this Agreement.

19. FULL UNDERSTANDING

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

20. GOVERNING LAW

20.1 Choice of Law. This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

20.2 Jurisdiction and Venue. You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, Virginia. However, if you are an Illinois or Maryland resident or your franchise territory is located in Illinois or Maryland, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

20.3 Jury Waiver. In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

20.4 Class Action Waiver. You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

20.5 Punitive Damages Waiver. As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

20.6 Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

20.7 Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

20.8 Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 20.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

20.9 Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”) and split any AAA and mediator fees equally.

20.10 Waiver of bond. You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

20.11 Attorney Fees. If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

20.12 Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Governing Law provisions contained herein.

20.13 Survival. All the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

20.14 Severability Clause. If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

20.15 Area Representatives. If you are or become in a territory under an Area Representative, you agree not to bring any Claims against the Area Representative. If you breach this clause, you agree to reimburse us or the Area Representative for any legal fees and costs incurred in defending such Claims.

21. RELEASE OF PRIOR CLAIMS

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

22. NOTICES

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 1060 Laskin

Rd., Suite 14B, Virginia Beach, VA 23451; Telephone: (757) 504-4636, email: franchise@1stclassagents.com. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

23. ACKNOWLEDGMENTS

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third-party beneficiary to any agreement between us and any other franchisee.

24. GUARANTY

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity’s agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 9, 12-14 and 20 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

[remainder of page intentionally left blank]

Franchisee: _____ Entity Number: _____

Type: _____ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship (“JTROS”), Tenants in Common, Partnership).*

SIGNATORS:

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

1st Class Franchising, LLC

By: _____ Effective Date: _____
Rhyan Finch, CEO

***Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent’s share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

SCHEDULE 1 TO THE FRANCHISE AGREEMENT

Territory

Your Territory shall be as follows:

SCHEDULE 2 TO THE FRANCHISE AGREEMENT

AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination Authorization

Please complete the following with your banking information and attach a voided check:

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize 1st Class Franchising, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either 1st Class Franchising, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 3 TO THE FRANCHISE AGREEMENT

TELEPHONE NUMBER ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT is made between 1st Class Franchising, LLC (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

BACKGROUND

A. The parties are entering into a Franchise Agreement (“Agreement”).

B. As a condition to signing the Franchise Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, and advertisements (collectively “Listings”) relating to your Franchise.

TELEPHONE NUMBER ASSIGNMENT

Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request, (i) take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent, (ii) install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisee agrees that Franchisor may require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

DURABLE POWER OF ATTORNEY

Appointment as Attorney in Fact. For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

Miscellaneous. The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (currently Virginia). All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

FRANCHISEE:

FRANCHISOR: 1st Class Franchising, LLC

By: _____

By: _____
Rhyan Finch, CEO

By: _____

Date: _____

SCHEDULE 4 TO THE FRANCHISE AGREEMENT

RIDER TO LEASE AGREEMENT

Landlord	
Landlord Name:	
Landlord Address:	
Landlord Phone Number:	

Franchisor	
Franchisor Name:	1 st Class Franchising, LLC
Franchisor Address:	1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451
Franchisor Phone Number:	(757) 504-4636

Tenant	
Tenant Name:	
Address of Leased Premises:	
Date of Lease:	

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a 1st Class Real Estate business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord’s approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the “Assumption”), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor's brand, subject to Landlord's approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Agreement Rider or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Lease Premises or any obligation as Tenant under the Lease.

LANDLORD:

By: _____
Name: _____
Title: _____

TENANT:

By: _____
Name: _____
Title: _____

FRANCHISOR:

1st Class Franchising, LLC

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 5 TO THE FRANCHISE AGREEMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT

[Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes__ No__ 2. Do you understand all the information contained in the Franchise Agreement?
- Yes__ No__ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document?
- Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 6. Do you understand the risks of developing and operating this franchise?
- Yes__ No__ 7. Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?
- Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors?
- Yes__ No__ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?

Yes__ No__ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes__ No__ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?*

Yes__ No__ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?*

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any 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.

*All representations requiring prospective franchisees to assent to a release, assignment, novation, or waiver of any person from liability are not intended to nor shall they act as a release, assignment, novation or waiver under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

Name of Applicant (please print)

Signature

Date: _____

Explanation of any negative responses (Refer to Question Number):

SCHEDULE 6

STATE ADDENDA TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is modified to also provide that we defer collection of initial fees until after we have completed our initial obligations to you and the franchise is open for business.
2. Sections 11.2 and 11.3 are deleted and in their place are substituted the following:

11.2 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

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

(f) The franchisee, after curing any failure in accordance with Section 11.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

11.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60-day opportunity to cure, for any other breach of this Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

FRANCHISOR: 1st Class Franchising, LLC

By: _____

By: _____

Rhyan Finch, CEO

By: _____

Date: _____

**HAWAII ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is modified to also provide that we defer the payment of all initial fees paid to us until we have performed all of our pre-opening obligations and you are open for business.

FRANCHISEE:

FRANCHISOR:
1st Class Franchising, LLC

By: _____

By: _____
Rhyan Finch, CEO

By: _____

Date: _____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

By: _____

By: _____

FRANCHISOR:

1st Class Franchising, LLC

By: _____

Rhyan Finch, CEO

Date: _____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

3. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. The Franchise Agreement is modified to also provide: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

FRANCHISOR:

1st Class Franchising, LLC

By:_____

By:_____

Rhyan Finch, CEO

By:_____

Date:_____

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

FRANCHISEE:

By: _____

By: _____

FRANCHISOR:

1st Class Franchising, LLC

By: _____

Rhyan Finch, CEO

Date: _____

**NORTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.
2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. The provision concerning limitation of actions is modified to provide that the statute of limitations under North Dakota Law will apply.
5. The provision concerning mediation is modified to also provide that the site of mediation shall be agreeable to all parties and may not be remote from your place of business.
6. North Dakota law governs any cause of action arising out of the franchise agreement.
7. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

FRANCHISEE:

FRANCHISOR:

1st Class Franchising, LLC

By: _____

By: _____

Ryan Finch, CEO

By: _____

Date: _____

**RHODE ISLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

FRANCHISEE:

By: _____

By: _____

FRANCHISOR:

1st Class Franchising, LLC

By: _____

Rhyan Finch, CEO

Date: _____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

FRANCHISOR:
1st Class Franchising, LLC

By: _____

By: _____
Rhyan Finch, CEO

By: _____

Date: _____

**VIRGINIA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

The Franchise Agreement is modified to also provide as follows: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

“No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

FRANCHISEE:

FRANCHISOR:
1st Class Franchising, LLC

By: _____

By: _____
Rhyan Finch, CEO

By: _____

Date: _____

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The franchise agreement is amended to also provide:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR:

1st Class Franchising, LLC

By: _____

By: _____

Rhyan Finch, CEO

By: _____

Date: _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR: 1st Class Franchising, LLC

By: _____

By: _____
Rhyan Finch, CEO

By: _____

Date: _____

SCHEDULE 7

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is entered into by and between 1st Class Franchising, LLC with its principal offices at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, ("Disclosing Party") and the Receiving Party identified below ("Receiving Party") for the purpose of preventing the unauthorized disclosure of Confidential Information as defined below. The parties agree to enter into a confidential relationship with respect to the disclosure of certain proprietary and confidential information ("Confidential Information").

1. Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall include all non-public information or material that is valuable and not generally known or readily available to third parties, obtained by you from us, including all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, our Operations Manual, our franchisee Training, and any negotiations between the parties.
2. Obligations of Receiving Party. Receiving Party shall hold and maintain the Confidential Information in strictest confidence for the sole and exclusive benefit of the Disclosing Party. Under no circumstances shall any of the Confidential Information be disclosed to any 1st Class Franchising, LLC Franchisees, Employees, Contractors, or Vendors. Receiving Party shall not, without prior written approval of Disclosing Party, use for Receiving Party's own benefit, publish, copy, or otherwise disclose to others, or permit the use by others for their benefit or to the detriment of Disclosing Party, any Confidential Information. Receiving Party shall return to Disclosing Party any and all records, notes, and other written, printed, or tangible materials in its possession pertaining to Confidential Information immediately if Disclosing Party requests it in writing.
3. Time Period. The nondisclosure provisions of this Agreement shall survive the termination of this Agreement and Receiving Party's duty to hold Confidential Information in confidence shall remain in effect until the information at issue is no longer confidential, provided that the information is not made non-confidential as a result of a breach of duty of any person or party to a confidentiality duty.
4. Severability. If a court finds any provision of this Agreement invalid or unenforceable, the remainder of this Agreement shall be interpreted so as best to effect the intent of the parties.

5. Integration. This Agreement expresses the complete understanding of the parties with respect to the subject matter and supersedes all prior proposals, agreements, representations and understandings. This Agreement may not be amended except in a writing signed by both parties.

6. Waiver. The failure to exercise any right provided in this Agreement shall not be a waiver of prior or subsequent rights.

This Agreement and each party's obligations shall be binding on the representatives, assigns and successors of such party. Each party has signed this Agreement through its authorized representative.

Receiving Party: _____

By: _____

Printed Name: _____

Title: _____

Address: _____

Disclosing Party: 1st Class Franchising, LLC

By: _____
Rhyan Finch, CEO

Date: _____

EXHIBIT D
PROMISSORY NOTES

**PROMISSORY NOTE- SOLE PROPRIETORSHIP, JOINT TENANTS,
TENANTS IN COMMON**

\$ _____

Date _____
Virginia Beach, Virginia

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of 1st Class Franchising, LLC ["Holder"] at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of ____ percent (____%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts

as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Signature of Maker

Signature of Maker

Printed Name of Maker

Printed Name of Maker

Home Address:

Home Address:

PROMISSORY NOTE- ENTITY

\$ _____

Date _____
Virginia Beach, Virginia

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of 1st Class Franchising, LLC ["Holder"] at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of ____ percent (____%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Maker: _____
(Enter Name of Entity Here)

By _____

Printed Name: _____

Title: _____

Guarantors:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

EXHIBIT E

RELEASE

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and 1st Class Franchising, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise

Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220..

Franchisee:

1st Class Franchising, LLC

By: _____

By: _____

Rhyan Finch, CEO

Printed Name: _____

Date: _____

Title: _____

EXHIBIT F

CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operating Outlets:

Alabama

1st Class Real Estate Powerhouse: 15563 Hwy. 216, Brookwood, AL 35444 – 205-886-9204

1st Class Real Estate-Wiregrass: 1230 Rucker Blvd., Suite A, Enterprise, AL 36330 - 334-625-6595

1st Class Real Estate South Home Group (Huntsville): 7027 Old Madison Pike NW, Suite 108, Huntsville, AL 35806 - 205-861-5698

1st Class Real Estate Southern Legend Home Group: 11 N Water Street, 10th Floor, Mobile, AL 36602 - 205-799-4274

1st Class Real Estate Capstone: 4244 McFarland Blvd., Northport, AL 35476 - 205-454-9247

1st Class Real Estate Heritage Homes: 13544 Hwy 43 N., Northport, AL 35475 - 205-361-4643

1st Class Real Estate South Home Group (Orange Beach): 4547 Cypress Village Blvd., Orange Beach, AL 36561 - 205-861-5698

1st Class Real Estate Excellence: 1800 Lakewood Dr., Apt. Q10, Phenix City, AL 36867 - 706-681-0544 (Virtual)

1st Class Real Estate South Home Group (Tuscaloosa): 2205 7th Street, Suite A, Tuscaloosa, AL 35401 - 205-861-5698

1st Class Real Estate - Distinctive Home Associates: 2081 Columbiana Road, Suite 4, Vestavia Hills, AL 35216 - 205-454-9465

Arizona

Best Homes Real Estate Central Serviced by 1st Class Real Estate: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

Best Homes Real Estate Central Valley Serviced by 1st Class Real Estate: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

Best Homes Real Estate Prescott Serviced by 1st Class Real Estate: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

Best Homes Real Estate Serviced by 1st Class Real Estate: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660

Best Homes Real Estate Southwest Valley Serviced by 1st Class Real Estate: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

California

1st Class Real Estate SD: 9245 Madison Ave., La Mesa, CA 91941 - 619-384-8163 (Virtual)

1st Class Real Estate Sunnyside: 501 W Broadway, Suite 800, San Diego, CA 92101 - 850-261-3308 (Virtual)

Florida

1st Class Real Estate South Florida: 601 NW 2nd Street, Delray Beach, FL 33444 - 954-802-8818

1st Class Real Estate Capital Ventures: 515 E Las Olas Boulevard, Suite 120, FT Lauderdale, FL 33301 - 954-932-5132 (Virtual)

Southwest Florida Lifestyles, A 1st Class Real Estate Company: 18212 Wildblue Blvd., Fort Myers, FL 33913 – 239-223-7006

1st Class Real Estate - Elevate (FL): 45 Bay Street W., Suite 101, Jacksonville, FL 32202 - 757-675-5717 (Virtual)

1st Class Real Estate Ignite: 13959 Strong Eagle Drive, Jacksonville, FL 32226 - 702-277-7567 (Virtual)

1st Class Real Estate The Main Source: 2353 Silver View Drive, Lakeland, FL. 33811 - 757-390-9099 (Virtual)

1st Class Real Estate White Sands: 8823 Little Cormorant Ln., Navarre FL 32566 - 386-400-8429 (Virtual)

1st Class Real Estate Experts: 200 Southeast 1st Avenue, Ocala FL 34471 – 352-361-3220

1st Class Real Estate Pros: 1202 SW 17th St. Suite b201-157, Ocala, FL 34471 - 352-233-5376 (Virtual)

1st Class Real Estate Investment Group Florida: 226 Beechwood Ct., Orange Park, FL 32073 - 912-777-3527 (Virtual)

1st Class Real Estate Premier Group Florida: 12701 S. John Young Parkway, Suite 210, Orlando, FL 32837 – 770-549-9465 (Virtual)

