

## FRANCHISE DISCLOSURE DOCUMENT - AREA REPRESENTATIVE



1st Class Franchising, LLC d/b/a 1<sup>st</sup>  
Class Real Estate  
A Florida Limited Liability Company  
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Sarasota, FL 34231  
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(757) 504-4636

The franchise offered is for a 1st Class Real Estate Area Representative arrangement pursuant to which you recruit and support 1st Class Real Estate Unit franchise owners.

The total investment necessary to begin operation of a Franchised Business is \$23,500 - \$113,500. This includes \$20,500 - \$101,450 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your Area Representative 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 governmental agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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 16, 2024 as amended August 9, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former Area Representatives. You can find their names and contact information in Item 20 or Exhibits F and G.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only 1<sup>st</sup> Class Real Estate business in my area?</b>	Item 12 and the "territory" provisions in the Area Representative agreement describe whether the franchisor and other Area Representatives can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a 1<sup>st</sup> Class Real Estate Area Representative?</b>	Item 20 or Exhibits F and G lists current and former Area Representatives. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 Area Representative agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida 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.

3. **Sales Performance Requirements.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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, “we,” “us,” or “our” means 1st Class Franchising, LLC d/b/a 1st Class Real Estate, the “Franchisor.” “You” or “your” means the individual, limited liability company, corporation, or other entity who buys the franchise, the “Franchisee.” If Franchisee is an entity, then “you” or “your” also includes Franchisee’s owners.

### **The Franchisor**

We are a Florida limited liability company originally formed in Virginia on July 24, 2018 and domesticated in Florida on July 12, 2024. We do business as “1<sup>st</sup> Class Real Estate.” Our principal business address is 6330 Hollywood Blvd, Sarasota, FL 34231. We have offered franchises of the type offered here since December 2018.

Exhibit B contains our agents for service of process.

We do not operate a business of the type franchised here; however, we do solicit and support franchisees, in a similar fashion as you will as an Area Representative.

Pursuant to a separate Franchise Disclosure Document, we have offered unit franchises since October 2018. As of December 31, 2023, we had 103 franchised outlets.

### **Parents and Predecessors**

We have a parent, 1<sup>st</sup> Class Holding Inc., a Delaware corporation with a principal business address at 6330 Hollywood Blvd, Sarasota, FL 34231 that was formed on December 20, 2022. 1<sup>st</sup> 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 1<sup>st</sup> Class Properties LLC, a Virginia limited liability company with a principal business address at 6330 Hollywood Blvd, Sarasota, FL 34231 that was formed on November 5, 2012. 1<sup>st</sup> 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**

Investors Finance Center, LLC (“Investors Finance Center”), with a principal business address at 1805 Eden Way, Virginia Beach, VA 23454, was formed on December 6th, 2023. Depending on where you are located, you or your clients can receive lending services from Investors Finance Center, LLC. Investors Finance Center does not operate a business of the type being franchised.

We have an affiliate, Fortis Title & Escrow, LLC (“Fortis Title & Escrow”) with a principal business address at 2901 S. Lynnhaven Rd, Suite 270, Virginia Beach, VA 23452, 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 1805 Eden Way, Virginia Beach, VA 23454, 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.

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

**The Franchise Offered.** You will recruit and support 1st Class Real Estate Unit franchisees as an Area Representative (“Area Representative Business”). Although not required, we recommend that you purchase and operate a 1<sup>st</sup> Class Real Estate Unit franchise pursuant to our Unit Franchise Disclosure Document.

**The General Market and Competition.** The general market for the recruitment and support of franchisees in general is well developed. You will focus most of your activity on locating individuals to own their own small businesses in the field of real estate and offering support to them. Typically, these individuals either have a small business background or are looking to become small business owners. This is a year-round business.

The primary competition comes from other franchisors, franchise brokers, and Area Representatives who also recruit individuals looking to purchase franchise opportunities.

**Industry Specific Regulations.** Your conduct in the offer of franchises is primarily governed by Federal Trade Commission regulation and corresponding state laws. These laws generally require that you deliver to a prospective franchisee a Franchise Disclosure Document at least 14 calendar days before signing of a binding agreement or making any payment to us. In addition, certain states have laws governing the sale of franchises and the relationship between franchisors and franchisees. In general, as to state franchise sales laws, you are required to engage in truthful advertising and not make false claims or financial performance representations, except as stated in the Franchise Disclosure Document. Typically, state relationship laws mandate fair dealing between a franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner. You should investigate the application of these laws further.

Under certain state laws (Illinois, New York, and Washington State) you may be required to register as a franchise broker before you may offer or sell franchises to residents of those states or as to territory located in those states.

In order to close your purchase of the Area Representative Agreement, you must provide to us a completed Biographical Information Sheet. See Schedule 4 to the Area Representative Agreement. Additionally, we may require you to provide to us updated biographical information each year.

## **ITEM 2. BUSINESS EXPERIENCE**

*Rhyan Finch, CEO and Manager.* Mr. Finch serves as our CEO and Manager since July 2018.

Mr. Finch serves in the following positions in Sarasota, Florida: CEO of 1st Class Properties since November 2012 and All or Nothing LLC from May 2013 to September 2023; and Managing Member of the following positions in Virginia Beach, Virginia 1<sup>st</sup> Class Capital LLC since April 2023, Investors Finance Center LLC since December 2023 and 1<sup>st</sup> Class Title 3 LLC since October 2019, Eden Holding LLC since January 2021, Fortis Title & Escrow LLC since January 2022. Mr. Finch also served as CEO and Manager of 1st Class Real Estate LLC in Virginia Beach from December 2012 to November 2023. Mr. Finch also served as the managing member of 1<sup>st</sup> Class Financial LLC since July 2018 to October 2021, 1<sup>st</sup> Class Title, LLC from March 2019 to May 2022, 1<sup>st</sup> Class Financial 2 LLC since December 2019 to March 2022, 1<sup>st</sup> Class Title II, LLC since March 2020 to October 2023.