1st Class Real Estate Rosebud Group: 200 Booth Rd., Ormond Beach, FL 32174 - 386-283-8336
(Virtual)

Lifestyle Realty Group Powered By 1st Class Real Estate: 1095 N US Highway 1, Suite 3,
Ormond Beach, FL 32174 - 386-951-6565

Reagan Realty Powered by 1st Class Real Estate: 200 Booth Rd., Ormond Beach, FL 32174 –
386-882-6644

1st Class Real Estate Paradise Homes Realty of the Treasure Coast: 3533 Southwest Corporate
Parkway, Palm City, FL 34990 – 772-233-3531

1st Class Real Estate Emerald Coast: 8800 Pine Forest Road, Pensacola, FL 32534 - 937-916-
9880 (Virtual)

1st Class Real Estate Gulf Coast: 4400 Bayou Blvd. #49B, Pensacola, FL 32503
- 850-637-8622

1st Class Real Estate Level Up: 3087 Anderson Snow Rd., Spring Hill, FL 34609 - 352-565-
7727

1st Class Real Estate Coastal Sunset Dreams: 7901 4th St. N., Suite 300, St. Petersburg, FL
33702 – 623-282-1508 (Virtual)

1st Class Real Estate Gulf to Bay: 1600 E 8th Ave., #A200, Tampa, FL 33605 - 813-856-9502

1st Class Real Estate Hunter Group: 1925 Monks Ct., West Palm Beach, FL 33415 - 561-541-
8811 (Virtual)

Georgia

1st Class Real Estate Platinum: 110 East Clayton Street, Suite 204, Athens, GA 30601 - 404-
398-1323

1st Class Real Estate Crimson: 3343 Peachtree Rd NE., Suite 145-2019, Atlanta, GA 30326 -
888-979-2737 (Virtual)

1st Class Real Estate Excellence: 1435 54th St., Unit C, Columbus, GA 31904 – 706-681-0544

1st Class Real Estate Lanier Group: 2110 Dawson Circle, Dawsonville, GA 30534 - 404-775-
6797 (Virtual)

1st Class Real Estate Elite: 4715 Beacon Ridge Lane, Flowery Branch, GA 30542 - 470-774-
0269 (Virtual)

1st Class Real Estate Performance Group: 6072 Reynolds Circle, Grovetown, GA 30813 - 706-
726-5829 (Virtual)

1st Class Real Estate Peachtree Properties: 108 Farnsworth Trl., Hinesville, GA. 31313 - 714-235-6116 (Virtual)

1st Class Real Estate Georgia South: 1010 East King Avenue, Suite C, Kingsland, GA 31548 - 912-438-5900

1st Class Real Estate Cornerstone Group: 155 Westridge Pkwy., Ste. 304, McDonough, GA 30253 - 678-855-3736

1st Class Real Estate - Elevate (GA): 2705 Osborne Rd, Suite B, St. Mary's, GA 31558 - 800-348-2698

1st Class Real Estate Premier Group: 145 Howell Road, Ste. B, Tyrone, GA 30290 – 770-549-9465

1st Class Real Estate Investment Group: 6555 Abercorn Street, Suite 228C, Savannah, GA 31405 - 912-777-3527

Illinois

1st Class Real Estate Great Lakes: 1718 Castle Ct., Elgin, IL 60120 - 630-273-7363 (Virtual)

1st Class Real Estate Midwest: 1000 Jorie Blvd., STE 150, Oak Brook, IL 60523 - 773 552 0448 (Virtual)

Louisiana

1st Class Real Estate Greater Capital Area: 48274 Amite River Rd., St. Amant, LA 70774 - 225-939-6686 (Virtual)

Missouri

1st Class Real Estate KC: 317 West Kansas Ave., Independence, MO 64050 - 480-848-7881

North Carolina

RealVisions Realty Team Powered by 1st Class Real Estate (Moyock): 112-A Currituck Commercial Dr., Moyock, NC 27958 – 757-589-4125

Signature Homes, A 1st Class Real Estate Company: 257 Caratoke Hwy., Unit F, Moyock NC 27958 - 757-753-0452

1st Class Real Estate Legacy Partners: 4242 Six Forks Road, Suite 1550, Raleigh, NC, 27609 - 833-289-2723 (Virtual)

1st Class Real Estate Partners: 555 Fayetteville Street, Suite 201, Raleigh NC 27601 - 910-778-6223

1st Class Real Estate Triangle East: 1151 Falls Road, Suite 2034, Rocky Mount, NC 27804 - 919-924-0777

1st Class Real Estate - Elevate (NC): TBD - 800-348-2698 (Virtual)

Nevada

1st Class Real Estate Vegas Homes: 221 N Buffalo Ave., Ste. A, Las Vegas, NV 89145 - 702-874-8555

New York

1st Class Real Estate - Thin Line Realty (NY): 150 Veterans Memorial Hwy., Unit 288, Commack, NY 11725 - 877-778-0321 (Virtual)

Ohio

1st Class Real Estate Precision: 8579 Mason Montgomery Rd., Ste. 1 Mason, Ohio 45040 - 513-204-9376

South Carolina

1st Class Real Estate Ardent Keystone: 136-4 Forum Drive, Suite 209, Columbia, SC 29229 - 803-887-5020

1st Class Real Estate - Focal Point: 355 S Main St 1st and 2nd Floor, Greenville SC 29601 - 864-399-8333 (Virtual)

Tennessee

1st Class Real Estate Advisors: 86E North Star Drive, Jackson, TN 38305 - 731-207-8060

Texas

1st Class Real Estate Next Generation: 4425 Plano Parkway, Carrollton, TX 75010 - 469-758-0012

1st Class Real Estate - Elevate (TX): 14450 FM 2100, Ste. A249, Crosby, TX 77532 - 800-348-2698 (Virtual)

1st Class Real Estate VIP Experience: 302 N Houston Ave., Suite 100, Humble, TX 77338 - 832-372-1433

1st Class Real Estate Luxury Living: 250 Assay St., Suite 300-326, Houston, TX 77044 - 832-319-4336 (Virtual)

Virginia

1st Class Real Estate Premier Homes: 10469 Atlee Station Rd., Unit 100, Ashland, VA 23005 - 804-500-6885

1st Class Real Estate 7 Cities: 1545 Crossways Blvd., Ste. 250, Chesapeake, VA 23320 - 757-916-7566 (Virtual)

1st Class Real Estate Integrity: 644 Independence Pkwy., Chesapeake, VA 23320 – 757-572-8611

1st Class Real Estate Mid-Atlantic: 1020 Smokey Mountain Trail, Chesapeake, VA 23320 - 770-596-2696 (Virtual)

RealVisions Realty Team Powered By 1st Class Real Estate (Chesapeake): 1320 Kempsville Road, Chesapeake, VA 23320 – 757-589-4125

1st Class Real Estate Riverside: 209 N. College Dr., Franklin, VA 23851 – 757-651-0007