*Faith Kraft, President of Franchise Operations.* Ms. Kraft serves as our President of Franchise Operations since April 2022. Mrs. Kraft also serves as a Managing Member of the following companies in Virginia Beach, Virginia: 1<sup>st</sup> Class Capital, LLC since its formation in April 2023 and Investors Finance Center, LLC since its formation in December 2023. 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 since July 2018. From August 2017 to July 2018, Ms. Sawyer served as Digital Marketing Manager for 1<sup>st</sup> Class Real Estate LLC in Virginia Beach, Virginia. Since August 2017, Ms. Sawyer has served as Executive Assistant for 1<sup>st</sup> Class Real Estate LLC in Virginia Beach, Virginia. From May 2015 to May 2016, Ms. Sawyer served as an Office Manager for 1<sup>st</sup> 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**

The initial franchise fee for a new Area Representative Agreement is \$2,000 times the number of units to be developed by the Area Representative Business (typically 10 to 50 units, translating to an initial franchise fee of \$20,000 - \$100,000).

We also charge a \$500 initial Area Representative training. You must also attend initial Unit training and pay to us an initial training fee of \$950 to cover the cost of initial Unit training. The initial Unit training fee covers training for you and any general manager required to attend.

The initial Area Representative franchise fee is due to us in full when you return to us signed copies of your Area Representative Agreement, and before you attend initial training.

The initial Area Representative franchise fee is fully earned and nonrefundable when both you and we execute the Area Representative Agreement between us.

**ITEM 6. OTHER FEES**

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Fee for Franchisee Prospects	Typically, \$100 - \$200/ each.	Within 30 days of transaction	From time to time we may generate leads of prospective franchisees and offer them to you but you are under no obligation to purchase them. The cost will vary depending upon cost and difficulty of obtaining the prospects.
Credit Card Fee	3% of the amount charged	When incurred	If we allow you to pay any fee to us by credit card, you agree to pay this fee to us on the amount charged.
Franchise Broker Fee	The amount of the broker's commission will be paid out of the initial franchise fee before calculating your commission.	At time of sale	If we use a franchise broker to assist in a Unit franchise sale of yours, you agree that your commission will be based on the amount of the Initial Franchise Fee remaining after the broker's commission has been deducted.
Internal Sales Fee	\$12,500 per unit franchise	At time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit franchise for you, you pay this fee to us.
Technology Fee	\$50 per person	Monthly on the 10th	You pay this fee for each person that requires access to required software.
Renewal Fee	\$5,000	At time of renewal	You pay this fee to us to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.
Transfer fee	\$2,500 for transfer of controlling interest; \$1,000 for a transfer of less than a controlling interest.	At time of transfer	Paid upon transfer or change of ownership.
Legal and Administrative Fee	\$500	As incurred	You must pay to us a legal and administrative fee of \$500 for any amendments that may be made to the Area Representative Agreement.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Sales, excise, or gross receipts tax	Such amount of tax as may be imposed by the taxing authority	At time incurred	You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.
Interest on late payments	The lesser of 12% or the highest rate permitted by law	Upon receipt of invoice	Owed on amounts that are past due.
Indemnity	Varies	When incurred	You indemnify us for any loss caused by your breach of the Area Representative Agreement.
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.

\*All fees are uniformly imposed by, collected by, and are payable to us, except we have waived the internal sales fee for some new Area Representatives and the Technology Fee under certain circumstances during the last fiscal year. All fees are non-refundable. We require you to execute an Automatic Bank Draft Authorization in order for us to electronically charge your bank account for fees or other monies owed to us. See Schedule 2.

**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$20,000	\$100,000	Check or Electronic Funds Transfer (“EFT”)	Upon signing of Area Representative Agreement	Us
Initial Training Fee (Note 2)	\$500	\$1,450	Lump sum	Before training	Us
Equipment & Furniture (Note 3)	\$0	\$2,000	Check or Credit Card	Before opening	Third-party Vendors
Computer Hardware and Software (Note 4)	\$0	\$1,650	Check or Credit Card	Before and after opening	Third-party Vendors
Insurance (Note 5)	\$0	\$400	Check or Credit Card	Before opening	Insurance Agent
Professional Expenses (Note 6)	\$0	\$5,000	Check or Credit Card	Before opening	Attorneys and Accountants
Additional Funds – 3 months (Note 7)	\$3,000	\$3,000	Check or Credit Card	As incurred	Third-party Vendors and Us
<b>TOTAL</b>	<b>\$23,500</b>	<b>\$113,500</b>			

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

**Note 1-Initial Franchise Fee.** The initial franchise fee for a new Area Representative Agreement is \$2,000 times the number of units to be developed by the Area Representative Business. A typical Area Representative Business will have the right to recruit 10-50 Unit franchisees, corresponding to an initial franchise fee of \$20,000 - \$100,000. If you finance \$20,000 over 24 months at 12% APR, your monthly payment would be approximately \$941. See Item 10 for further information.

**Note 2-Initial Training.** We charge a \$500 initial Area Representative training fee. You must also pay to us \$950 to cover the cost of the initial Unit training, which we also require you to attend. The initial Unit training fee covers training for you and any general manager required to attend. If you already attended initial Unit training in connection with the prior purchase of a Unit franchise territory, you would not incur the \$950 initial Unit training fee again.

**Note 3-Equipment and Furniture.** Unless you have these items already, you will need a printer, telephone, desk and chair along with standard office supplies to operate the franchise. The low estimate assumes that you have these items already.

**Note 4-Computer Hardware and Software.** You will need an e-mail account, computer with internet access, and printer to operate the franchise. We may also require you to purchase software such as Microsoft Office or other software that we may develop in the future. Your costs will vary depending on whether you have these items already and what type of computer you purchase. The low-end estimate assumes you already have access to the required computer hardware and software.

**Note 5-Insurance.** You will need to purchase such insurance as we specify and as is required by your state law. At present, we do not require you to purchase insurance and would, if you do not elect to purchase additional insurance, not incur insurance expense. However, there could be circumstances in which you may incur insurance expense, such as if you hired a sufficient number of employees to trigger workers compensation laws in your state or you chose to work out of a leased office and the lease required insurance. Your costs may vary.

**Note 6-Professional Expenses.** You will incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues. The low-end estimate assumes you will not require any or additional entity formation, accounting or other professional expenses.

**Note 7-Additional Funds.** Additional funds are to pay other fees, accounting fees, permits, technology fees, miscellaneous expenses, any payroll expenses you may require, and to maintain sufficient working capital. We base this estimate upon the experience of our management in franchising.

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

### **The Goods or Services Required to be Purchased or Leased**

**Branded Marketing Materials.** You must purchase all branded materials from us or a vendor we designate or approve. This includes, but is not limited to, apparel and marketing materials.

**Computer Hardware and Software.** We require you to use such computer hardware and software as we specify, which may include vendor designations. You must use the required software that we provide, currently Brokermint, Salesforce Enterprise Account, Google Suite and an email account.

**Franchise Disclosure Documents.** You must use the Franchise Disclosure Documents we provide when recruiting franchises. We will provide an electronic link or copy free of charge. You may also purchase additional paper or disk copies from any copy service.

**Insurance.** You are required to have insurance as may be required by your state laws, or as we may specify in the Manual. At present, we do not require you to purchase insurance, other than as may be required by state law. If you choose to work from a leased office location, your lease may also require insurance. If you do purchase insurance, you may purchase insurance from any vendor. You must name us as an additional insured on any policy that you do purchase and send

proof to us.

### **Whether We or Our Affiliates are Approved Suppliers**

We are a supplier of advertising material and branded materials but not the only approved supplier. We are the only approved supplier of certain software and Franchise Disclosure Documents, though you may make additional copies of Franchise Disclosure Documents through any vendor.

### **Officer Interest in Suppliers**

Our officer Rhyan Finch owns an interest in us.

### **Alternative Suppliers**

We do not maintain written criteria for approving suppliers and therefore these criteria are not available to you or your proposed supplier. You may contract with alternative suppliers if they meet any criteria which we may issue, except you must use the Franchise Disclosure Document that we provide or make available to you to use. There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier 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 Area Representatives or approved suppliers through the Operations Manual or other written directives.

### **Revenue from Required Purchases or Leases**

We may derive revenue or other material consideration from required purchases or leases by you if you choose to purchase Prospects from us.

For the fiscal year ended December 31, 2023, neither we nor any affiliate derived revenue or other material consideration from required purchases or leases by Area Representatives.

### **Required Purchases as a Proportion of Costs**

We estimate that your required purchases and leases to all purchases and leases by you of goods and services will be approximately 10-25% in establishing the Franchised Business and 10-25% in operating the Franchised Business.

### **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 Amazon to pay us royalties from purchases of branded material from our Amazon Store, ranging from about 12% to 36% depending on the purchase price of the item, Amazon's costs, and taxes.

### **Purchasing or Distribution Cooperatives**

There currently are no purchasing or distribution cooperatives.

### **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 purchase of particular products or services or use of particular suppliers. However, we can terminate your Area Representative Agreement if you do not comply with our supplier standards. In addition, you must be in compliance with your Area Representative Agreement in order to be eligible to renew it.

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## ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Area Representative's Obligations	Section In Area Representative Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	3	11
b. Pre-opening purchases/leases	7.2	8
c. Site development and other pre-opening requirements	7	8, 11
d. Initial and ongoing training	7.1, 7.11	11
e. Opening	7.4	11
f. Fees	4, 19.1, 20.3, 20.4, 21, 25.11	5, 6, and 7
g. Compliance with standards and policies/Manual	7, 8, 9, 10	8, 11
h. Trademarks and proprietary information	1, 11, 12	13, 14, 15
i. Restrictions on products/services offered	8	8, 11, 16
j. Warranty and customer service requirements	Not Applicable	15
k. Territorial development and sales quotas	10	12
l. Ongoing product/service purchases	4.3(a), 7.2	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	7.3	8
o. Advertising	11	8, 11
p. Indemnification	19	Not Applicable
q. Owner's participation/management/staffing	7.9	15
r. Records and reports	13	Not applicable

Area Representative's Obligations	Section In Area Representative Agreement	Item in Disclosure Document
s. Inspections and Audits	13.2	11
t. Transfer	20	17, Exhibit E
u. Renewal	2.2	17, Exhibit E
v. Post-termination obligations	15	15, 16, 17
w. Non-competition covenants	16	15, 16, 17
x. Dispute resolution	25	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*	60 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.

We attach the form of Promissory Note that we require you to sign as Exhibit D.

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, the Franchisor is not required to provide you with any assistance.**

### **Pre-Opening Obligations:**

Initial Training. We provide a virtual ten (10) hour initial Area Representative training program, a virtual 18-hour initial Unit training program and a 3-hour live webinar with the operations team ("Initial Training"), which you and any general manager working for you must attend and successfully complete. The training topics are online and can be taken in segments. The topics covered in initial training are described in the chart further below in this Item 11. (Area Representative Agreement, Section 6.1).

Site Selection. We do not provide site selection assistance as you may operate from your home or any office location. (Area Representative Agreement, Section 6.2).

Operations Manual. We will provide you a Manual to offer guidance in performing your development and support services. (Area Representative Agreement, Section 6.3).

Computer Systems, Equipment and Supplies. We may issue computer, software, equipment, and supply specifications. (Area Representative Agreement, Section 6.6).

### **Length of Time Before Opening:**

You must be open for business within 90 days of completion of Initial Training. (Area Representative Agreement, Section 7.4). You will typically be open for business within 90 days of signing the Franchise Agreement. Factors affecting the time length to open for business include: obtaining any needed licenses or permits, obtaining marketing materials, obtaining computer hardware, software, equipment, and office supplies and the time required to complete the Initial Training.

### **During the Operation of the Franchise:**

Payment of Commissions. We calculate and pay commissions to you on unit franchisees that you recruit. (Area Representative Agreement, Section 5).

Operational Support. We provide support to you in the operation of your Area Representative Business. (Area Representative Agreement, Section 6.4).

Franchise Disclosure Documents. We will provide or make available to you an electronic copy of our latest Franchise Disclosure Document to use as part of your development services. (Area Representative Agreement, Section 6.5).

Advanced Training. We may provide advanced or other training, which we may offer from time to time at select locations, or we may offer such training on the web or electronically. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend. (Area Representative Agreement, Section 6.8).