15 West Homes Serviced by 1st Class Real Estate: 15 N King Street, 3rd Floor, Leesburg, VA 20176 – 703-531-7363

1st Class Real Estate Capital City Group: 10112 Peach Blossom Rd. Mechanicsville, VA 23116 - 804-277-9563 (Virtual)

1st Class Real Estate Coastal Breeze: 566 Denbigh Blvd., Ste. B, Newport News, VA 23608 – 757-872-2122

1st Class Real Estate Signature Properties: 3841 E Little Creek Road, Suite B, Norfolk, VA 23518 – 757-746-0777

1st Class Real Estate RVA - 10800 Midlothian Turnpike, Suite 140, Richmond, VA 23235 - 804-398-1120

1st Class Real Estate Barn Door Homes: 4100 Bluebill Drive, Suffolk VA 23435 – 501-580-2546

1st Class Real Estate Mid-Atlantic: 1732 Freeman Mill Rd., Suffolk, VA 23438 – 501-580-2546 (Virtual)

1st Class Real Estate Blueprint: 2540 Virginia Beach Blvd, Virginia Beach, VA 23452 - 757-563-3666 (Virtual)

1st Class Real Estate Dream Homes: 1 Columbus Center, Suite 600, Virginia Beach, VA 23462 - 757-354-1603 (Virtual)

1st Class Real Estate - Elevate (VA): 4917 Rustic Arbor Way, Virginia Beach, VA 23455 - 800-348-2698 (Virtual)

1st Class Real Estate Flagship: 513 19th Street, Virginia Beach, VA 23451 - 757-553-8843

1st Class Real Estate Norfolk: 5601 Virginia Beach Blvd., Suite 102, Virginia Beach, VA 23462 – 757-439-6016

1st Class Real Estate Realized Dreams: 249 Central Park Ave., # 300-71, Virginia Beach, VA 23462 – 757-285-3545 (Virtual)

Coastal Concierge Group Powered by 1st Class Real Estate: 4099 Foxwood Drive, Suite 200, Virginia Beach, VA 23462 - 757-276-1406

Legacy Real Estate Group Powered by 1st Class Real Estate: 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451 – 757-469-5275 (Virtual)

Signature Homes, A 1st Class Real Estate Company: 249 Central Park Ave., Ste. 300, Virginia Beach VA 23462 - 757-753-0452 (Virtual – additional MLS)

1st Class Real Estate - SII Real Estate: 8231 Natures Way, Williamsburg VA 23188 - 757-775-2335 (Virtual)

1st Class Real Estate – Reserve: 2900 Hampton Hwy., Suite 13A, Yorktown, VA 23693 – 586-855-4080 (Virtual)

Wisconsin 1

1st Class Real Estate Impact: 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2021):

Florida

1st Class Real Estate Distinctive Home Associates (FL): TBD - Inlet Beach, FL - 205-454-9465 (Virtual)

1st Class Real Estate - Legacy Group: 210 Canterclub Trl., Longwood, FL 32779 – 407-399-7914 (Virtual)

1st Class Real Estate South Home Group (FL): 495 Grand Blvd., Sandestin, Miramar Beach, FL 32550 – 205-534-3152 (Virtual)

Illinois

1st Class Real Estate Impact (IL): 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953
(Virtual)

Minnesota

1st Class Real Estate Impact (MN): 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953 (Virtual)

New Jersey

1st Class Real Estate - Thin Line Realty (NJ): 150 Veterans Memorial Hwy, Unit 288,
Commack, NY 11725 - 877-778-0321 (Virtual)

Virginia

1st Class Real Estate - Gardner & Associates: 6940 S Kings Hwy #207, Alexandria, VA 22310 –
386-316-9261

1st Class Real Estate 360: 10469 Altlee Station Rd Ashland, VA 23005 - 804-370-2390 (Virtual)

1st Class Real Estate - The Wright Way Home: 733 Thimble Shoals Blvd., Ste. 170, Newport
News, VA 23606 - 757-782- 4600

EXHIBIT G

FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, canceled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

1st Class Real Estate Ocala - 1st Class Real Estate Experts

Carl Lenz
603 E. Ft. King Street,
Ocala, FL 34471
(Transfer)

1st Class Real Estate South Home Group

SHG Properties, LLC
495 Grand Blvd.,
Sandestin Miramar Beach, FL
32550 – 205-534-3152
(Transfer)

1st Class Real Estate Performance Group

Black Diamond Investment LLC
6072 Reynolds Circle,
Grovetown, GA 30813
706-726-5829
(Transfer)

1st Class Real Estate Partners

Transactease, LLC
101 Anniston Court
Cary, NC 27519
27601 - 770-549-9465
(Transfer)

1st Class Real Estate Partners

Brave Realty, LLC
555 Fayetteville Street,
Raleigh, NC
27601 - 910-778-6223
(Transfer)

1st Class Real Estate Thin Line Realty (NY)

Thin Line Realty USA Inc.
150 Veterans Memorial Hwy., Unit 288,
Commack, NY
11725 – 877-778-0321
(Transfer)

1st Class Real Estate Thin Line Realty (NY)
Thin Line Realty USA Inc.
150 Veterans Memorial Hwy., Unit 288,
Commack, NY
11725 – 877-778-0321
(Transfer and intends to relocate)

1st Class Real Estate Ardent Keystone - 1st Class Real Estate Black Diamond
Commodity Money Homes, LLC
136-4 Forum Drive, suite 209,
Columbia, SC 29229
803-887-5020
(Transfer)

EXHIBIT H

Financial Statements

The following statement applies to the unaudited portion of the financial statements which follow:

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

1st Class Franchising, LLC

Balance Sheet

As of February 28, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Allocation Savings - TB (7083)	0.00
Operating - Southern (3866)	78,690.15
Operating - TB (1389)	0.00
Profit Savings - TB (5659)	0.00
Savings - Southern (0891)	0.00
Total Bank Accounts	\$78,690.15
Accounts Receivable	
Accounts Receivable (A/R)	35,178.34
Total Accounts Receivable	\$35,178.34
Other Current Assets	
Accounts Receivable - CPA Adj	-6,433.07
Area Rep Loan Receivables	0.00
Buddy, AL, Sal - AR Loan	0.00
Chris Arthur AR Loan	50,000.00
Chris Stitt AR Loan	25,090.87
Jeremy Huber AR Loan	35,018.02
Joshua Smith AR Loan	50,000.00
Nadia Arnac AR Loan	13,758.75
Phil Duke AR Loan	0.00
Tim Ekelund AR Loan	7,426.26
Total Area Rep Loan Receivables	181,293.90
Franchise Loan Receivables	
2000.6 1CRE Integrity	0.00
2001.1 Legacy Franchise Loan	5,000.00
2009.1 Impact Franchise Loan	0.00
2010.1 SWFL Franchise Loan	0.00
2011.1 Georgia South Franchise Loan	0.00
2012.1 Vegas Homes Franchise Loan	488.41
2014.1 Partners Franchise Loan	0.00
2015.1 Emerald Coast Franchise Loan	6,970.00
2016.1 Sunnyside Franchise Loan	6,970.00
2017.1 Coastal Concierge Franchise Loan	10,768.37
2018.1 1CRE KC Franchise Loan	0.00
2018.2 1CRE Crossroads Franchise Loan	0.00
2019.1 1CRE Triangle East	0.00
2021.1 Signature Properties Franchise Loan	2,234.72
2022.1 Blueprint Franchise Loan	15,000.00
2024.1 Luxury Living Franchise Loan	0.00
2025.1 Elite Franchise Receivable	0.00
2026.1 7 Cities Franchise Loan	0.00
2028.1 Realized Dreams Franchise Loan	12,453.00