## **Advertising Program and Fund.**

Advertising Fund. We do not have an Advertising Fund or collect Advertising Fees.

Advertising Program. We may 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. (Area Representative Agreement, Section 4.3(k)).

Use of Your Own Advertising Material. You are permitted to use your own advertising material provided that we first approve it, and the material adheres to federal, state, and local law.

You are not allowed to have an independent website for your franchise.

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

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

## **Computer and Cash Register Systems:**

Computer Equipment and Software. You will need a computer with internet access, printer with scanning capabilities, smartphone, and specified software to operate the franchise. We may also require you to purchase software such as Microsoft Office or other software that we may develop in the future. You must use the required software that we provide, currently Brokermint, Salesforce Enterprise Account, Google Suite and an email account. Currently, you must pay \$50 per month for the required software supplied by us. Your costs for other computer equipment and software will vary depending on whether you have these items already and what type of computer you purchase. Depending on what you have already, these items can typically be purchased for \$1,000 - \$1,500.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You are not under any obligation to upgrade or update any computer system during the term of the Master Franchise Agreement, but you must maintain your computer system in good working order. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is \$500 - \$750.

Independent Access to Information. We reserve the right to have independent access to the information that will be generated or stored in your computer system, which includes prospect, financial, and operational information. There are no contractual limitations on our right to access the information.

**Area Representative Operations Manual.** Exhibit I contains the Table of Contents to the Area Representative Operations Manual (“AR Manual”). The AR Manual contains 60 pages.

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## TRAINING PROGRAM-AREA REPRESENTATIVE

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Introduction	.5	0	Online for all training segments
Legal Compliance	2.5	0	
Lead Management in Salesforce	.5	0	
Lead Email Parsing	.25	0	
How to Evaluate a Lead	1	0	
Conference Call	1	0	
Sending out Confidential Questionnaire	1	0	
Discovery Day	.5	0	
Franchise P&L Tool	.5	0	
Sending the Franchise Disclosure Document	.5	0	
Sending out Franchise Application	.5	0	
Requesting Franchise Agreements	.5	0	
How the Money Flows	.25	0	
Training Call with Rhyan Finch	1	0	
Total	10.5	0	

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## TRAINING PROGRAM-UNIT

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
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
<b>Total</b>	<b>18</b>	<b>0</b>	Online

The following Instructors teach our Initial Training program: Rhyan Finch, our Chief Executive Officer, has over 18 years of experience in real estate and 12 years of experience with us or an affiliate. Faith Kraft has 3 years of experience in real estate franchising and 3 years of experience with us. Alexis Sawyer, our Digital Marketing Manager, has over 10 years of experience in the field and 10 years of experience with us or an affiliate.

Dora Cuyler serves as our Franchise Development Specialist in 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 8 years of experience in the field and 3 years of experience with us.

Guest Instructors may also make select presentations.

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.

We charge a \$500 initial training fee for initial Area Representative training. You must also pay to us an initial training fee of \$950 to cover the cost of initial Unit training, unless you already attended and successfully completed initial Unit training.

You and any general manager you intend to use must complete initial training to our satisfaction. You must successfully complete training within 90 days of the signing the Area Representative Agreement with us.

We may provide additional training or refresher courses. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend.

## **ITEM 12. TERRITORY**

The franchise is not for a specific location or location to be approved by us.

You will recruit franchisees for the purpose of signing them up as a unit franchise owner. You may only recruit franchisees from states where we are legally registered to offer and sale franchisees, which may vary from time to time. The number of unit franchise owners that you are entitled to recruit is set forth in the Area Representative Agreement.

We have the right to decline accepting any Candidate as franchisee for any reason in our sole judgement.

You will not receive any minimum territory. You are permitted to work from home, and we anticipate that you will do so. We do not require you to obtain office space outside of your home, nor do we recommend that you do so. You can relocate your Area Representative Business without approval from us but must notify us in writing.

You do not obtain any options, rights of first refusal, or similar rights to acquire additional territories.

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.

Continuation of your territorial rights depends on achieving a certain sales volume, namely, the sale of the number of unit territories that you have purchased in a ten (10) year time frame. If you fail to meet Minimum Requirements, we reserve the right to decline to renew your Area Representative Agreement.

There are no other circumstances that permit us to modify your territorial rights.

You may recruit unit franchisees anywhere in the United States where we are authorized to offer and sell unit franchises, including through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, provided that you do so in accordance with

any advertising, internet, and social media guidelines we have in effect.

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




We or an affiliate may make sales within your territory using trademarks different from the ones you will use under the Area Representative Agreement, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales.

We will not pay you compensation for soliciting or accepting orders in your area or elsewhere.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark from the ones you will use 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	Registration Number or Serial Number	Principal or Supplemental Register of the USPTO	Registration Date
1 <sup>st</sup> Class Real Estate	4497386	Principal	March 18, 2014
	4620379	Principal	October 14, 2014
	6690354	Principal	April 5, 2022
	98184820	Pending	Filed September 18, 2023

We have filed all required affidavits and renewals for the registered marks. We do not have federal registration for one of our principal trademarks. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

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.

There are no 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.

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

<b>Location</b>	<b>Company or Use</b>
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 <sup>st</sup> Class Real Estate LLC d/b/a 1 <sup>st</sup> Class Real Estate and 1 <sup>st</sup> Class Property Management
Ripley, MS	1 <sup>st</sup> 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:

<b>Location</b>	<b>Company or Use</b>	<b>Approximate Length of Infringement</b>
Burbank, CA	Bill Toth Real Estate Inc. d/b/a First Class Real Estate	August 3, 2015
Davenport, FL	1 <sup>st</sup> Class Realty Group Florida, LLC	March 28, 2023
Miami, FL	AGDC Inc. d/b/a American First Class Realty	October 21, 2020

Ocala, FL	1 <sup>st</sup> Class Waterfront Properties LLC	March 3, 2015
Lords Valley, PA	1 <sup>st</sup> Class Realty LLC	August 14, 2013
Gillete, WY	1 <sup>st</sup> 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**

At this time, we do not hold any patents. We claim a copyright in 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.

There are no currently effective determinations of the U.S. Copyright Office or any court or any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow Area Representatives to use the copyrighted materials.

We do not have an obligation in the Area Representative Agreement to protect our patent or copyrights, but we intend to do so. We will remain in control of any such litigation. We are not required to participate in the defense of you or indemnify you for expenses or damages in a proceeding involving a patent, patent application, or copyright licensed to you. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense.

We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials.

We claim proprietary rights in our Operations Manual and business methods. We consider all of these items confidential and proprietary. Upon termination of your Area Representative Agreement, you must return to us our Operations Manual 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, Customer Data, 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.

“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.

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

You must provide Area Representative services under your direct supervision and control or under the direct supervision and control of a general manager who has attended and completed our initial Area Representative and Unit training. If the franchisee is a business entity, the general manager does not have to have any equity interest in the franchisee’s business.

You are subject to a covenant not to compete. Furthermore, your general manager must sign an employment contract containing confidentiality requirements and, to the extent permitted by law, a covenant not to compete.

We do not require an Area Representative’s spouse to sign a personal guaranty.

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

You must offer and sell only the goods and services that we approve and you must sell all the goods and services that we authorize. We have the right to change the types of authorized goods and services but we do not intend to materially change the nature of this relation or the authorized goods and services.

During the term of your Area Representative Agreement, and for two years thereafter, you are bound to a non-compete agreement which limits your ability to offer competitive services.

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

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section In Area Representative Agreement</b>	<b>Summary</b>
a. Length of the franchise term	2.1	10 years.

<b>Provision</b>	<b>Section In Area Representative Agreement</b>	<b>Summary</b>
b. Renewal or extension of the term	2.2	Can be renewed for additional 10 year terms if you are in compliance with your Area Representative Agreement (“Agreement”). On renewal, you will not be awarded the right to recruit any additional unit franchisees and the ability to recruit franchisees and earn commissions will be limited to the same outlets recruited or the remaining number of outlets left to recruit as agreed to in the original Area Representative Agreement.
c. Requirement for franchisee to renew or extend	2.2	Give us 90 days’ notice before the expiration of the Agreement. Sign a Release, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract. But we can not reduce your percent of receipt of Initial Franchise Fees or Royalties upon renewal.
d. Termination by franchisee	14.1	You may terminate the Agreement if you do not renew or if you sell the franchise pursuant to the terms of the Agreement, subject to state law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	14.2, 14.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	14.3	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	14.2	Do not complete initial training, abandon the Area Representative Business, become insolvent, have a judgment against you, commit a material violation of law, fail to properly disclose a franchise candidate, make an unauthorized sales representation or commitment, fail to fully and truthfully submit Biographical Information, death or incapacity without a timely transfer, repeated breaches.
i. Franchisee’s obligations on termination/non-renewal	15	Stop using our Marks, pay monies owed to us, transfer telephone number to us, return to us our Manual and any Confidential Information, cancel any fictitious name filing, and adhere to the post-term covenants not to compete and not to solicit.
j. Assignment of contract by franchisor	20.1	We may assign to a successor in interest who remains bound by the terms of the Agreement.
k. “Transfer” by franchisee – defined	20.2, 20.3, 20.4	Includes transfer of Agreement or change of identity of owners.

<b>Provision</b>	<b>Section In Area Representative Agreement</b>	<b>Summary</b>
l. Franchisor approval of transfer by franchisee	20.6	We must approve any transfer based upon our then current qualifications, which such approval will not be unreasonably withheld by us.
m. Conditions for franchisor approval of transfer	20.2, 20.6	You must be in compliance with the Agreement, sign a release, pay the transfer fee, we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	20.5	We have a right of first refusal to match any purchase offer for your franchise.
o. Franchisor's option to purchase franchisee's business	None	Not applicable
p. Death or disability of franchisee	21	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 either, at our option, an assignment of the rights remaining in your Area Representative Agreement or our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement.
q. Non-competition covenants during the term of the franchise	16	No competition allowed in the United States.
r. Non-competition covenants after the franchise is terminated or expires	16	No competition for 2 years from your office location or a 25-mile radius from any franchise location you developed or recruited.
s. Modification of the agreement	22	No modifications except as the parties agree to, or to specifications or the Manual. Revisions to specifications and the Manual will not unreasonably affect the Area Representative's obligations, including economic requirements, under the Area Representative Agreement.
t. Integration/merger clause	24	Only the terms in the Area Representative Agreement and other related written agreements are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and Area Representative Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	25.9	You must mediate any claim against us before bring suit (subject to applicable state law). Illinois and Maryland franchisees must arbitrate claims.

<b>Provision</b>	<b>Section In Area Representative Agreement</b>	<b>Summary</b>
v. Choice of forum	25.2	All suits must be tried in Sarasota, Florida (subject to applicable state law).
w. Choice of law	25.1	Florida law governs (subject to applicable state law).

**ITEM 18. PUBLIC FIGURES**

We do not use any public figures to promote our System.

**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.

Here we set forth an historic representation of Area Representatives (“ARs”) that had been open for at least eight months as of December 31, 2023, by their total months of operation and total number of units opened under each Area Representative. We had 23 Area Representatives that were open and in operation for at least eight months in the fiscal year December 31, 2023.

<b>Area Representative</b>	<b>Months of Operation</b>	<b>Total Units Opened</b>
1	43	13
2	41	0
3	41	4
4	41	9
5	40	2
6	40	4
7	39	1
8	39	4
9	38	5
10	37	5
11	36	3
12	36	1
13	32	4
14	31	6
15	26	0

16	23	1
17	21	3
18	21	7
19	20	2
20	18	1
21	16	1
22	9	2
23	8	1
<b>Average</b>	<b>30 Months*</b>	<b>3.4 Units**</b>
<b>Median</b>	<b>36 Months*</b>	<b>3 Units**</b>

	<b>Stated Result</b>	<b># of ARs that attained or surpassed the stated result</b>	<b>% of ARs that attained or surpassed the stated result</b>
<b>Average months of operation</b>	30	14	61%
<b>Average Units Opened</b>	3.4	10	43%

**Notes:**

\*Of the 23 reporting outlets the highest number of months of operation is 43 months and the lowest is 8 months.