	TOTAL
2030.1 Rosebud Group Franchise Loan	0.00
2035.1 1CRE Platinum Franchise Loan	0.00
2036.1 1CRE Tuskalooosa Franchise Loan	0.00
2038.1 1CRE Cornerstone Franchise Loan	0.00
2039.1 1CRE Ignite Franchise Loan	13,705.00
2040.1 1CRE Premier Homes Franchise Loan	0.00
2042.1 1CRE Ardent Keystone Franchise Loan	0.00
2043.1 1CRE Performance Group Franchise Loan	0.00
2044.1 1CRE VIP Experience Franchise Loan	22,388.17
2045.1 1CRE Great Lakes Franchise Loan	0.00
2046.1 1CRE Capital Ventures Franchise Loan	20,963.83
2048.1 1CRE Barn Door Homes Franchise Loan	0.00
2049.1 1CRE Peachtree Properties Franchise Loan	0.00
2051.1 1CRE Level Up Franchise Loan	0.00
2052.1 1CRE South Home Group Franchise Loan	0.00
2052.2 1CRE South Home Group (Huntersville) Franchise Loan	0.00
2053.1 1CRE The Wright Way Home Franchise Loan	-554.66
2054.1 1CRE White Sands Franchise Loan	0.00
2055.1 1CRE Southern Legend Home Group Franchise Loan	0.00
2056.1 1CRE - Distinctive Home Associates Franchise Loan	0.00
2056.2 1CRE - Distinctive Home Associates (FL) Franchise Loan	0.00
2059.1 1CRE - SII Franchise Loan	9,781.46
2061.1 1CRE Heritage Homes Franchise Loan	0.00
2062.1 1CRE All Ways Home Franchise Loan	11,737.79
2063.1 1CRE Greater Capital Area Franchise Loan	0.00
2067.1 1CRE Dream Homes Franchise Loan	0.00
2072.1 1CRE SHG (FL) Franchise Loan	2,988.98
2078.1 1CRE-Focal Point Franchise Loan	8,876.65
2079.1 1CRE Midwest Franchise Loan	13,944.89
2080.1 1CRE - Gardner & Associates Franchise Loan	19,535.71
Total Franchise Loan Receivables	183,252.32
Prepaid Expenses	27,064.66
Undeposited Funds	0.00
Total Other Current Assets	\$385,177.81
Total Current Assets	\$499,046.30
TOTAL ASSETS	\$499,046.30
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	0.00
Total Accounts Payable	\$0.00
Credit Cards	
American Express	12,101.54
Total Credit Cards	\$12,101.54
Other Current Liabilities	
HSA Payable	0.00
Other Current Liabilities	0.00
Unearned Income	1,888,797.54

	TOTAL
Total Other Current Liabilities	\$1,888,797.54
Total Current Liabilities	\$1,900,899.08
Long-Term Liabilities	
Returned ACH Clearing Account	0.00
Total Long-Term Liabilities	\$0.00
Total Liabilities	\$1,900,899.08
Equity	
Retained Earnings	-1,238,524.41
Shareholder Distributions	-88,435.84
Shareholder Equity	-147,906.06
Net Income	73,013.53
Total Equity	\$ -1,401,852.78
TOTAL LIABILITIES AND EQUITY	\$499,046.30

1st Class Franchising, LLC

Profit and Loss

January - February, 2023

	TOTAL
Income	
Additional Income	
Core Present Fees	500.00
HR & Payroll	2,000.00
Late Fee Income	1,925.99
LMS Services	100.00
Manual Payment Fees	226.64
NSF Fee Income	1,400.00
Property Management Services	0.00
Services	9,500.00
Total Additional Income	15,652.63
AR Fees Income	
AR Monthly Fee	6,107.03
AR Payoff	0.00
AR Promissory Interest Income	1,397.57
Total AR Fees Income	7,504.60
Client Care Appointments	
Recruiting Appointment	0.00
Total Client Care Appointments	0.00
Franchise Fees Income	
Accounting Income	500.00
Commonwealth Payroll	12,050.00
Erin Leigh	17,950.00
Total Accounting Income	30,500.00
Additional Accounts	
Brokermint Additional Accounts	260.00
Email Additional Accounts	960.00
KV Core Access	250.00
MLS Fees	66.00
Perfect Storm Access	50.00
Salesforce Additional Account	100.00
Total Additional Accounts	1,686.00
Agent Monthly Tech Fee	133,650.00
Agent Websites	1,650.00
BOA/Listing Services	3,451.61
Closed Transaction Fees	116,100.00
Closing Coordination Fees	30,400.00
Closings Penalty	13,750.00
Franchise Sales Income	
Monthly Unit Fee	9,006.17
Unit Initial Training Fee	1,900.00
Unit Promissory Interest Income	3,174.09
Total Franchise Sales Income	14,080.26

	TOTAL
Total Franchise Fees Income	345,267.87
Incoming Raw Leads	0.00
Marketing Income	1,765.69
Seller Raw Leads Program	0.00
Total Income	\$370,190.79
GROSS PROFIT	\$370,190.79
Expenses	
Accounting & Legal Fees	
Accounting Fees	3,032.90
Bank & Check Fees	98.58
Legal & Professional Services	3,493.40
Total Accounting & Legal Fees	6,624.88
Accounting Services Referral Fees	
Commonwealth Payroll	9,325.00
Erin Leigh	15,085.00
Total Accounting Services Referral Fees	24,410.00
Advertising & Marketing	1,861.82
Area Rep Commission Fees	
Accounting Services	1,397.50
Area Rep Franchise Fee Split	1,571.97
Closed Transaction Fees	32,475.00
Closing Coordination Fee	1,020.00
Closings Penalty	5,025.00
Franchisee Franchise Fee Split	0.00
Monthly Tech Fee	7,820.00
Total Area Rep Commission Fees	49,309.47
BOA Services Referral Fees	2,416.00
Charity	1,000.00
Employee Benefits	
AFLAC Insurance	-0.20
Dental Insurance	70.24
Health Insurance	0.00
Vision Insurance	0.00
Workmans Comp	226.32
Total Employee Benefits	296.36
Employee Payrolls	
Closing Coordinators	20,016.13
Commonwealth Payroll	860.09
Franchise Development	20,254.71
Franchise Operations	34,010.04
Franchise Support	26,893.62
Marketing Director	11,132.32
Owners Salary	22,520.79
Staff Payroll	0.00
VP of Franchise Sales	0.00
Total Employee Payrolls	135,687.70
Franchise Event	10,607.21
General Liability	12.00
Operating Expenses	