\*\*Of the 23 reporting outlets the highest number of units open is 13 and the lowest is 0 units open.

“Units Open” refers to the number of franchisees that were recruited by the Area Representative went on to open a 1<sup>st</sup> Class Real Estate office.

Written substantiation for the financial performance representations will be made available to prospective franchisees upon request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231; Telephone (757) 504-4636, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Systemwide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2021	10	15	+5
	2022	15	21	+6
	2023	21	23	+2
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	10	15	+5
	2022	15	21	+6
	2023	21	23	+2

[remainder of page left intentionally blank]



**Table No. 2****Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Fiscal Years 2021 to 2023**

State	Year	Number of Transfers
Georgia	2021	0
	2022	1
	2023	0
Massachusetts	2021	0
	2022	1
	2023	0
Total	2021	0
	2022	2
	2023	0

**Table No. 3****Status of Area Representative Outlets  
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
AL	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
AZ	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
CA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
CO	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
FL	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
GA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	1*	0
	2023	0	0	0	0	0	0	0
MO	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
TX	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
VA	2021	5	0	0	0	0	0	5
	2022	5	3	0	0	0	0	8
	2023	8	0	0	0	0	0	8
WI	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	10	5	0	0	0	0	15
	2022	15	7	0	0	0	1	21
	2023	21	2	0	0	0	0	23

\*AR transferred and then moved to VA

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table No. 5  
Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Florida	0	1	0
Georgia	0	1	0
Kansas	0	1	0
Virginia	0	1	0
<b>TOTALS</b>	0	4	0

Exhibit F contains a list of all the names of all current Area Representatives and the addresses and telephone numbers of each Franchised Businesses.

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 Area Representative who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Area Representative 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 a Franchised Businesses, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We do not know of any trademark-specific franchisee organization associated with the System.

## **ITEM 21. FINANCIAL STATEMENTS**

Exhibit H contains our audited financial statements for the fiscal years ending December 31, 2023, 2022, and 2021.

## **ITEM 22. CONTRACTS**

The following agreements are attached to this disclosure document:

- |           |  |
|-----------|--|
| Exhibit C | Area Representative Agreement                                  |
|           | Schedule 1- Territory  |
|           | Schedule 2- Automatic Bank Draft Authorization                 |
|           | Schedule 3- Area Representative Disclosure Acknowledgment      |
|           | Schedule 4- Area Representative Biographical Information Form  |
|           | Schedule 5- State Addenda to the Area Representative Agreement |
|           | Schedule 6- Confidentiality Agreement                          |
| Exhibit D | Promissory Notes   |
| Exhibit E | General Release  |

## **ITEM 23. RECEIPTS**

Exhibit K contains two copies of our Receipt.

[remainder of page intentionally left blank]

**EXHIBIT A**  
**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM**  
**TO THE DISCLOSURE DOCUMENT**

As to Area Representatives 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:

“The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

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 Area Representative 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 Area Representative Agreement contains a covenant not to compete which extends beyond

the termination of the franchise. This provision may not be enforceable under California law.

The Area Representative Agreement requires application of the laws of Florida. 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 INNOVIATION 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](http://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](http://www.dfpi.ca.gov).

In California, the maximum interest rate allowed by law is 10%.

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.

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

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

## **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 Area Representative Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an Area Representative Agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Area Representative 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 Area Representative 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. Items 5 and 7 of the Disclosure Document 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 Area Representative Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.
6. 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.”

## 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:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE, CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE 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, the following applies 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; this proviso intends 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.

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.



**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 area representative 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.

**Use of Franchise Brokers.** The franchisor uses 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.

Item 5 is amended to also provide: "Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the Area Representative and the Area Representative is 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.

**EXHIBIT B**  
**AGENTS FOR SERVICE OF PROCESS / STATE ADMINISTRATORS**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	<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>
<b>Connecticut</b>	<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>
<b>Hawaii</b>	<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>
<b>Illinois</b>	<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>
<b>Indiana</b>	<p>Secretary of State, Securities Division  302 West Washington Street,  Room E-111  Indianapolis, IN 46204  (317) 232-6681</p>	<p>Secretary of State, Securities Division  302 West Washington Street,  Room E-111  Indianapolis, IN 46204</p>

<b>Kentucky</b>	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
<b>Maryland</b>	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
<b>Michigan</b>	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
<b>Minnesota</b>	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> 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
<b>Nebraska</b>	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> 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
<b>North Dakota</b>	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
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920

	(401) 462-9500	
<b>South Dakota</b>	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
<b>Texas</b>	Secretary of State Statutory Document Section P.O. Box 13193 Austin, TX 78711 (512) 475-0775	
<b>Utah</b>	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising, 9 <sup>th</sup> 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
<b>Washington</b>	Washington State Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
<b>Wisconsin</b>	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

**EXHIBIT C**  
**AREA REPRESENTATIVE AGREEMENT**



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## **AREA REPRESENTATIVE AGREEMENT**

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

WHEREAS, Area Representative and all Signators identified on the signature page to this Agreement, in your personal capacity, (“Area Representative,” “you,” or “your”) desire to find, solicit and recruit candidates willing to become Franchise owners (“Franchisees”) and desire to provide continuing support services (the “Services”) on our behalf to Franchisees; and

WHEREAS, we wish to receive the Services and compensate you.

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

### **1. GRANT OF FRANCHISE**

Subject to the terms of this Area Representative Agreement (“Agreement”), we grant to you a 1st Class Real Estate Area Representative franchise (“Area Representative Business”) using our system and our Marks. You agree to abide by the terms of this Agreement.

### **2. TERM AND RENEWAL**

**2.1 Term.** This Agreement will commence upon its Effective Date and will last for a term of Ten (10) years (the “Term”).

**2.2 Renewal.** Upon the completion of the Term of this Agreement, provided you are in compliance with the terms and conditions in this Agreement, we will provide you with the right to enter into a new agreement with us for the provision of services similar to those in this Agreement for additional 10-year terms. If you wish to renew this Agreement, you must notify us in writing at least 90 days before the expiration of this Agreement and execute a general release of all claims you may have against us. You may renew future Area Representative Agreements if you are in compliance with its terms and qualify for renewal. On renewal, you will not be awarded the right to recruit any additional unit franchisees and the ability to recruit franchisees and earn commissions will be limited to the same outlets recruited or the remaining number of outlets left to recruit as agreed to in the original Area Representative Agreement. We agree to not change the Area Representative Commissions in your renewals.

### **3. TERRITORY**

The franchise is not for a specific location or location to be approved by us.

You will recruit franchisees for the purpose of signing them up as a unit franchise owner. You may only recruit franchisees from states where we are legally registered to offer and sale franchisees, which may vary from time to time. The number of unit franchise owners that you are entitled to recruit is set forth in the Area Representative Agreement.

We have the right to decline accepting any Candidate as franchisee for any reason in our sole judgement.

You will not receive any minimum territory. You are permitted to work from home, and we anticipate that you will do so. We do not require you to obtain office space outside of your home, nor do we recommend that you do so. You can relocate your Area Representative Business without approval from us but must notify us in writing.

You do not obtain any options, rights of first refusal, or similar rights to acquire additional territories.

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.

Continuation of your territorial rights depends on achieving a certain sales volume, namely, the sale of the number of unit territories that you have purchased in a ten (10) year time frame. If you fail to meet Minimum Requirements, we reserve the right to decline to renew your Area Representative Agreement.

There are no other circumstances that permit us to modify your territorial rights.

You may recruit unit franchisees anywhere in the United States where we are authorized to offer and sell unit franchises, including through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, provided that you do so in accordance with any advertising, internet, and social media guidelines we have in effect.

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

We or an affiliate may make sales within your territory using trademarks different from the ones you will use under the Area Representative Agreement, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales.

We will not pay you compensation for soliciting or accepting orders in your area or elsewhere.

#### **4. FEES PAID BY AREA REPRESENTATIVE**

**4.1 Initial Area Representative Fee.** You will pay us \$\_\_\_\_\_ for the right to sell \_\_\_\_\_ Unit franchise outlets upon execution of this Agreement. The initial Area Representative franchise fee is fully earned and nonrefundable when both you and we execute the Area Representative agreement between us.

**4.2 Initial Training Fee.** We charge a \$500 fee to attend initial Area Representative training. You must pay to us an initial training fee of \$950 to cover the cost of the initial Unit

training, unless you already paid this fee and attended initial Unit training in connection with the prior purchase of a Unit territory. The initial Unit training fee covers training for you and any general manager required to attend.

### **4.3 Other Area Representative Fees**

(a) **Fee for Franchisee Prospects.** From time to time, we may provide to you leads of Candidates interested in buying one of our unit franchises. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads.

(b) **Credit Card Fee.** If we allow you to pay any fee to us by credit card, you also agree to pay to us 3% of the amount charged as a credit card fee.

(c) **Franchise Broker Fee.** We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. To participate in this opportunity, you must agree, that as to any broker-generated Candidate who you assist in recruiting, that your commission will be based on the amount of the initial unit franchise fee remaining after the broker's commission has been deducted. For example, if a Broker charges us \$20,000 for a Candidate who becomes a Franchisee, and you receive 50% of the Initial Franchise Fee under Section 5.1(a) below, then the commission will be calculated by first deducting the broker charges of \$20,000 and you will be paid 50% of the remainder of the initial Unit franchise fee paid.

(d) **Internal Sales Fee.** You agree to pay to us \$12,500 per unit territory sold if our in-house sales staff or a designated representative assists you with a Unit franchise sale.

(e) **Technology Fee.** You agree to pay to us \$50 per month per person that requires access to required software.

(f) **Renewal Fee.** You must pay to us a \$5,000 Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.

(g) **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 Area Representative Agreement, or a majority of the ownership interest in this Area Representative 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 the Legal and Administrative Fee.

(h) **Legal and Administrative Fee.** In addition to any Transfer Fee, you must pay to us a Legal and Administrative Fee of \$500 for any amendments that may be made to the Franchise Agreement.

(i) **Third Party Charges.** If we incur third party charges on your behalf, you agree to reimburse us for any such charges.

(j) **Sales, Excise, or Gross Receipts Tax.** You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.

(k) **Late Fees.** Payment for charges we bill to you is due within 30 days of billing and will be subject to a 12% per annum late fee, or the maximum allowed by law, if less.

**4.4 Payment Terms.** We will bill you by the 15<sup>th</sup> of the month as to fees incurred to us by you in the prior month. We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you, or charge you any net amount you may owe to us. You agree to execute an Automatic Bank Draft Authorization and that we may withdraw fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

## **5. COMMISSIONS TO AREA REPRESENTATIVE**

We pay to you the following Commissions for your Services under this Agreement:

**5.1 Initial Franchise Fee.** We will pay you for each sale of a Unit franchise you make in an amount equal to 50% of the net initial franchise fee we receive from a franchisee who buys a Unit franchise that you recruited. The net initial franchise fee will be calculated by first subtracting any broker or referral fee incurred by us, and the Inside Sales Agent Fee.

**5.2 Shared Franchise Fees:** You will also receive a percentage of some of the ongoing fees paid by Unit franchisees (“Shared Franchise Fees”) that you recruit as follows:

- (a) 10% of the Administrative & Agent Technology Fees;
- (b) 10% of the Closing Transaction Coordination Fee,
- (c) 50% of the Closed Transaction Fee collected from franchisees (except for franchisees who have signed a Conversion Addendum) including any minimum fee;
- (d) 25% of the Closed Transaction Fee collected monthly from franchisees that have signed a Conversion Addendum; and
- (e) 10% of the Net Accounting Fees. Net Accounting Fees means the amount of accounting fees collected from franchisees minus the cost to deliver accounting services.

**5.3 Demand for Payment.** Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.

**5.4 Other Fees paid by Franchisees.** We may in our discretion require franchisees to pay fees for other services, including, but not limited to, Franchisee and Agent Website Fee, Raw Leads, Client Care Recruiting Appointment Held Fee, Client Care Seller Raw Leads Program Fee, Branch Office Administration, Payroll and Human Resources. Property Management Fee, Audit, Testing/Inspection Fees, Early Termination Fee, and Transfer and Renewal Fees. These fees are not subject to split with you.