	TOTAL
Cox Cable/Internet/Phones	845.17
Culture Events/Gifts	152.03
Janitorial	400.00
Meals & Entertainment	261.98
Office Supplies & Software	856.16
Postage	72.18
Rent & Lease	5,601.99
Repairs & Maintenance	2,663.60
Utilities	460.36
Total Operating Expenses	11,313.47
Payroll & HR Services Referral Fees	1,400.00
Raw Leads Department	
Social Media Ads	747.48
Total Raw Leads Department	747.48
Referral Fees	2,500.94
Software Expense	
Brokermint	510.00
Development	8,705.00
Formstack	438.64
Google Suite	8,091.34
KVCORE/Inside Real Estate	16,746.00
Perfect Storm	678.00
Promo Republic	506.00
QuickBooks Payments Fees	262.18
Salesforce Licenses	855.00
Software General Expense	923.42
Websites	1,331.02
Total Software Expense	39,046.60
Swag Store Products	
Marketing Materials	3,408.30
Total Swag Store Products	3,408.30
Travel	6,535.03
Total Expenses	\$297,177.26
NET OPERATING INCOME	\$73,013.53
NET INCOME	\$73,013.53

1ST CLASS FRANCHISING, LLC

VIRGINIA BEACH, VIRGINIA

DECEMBER 31, 2022 AND 2021



1ST CLASS FRANCHISING, LLC

**FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
1st Class Franchising, LLC
Virginia Beach, Virginia

We have audited the accompanying financial statements of 1st Class Franchising, LLC (a Virginia limited liability corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1st Class Franchising, LLC as of December 31, 2022 and 2021 and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1st Class Franchising, 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 this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is 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 1st Class Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1st Class Franchising, 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 1st Class Franchising, 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.

Barnes, Brock, Cornwall & Painter PLLC

Chesapeake, Virginia
March 22, 2023

1ST CLASS FRANCHISING, LLC

**BALANCE SHEETS
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 88,180	\$ 242,039
Accounts receivable	22,739	17,944
Notes receivable, current	105,062	212,532
Prepaid expenses	27,065	28,669
Total current assets	\$ 243,046	\$ 501,184
OTHER ASSETS		
Notes receivable, long-term	264,353	702,988
TOTAL ASSETS	\$ 507,399	\$ 1,204,172
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 849	\$ 7,529
Deferred revenue, current	408,339	277,750
Total current liabilities	\$ 409,188	\$ 285,279
LONG TERM LIABILITIES - Deferred revenue	1,484,641	1,189,177
Total liabilities	\$ 1,893,829	\$ 1,474,456
MEMBERS' EQUITY (DEFICIT)	(1,386,430)	(270,284)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	\$ 507,399	\$ 1,204,172

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

1ST CLASS FRANCHISING, LLC

**STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
OPERATING REVENUE		
Franchise fees	\$ 2,270,818	\$ 1,571,532
Operation revenue	307,040	80,876
TOTAL OPERATING REVENUE	\$ 2,577,858	\$ 1,652,408
OPERATING EXPENSES		
Salaries and related expenses	\$ 660,561	\$ 517,665
Franchise fees	570,735	305,511
Bad debt	23,332	-
Software expense	604,287	271,090
Closing coordinators	145,733	134,563
Rent expense	76,457	89,316
Office expense	40,880	49,252
Travel expense	5,968	43,915
Marketing	34,727	41,403
Accounting and legal fees	58,836	38,401
Referral fees	187,681	20,875
Client care expense	13,440	20,401
Repairs and maintenance	13,841	13,539
Donations	4,712	10,614
Taxes and license	6,430	2,000
Insurance	32,123	596
TOTAL OPERATING EXPENSES	\$ 2,479,743	\$ 1,559,141
Net income before other income and expenses	\$ 98,115	\$ 93,267
OTHER INCOME		
Interest income	\$ 51,636	\$ 81,666
Loss on transfer	(82,597)	-
Other income	-	2,604
TOTAL OTHER INCOME	\$ (30,961)	\$ 84,270
NET INCOME	\$ 67,154	\$ 177,537
MEMBERS' EQUITY (DEFICIT) - Beginning of the year	(270,284)	(129,146)
MEMBERS' DISTRIBUTIONS	(1,183,300)	(318,675)
MEMBERS' EQUITY (DEFICIT) - End of the year	\$ (1,386,430)	\$ (270,284)

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

1ST CLASS FRANCHISING, LLC

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 67,154	\$ 177,537
Adjustments to reconcile net income to net cash provided by operating and other activities		
Increase in accounts receivable	(4,795)	(14,084)
(Increase) decrease in prepaid expenses	1,604	(21,299)
Decrease in accounts payable	(6,680)	(6,708)
Increase in deferred revenue	426,053	471,435
	\$ 483,336	\$ 606,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on notes receivable	\$ (139,977)	\$ (194,062)
Sale of notes receivable	686,082	-
	\$ 546,105	\$ (194,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	\$ -	\$ (18,500)
Members' distributions	(1,183,300)	(318,675)
	\$ (1,183,300)	\$ (337,175)
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (153,859)	\$ 75,644
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	242,039	166,395
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 88,180	\$ 242,039

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

1ST CLASS FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

1st Class Franchising, LLC (the "Company") is a limited liability corporation, formed in July 2018 under the laws of the Commonwealth of Virginia. The Company is a franchisor engaged in the business of franchising real estate offices at locations throughout the United States. The Company sells franchises and provides training and support services in connection with the operation of a 1st Class Real Estate franchised outlet to its franchisees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting income is recognized when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

Under the provision of the Internal Revenue Code and applicable state laws, the Company is not directly subject to income taxes; the results of its operations are includable in the tax returns of its members. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2022 and 2021, the Company had demand deposits on hand in financial institutions which exceeded FDIC amounts by \$0 and \$13,976, respectively.

Estimates

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

Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

1ST CLASS FRANCHISING, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2022 and 2021. Bad debt expense for the years ended December 31, 2022 and 2021 was \$6,433 and \$0, respectively.

Advertising

Advertising costs are expensed as incurred. During the years ending December 31, 2022 and 2021 the Company incurred marketing expenses of \$34,727 and \$41,403, respectively.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU simplifies the identification of certain performance obligations in franchise license agreements allowing franchisors to account for pre-opening services as distinct from the franchise license and recognize these services as a single performance obligation. The Company adopted the new standard effective January 1, 2019 retrospectively.

The company adopted ASU 2021-02 retrospectively starting January 1, 2019 the same date FASB ASC 606 was adopted. Revenue from sales of an individual franchise is recognized, net of an allowance for doubtful accounts, as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise or area representative agreement.

Franchise agreements

The Company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of the sales. Under this agreement, franchisees are granted the right to operate a real estate agency using the Company's system for a specified number of years.

The Company's area representative agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon the number of franchises sold. Under this agreement, the area representative is granted the right to operate an area representative business with the right to sell a specified number of franchise outlets for a specified number of years.

1ST CLASS FRANCHISING, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Equity

As a limited liability company, each member's liability is limited to amounts reflected in their respective member accounts.

Under the terms of the limited liability company operating agreement, the Company will continue in perpetuity, if other events of dissolution do not occur.

NOTE 3 - NOTES RECEIVABLE

Notes receivable are due from the franchisee for a portion of the original startup franchise fees and a portion of the area representative fees. The notes are collateralized by the borrower's franchise agreement and is personally guaranteed by the franchise owner. The notes have a 5-year term, bear interest at a rate of 12.00% per annum and are payable monthly.

Notes receivable are made up of the following as of December 31, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 105,062	\$ 212,532
Receivable in one to five years	264,353	702,988
	\$ 369,415	\$ 915,520

Reflected in the financial statements as follows:

	2022	2021
Notes receivable, current	\$ 105,062	\$ 212,532
Long-term notes receivable	264,353	702,988
	\$ 369,415	\$ 915,520

Interest income earned on the notes for the years ended December 31, 2022 and 2021 was \$51,636 and \$81,666, respectively. There is no allowance for doubtful accounts deemed necessary at December 31, 2022 or 2021. Bad debt expense for the years ended December 31, 2022 and 2021 was \$16,899 and \$0, respectively.

NOTE 4 - DEFERRED REVENUE

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606") as adjusted by ASU 2021-02 deferred revenue represents the initial franchise fee and area representative fee, net of amounts earned based on allowable direct services, as deferred revenues, to be allocated over the length of the franchise agreement and will be recognized as follows:

Current Liabilities	
2023	\$ 408,339
Long term liabilities	
2024	401,072
2025	367,909
2026	246,516
2027	150,211
Thereafter	318,933
	\$ 1,484,641

See independent auditor's report. Notes continued on next page.

1ST CLASS FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 - LEASE

The Company leases its office space for monthly payments of \$7,225. Rent increased 2% on June 1st. The lease expired December 14, 2022 and was not renewed.

On October 1, 2022, the Company entered into a new operating lease agreement for the office space with an unrelated party. Rent on the lease is \$1,602 per month and is renewable annually.

The Company also pays \$4,000-a-month to rent additional space from a related party. There is no formal lease agreement for this arrangement, nor an enforceable obligation to pay. Rent expense incurred for the years ended December 31, 2022 and 2021 was \$76,457 and \$89,316, respectively.

Future minimum lease payments are as follows:

2023	<u>\$ 14,418</u>
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NOTE 6 - RELATED PARTY TRANSACTIONS

During 2022, the Company sold 31 separate notes receivable to a company in which the majority owner of the Company exercises significant influence. The total face value of these notes was \$765,704 and were sold at a discount totaling \$79,621.

During 2022, the Company began leasing additional space at \$4,000 per month from another company controlled by the majority owner of the Company. There is no formal lease for this arrangement, nor an enforceable obligation to pay. Total rent paid to the related party during the years ended December 31, 2022 and 2021 was \$4,000 and \$0, respectively.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 22, 2023, which is the date the financial statements were available to be issued. No events have occurred subsequent to March 22, 2023 that would require adjustment to, or disclosure in, the financial statements.

1ST CLASS FRANCHISING, LLC

VIRGINIA BEACH, VIRGINIA

DECEMBER 31, 2021 AND 2020



1ST CLASS FRANCHISING, LLC

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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Financial Statements:	
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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
1st Class Franchising, LLC
Virginia Beach, Virginia

We have audited the accompanying financial statements of 1st Class Franchising, LLC (a Virginia limited liability corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1st Class Franchising, LLC as of December 31, 2021 and 2020 and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1st Class Franchising, 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 this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is 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 1st Class Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1st Class Franchising, 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 1st Class Franchising, 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.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, Virginia
March 24, 2022

1ST CLASS FRANCHISING, LLC

**BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash	\$ 242,039	\$ 166,395
Accounts receivable	17,944	3,860
Notes receivable, current	212,532	151,550
Prepaid expenses	28,669	7,370
Total current assets	\$ 501,184	\$ 329,175
OTHER ASSETS		
Notes receivable, long-term	702,988	569,908
TOTAL ASSETS	\$ 1,204,172	\$ 899,083
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 7,529	\$ 14,237
Deferred revenue, current	277,750	162,750
Accounts payable-related party	-	18,500
Total current liabilities	\$ 285,279	\$ 195,487
LONG TERM LIABILITIES - Deferred revenue	1,189,177	832,742
Total liabilities	\$ 1,474,456	\$ 1,028,229
MEMBERS' EQUITY (DEFICIT)	(270,284)	(129,146)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	\$ 1,204,172	\$ 899,083

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

1ST CLASS FRANCHISING, LLC

**STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING REVENUE		
Franchise fees	\$ 1,571,532	\$ 874,552
Operation revenue	80,876	62,653
TOTAL OPERATING REVENUE	\$ 1,652,408	\$ 937,205
OPERATING EXPENSES		
Salaries and related expenses	\$ 517,665	\$ 281,106
Franchise fees	305,511	74,414
Software expense	271,090	192,582
Closing coordinators	134,563	93,504
Rent expense	89,316	87,712
Office expense	49,252	45,027
Travel expense	43,915	4,709
Marketing	41,403	73,481
Accounting and legal fees	38,401	31,510
Referral fees	20,875	-
Client care expense	20,401	56,958
Repairs and maintenance	13,539	-
Donations	10,614	4,574
Taxes and license	2,000	2,160
Insurance	596	-
Onboarding department	-	32,365
TOTAL OPERATING EXPENSES	\$ 1,559,141	\$ 980,102
Net income (loss) before other income and expenses	\$ 93,267	\$ (42,897)
OTHER INCOME		
PPP loan forgiveness income	\$ -	\$ 85,500
Interest income	81,666	26,556
Other income	2,604	-
TOTAL OTHER INCOME	\$ 84,270	\$ 112,056
NET INCOME	\$ 177,537	\$ 69,159
MEMBERS' EQUITY (DEFICIT) - Beginning of the year	(129,146)	12,604
MEMBERS' DISTRIBUTIONS	(318,675)	(210,909)
MEMBERS' EQUITY (DEFICIT) - End of the year	\$ (270,284)	\$ (129,146)

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

1ST CLASS FRANCHISING, LLC

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 177,537	\$ 69,159
Adjustments to reconcile net income to net cash provided by operating and other activities		
(Increase) decrease in accounts receivable	(14,084)	11,313
Increase in prepaid expenses	(21,299)	(7,370)
Increase (decrease) in accounts payable	(6,708)	1,665
Increase in deferred revenue	471,435	955,492
	<u>\$ 606,881</u>	<u>\$ 1,030,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on notes receivable	\$ (194,062)	\$ (681,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	\$ (18,500)	\$ 18,500
Members' distributions	(318,675)	(210,909)
	<u>\$ (337,175)</u>	<u>\$ (192,409)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	<u>\$ 75,644</u>	<u>\$ 156,392</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>166,395</u>	<u>10,003</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 242,039</u></u>	<u><u>\$ 166,395</u></u>

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

1ST CLASS FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

1st Class Franchising, LLC (the "Company") is a limited liability corporation, formed in July 2018 under the laws of the Commonwealth of Virginia. The Company is a franchisor engaged in the business of franchising real estate offices at locations throughout the United States. The Company sells franchises and provides training and support services in connection with the operation of a 1st Class Real Estate franchised outlet to its franchisees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting income is recognized when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

Under the provision of the Internal Revenue Code and applicable state laws, the Company is not directly subject to income taxes; the results of its operations are includable in the tax returns of its members. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2021 and 2020, the Company had demand deposits on hand in financial institutions which exceeded FDIC amounts by \$13,976 and \$0, respectively.

Estimates

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

Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

1ST CLASS FRANCHISING, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred. During the years ending December 31, 2021 and 2020 the Company incurred marketing expenses of \$41,403 and \$73,481, respectively.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU simplifies the identification of certain performance obligations in franchise license agreements allowing franchisors to account for pre-opening services as distinct from the franchise license and recognize these services as a single performance obligation. The Company adopted the new standard effective January 1, 2019 retrospectively.

The company adopted ASU 2021-02 retrospectively starting January 1, 2019 the same date FASB ASC 606 was adopted. Revenue from sales of an individual franchise is recognized, net of an allowance for doubtful accounts, as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise or area representative agreement.

Franchise agreements

The Company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of the sales. Under this agreement, franchisees are granted the right to operate a real estate agency using the Company's system for a specified number of years.

The Company's area representative agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon the number of franchises sold. Under this agreement, the area representative is granted the right to operate an area representative business with the right to sell a specified number of franchise outlets for a specified number of years.

1ST CLASS FRANCHISING, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Equity

As a limited liability company, each members' liability is limited to amounts reflected in their respective member accounts.

Under the terms of the limited liability company operating agreement, the Company will continue in perpetuity, if other events of dissolution do not occur.

NOTE 3 - NOTES RECEIVABLE

Notes receivable are due from the franchisee for a portion of the original startup franchise fees and a portion of the area representative fees. The notes are collateralized by the borrower's franchise agreement and is personally guaranteed by the franchise owner. The notes have a 5-year term, bear interest at a rate of 12.00% per annum and are payable monthly.

Notes receivable are made up of the following as of December 31, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 212,532	\$ 151,550
Receivable in one to five years	702,988	569,908
	\$ 915,520	\$ 721,458

Reflected in the financial statements as follows:

	2021	2020
Notes receivable, current	\$ 212,532	\$ 151,550
Long-term notes receivable	702,988	569,908
	\$ 915,520	\$ 721,458

Interest income earned on the notes for the years ended December 31, 2021 and 2020 was \$81,666 and \$26,556, respectively. There is no allowance for doubtful accounts deemed necessary at December 31, 2021 or 2020.

NOTE 4 - DEFERRED REVENUE

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606") as adjusted by ASU 2021-02 deferred revenue represents the initial franchise fee and area representative fee, net of amounts earned based on allowable direct services, as deferred revenues, to be allocated over the length of the franchise agreement and will be recognized as follows:

Current Liabilities	
2022	\$ 277,750
Long term liabilities	
2023	277,750
2024	271,975
2025	236,605
2026	112,783
Thereafter	290,065
	\$ 1,189,177

See independent auditor's report. Notes continued on next page.

1ST CLASS FRANCHISING, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 - LEASE

The Company leases its office space for monthly payments of \$7,225. Rent is scheduled to increase 2% on June 1st. The lease was renewed and is set to run through December 14, 2022. Rent expense incurred for the years ended December 31, 2021 and 2020 was \$89,316 and \$87,712, respectively.

Future minimum lease payments are as follows:

2022	<u>\$ 86,444</u>
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NOTE 6 - NOTES PAYABLE PAYCHECK PROTECTION PROGRAM

In April 2020, 1st Class Franchising, LLC was granted a loan from TowneBank in the amount of \$85,500, pursuant to the Paycheck Protection Program (PPP), under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan, which was in the form of an unsecured Note with an interest rate of 1.00% per annum payable monthly.

In December 2020, the Company's application for forgiveness was approved and the full amount of the PPP loan was recognized as debt forgiveness revenue on the Statement of Activities.

NOTE 7 - RELATED PARTY TRANSACTIONS

Accounts payable-related party is derived from a company with common ownership advancing funds to the Company for working capital purposes. The loan is non-interest bearing and repayable at the discretion of the Company.

NOTE 8 - COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Company has modified operations which did not result in a reduction of revenue. The future effect of this issue is unknown.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 24, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to March 24, 2022 that would require adjustment to, or disclosure in, the financial statements.

EXHIBIT I

TABLE OF CONTENTS OF OPERATIONS MANUAL

Franchise Operations Manual

Table of Contents

Unit 1 - Introduction - 11 Pages

Unit 2 - Setting Up Your Entity and Office Locations - 24 Pages

Unit 3 - Office Procedures - 17 Pages

Unit 3.1 - Office Procedures Appendix - 50 Pages

Unit 4 - Onboarding Agents and Employees - 21 Pages

Unit 5 - Advertising and Marketing - 25 Pages

Unit 6 - Brokermint - 7 Pages

Unit 7 - Salesforce Training and Client Care - 21 Pages

Unit 8 - KV Core Systems Training - 4 Pages

Unit 9- [RESERVED]

Unit 10 - Salesforce Reporting, Dashboards and Cases- 26 Pages

Unit 11 - Coaching & Training - 6 Pages

Unit 12 - Accounting Procedures - 25 Pages

EXHIBIT J
STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**EXHIBIT K
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 1st Class Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we 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.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is 1st Class Franchising, LLC located at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451. Its telephone number is (757) 504-4636.

Issuance Date: April 5, 2023

The franchise seller for this offering is:

X	Rhyan Finch, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
X	Herbert ("Buddy") Buchner, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
X	Dora Cuyler, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
X	George Bunch, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
X	Mark Forster, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated April 5, 2023 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
 - Schedule 1-Franchise Elections
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number Assignment
 - Schedule 4-Rider to Lease Agreement
 - Schedule 5-Franchisee Disclosure Acknowledgment
 - Schedule 6-State Addenda to the Franchise Agreement
 - Schedule 7-Confidentiality Agreement
- D. Promissory Notes
- E. Release
- F. List of Current Franchisees
- G. List of Former Franchisees
- H. Financial Statements
- I. Table of Contents of Operations Manual
- J. State Effective Dates
- K. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By: _____
Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and retain this copy for your records.

**EXHIBIT L
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 1st Class Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we 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.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is 1st Class Franchising, LLC located at 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451 Its telephone number is (757) 504-4636.

Issuance Date: April 5, 2023

The franchise seller for this offering is:

X	Rhyan Finch, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
X	Herbert ("Buddy") Buchner, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
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X	George Bunch, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451; (757) 504-4636
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- H. Financial Statements
- I. Table of Contents of Operations Manual
- J. State Effective Dates
- K. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By: _____
Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and return this copy to: 1st Class Franchising, LLC, 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451.