**5.5 Payment Terms.** We pay to you the Commissions and Shared Franchise Fees that we owe you by the 20<sup>th</sup> of each month as to Commissions earned the prior month, less any other monies or amounts you owe to us under this or any other agreement with us or an affiliate, via electronic transfer or other method that we designate. Fees paid to you shall be paid only as funds are received from the franchisee. For example, in the case of a financed initial franchise fee, the distribution would only be after the funds were actually received by us.

We may modify or waive any fees paid by unit franchisees in our sole discretion at any time and you will not receive any consideration for such modification or waiver. You will be entitled to your share of initial franchise fees and Shared Franchise Fees only with respect to amounts actually collected, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit.

Each payment of your share of franchise fees or royalties will be accompanied by information sufficient to allow you to determine the basis on which your share of the franchise fees and royalties was calculated, as well as deductions made for monies owed to us.

## **6. FRANCHISOR DUTIES**

**6.1 Initial Training.** We provide you a ten (10) hour initial Area Representative training course and approximately 18-hour initial Unit training course and a 3-hour live webinar with the operations team (“Initial Training”). We presently offer this 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 prior to operating the Franchised Business.

**6.2 Site selection.** You may operate from your home or any office location. We do not offer site selection assistance.

**6.3 Area Representative Operations Manual.** We will provide you a Manual to offer guidance in performing your development and support services.

**6.4 Operational Support.** We provide support to you in the operation of your Area Representative Agreement.

**6.5 Franchise Disclosure Document.** We will provide or make available to you an electronic copy of our latest unit Franchise Disclosure Document to use as part of your

development services. We reserve the right to modify the unit Franchise Disclosure Document in our sole discretion.

**6.6 Computer Systems, Equipment and Supplies.** We may issue computer, software, equipment, and supply specifications.

**6.7 Advertising and Marketing.** We may conduct marketing using electronic or print advertising of any kind or advise you with marketing recommendations.

We may 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.

You are permitted to use your own advertising material provided that we first approve it, and the material adheres to federal, state, and local law.

**6.8 Advanced Training.** We may provide advanced or other training, which we may offer from time to time at select locations, or we may offer such training on the web or electronically. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend.

## **7. AREA REPRESENTATIVE DUTIES**

**7.1 Initial Training.** You and any general manager working for you must attend and successfully complete Initial Training before you may operate your Area Representative Business.

**7.2 Computer Systems, Equipment and Supplies.** You agree to purchase and maintain such computer systems, software, equipment, and supplies as we designate. At present, you will need a computer with internet access, printer with scanning capabilities, smartphone, desk and chair, along with standard office supplies to operate the business. We may also require you to purchase software such as Microsoft Office or other software that we may develop in the future.

**7.3 Insurance.** You must purchase any insurance that we may specify and as is required by your state law, name us as an additional insured, and furnish proof of insurance to us.

**7.4 Starting Date.** You agree to be operational within 90 days of the Effective Date of this Agreement.

**7.5 Area Representative Manual.** You will provide assistance and support in accordance with the Manual and our unit franchisee Operations Manual. We may modify the Manual in order to adjust for competitive changes, technological advancements, legal requirements, and attempts to improve in the marketplace. You agree to operate the Area Representative Business according to the then current Manual.

**7.6 Candidate Development.** You will use best efforts to recruit candidates interested in operating a Franchise within the United States and only in those states where we are legally allowed to offer and sale Unit Franchises. Upon your determination that a candidate may have the characteristics of a potential franchisee (“Candidate”), you will identify such Candidate in writing to us for our consideration.

**7.7 Operational Support.** You will provide Franchisees with support in launching the franchise, on-going training, on-going operational support, and marketing assistance.

**7.8 Contract Enforcement.** Upon termination or expiration of a franchise agreement with us of any Franchisee (“Former Franchisee”), you will assist us in enforcing the “Post Termination Obligations” set forth in its franchise agreement with that Former Franchisee, but you will have no duty to initiate a court or other legal proceeding.

**7.9 Personal Involvement.** You must render the Area Representative and support services personally, unless you submit to us a general manager who attends and successfully completes Initial Training, and who is not later disapproved by us.

**7.10 Franchise Sales Representations.**

(a) **Disclosure.** You will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees, including providing the unit Franchise Disclosure Document, which we prepare and provide to you, to all Candidates at the time required by law, presently fourteen calendar days before signing of a binding agreement between the Candidate and us or making any payment by the Candidate to us, in most jurisdictions. Should you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. You will be responsible for providing our most current unit Franchise Disclosure Document approved for your use.

(b) **Financial Performance Representations.** Except as may be expressly stated in Item 19 of our most current unit Franchise Disclosure Document in effect in the state where the Candidate is located, you will not make any representation, either orally, in writing, electronically, or otherwise, to any prospective Candidate concerning actual or potential earnings, sales, income or profits of any Franchise. However, you may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.

(c) **Improper Representations.** You will make no representations to any Candidate that conflicts with our current unit Area Representative Agreement or unit Disclosure Document, or make any promises, guarantees or warranties to any party not authorized in writing by us.

**7.11 Advanced Training.** You will use best efforts to attend any advanced or refresher training that we may require either through electronic means or in person.

**7.12 Laws and Regulations.** You agree to comply with all federal, state, and local laws, and regulations. You will secure all necessary permits, certificates, and licenses to operate your business. You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

**7.13 Authorized Goods and Services.** You must offer and sell only the goods and services that we approve and you must sell all the goods and services that we authorize. We have the right to change the types of authorized goods and services but we do not intend to materially change the nature of this relation or the authorized goods and services.

## **8. LIMITATION OF AUTHORITY**

**8.1 No Authority to Approve Marketing.** You do not have any authority to approve or disapprove Franchisee marketing or advertising.

**8.2 No Authority to Modify Manual.** You do not have authority to modify the unit franchisee Operations Manual. We reserve the right to modify the unit Operations Manual in our sole discretion.

**8.3 No Legal Claims versus Unit Franchisees.** You will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without our written permission.

**8.4 Limitation of Services.** You may only offer those services or products through your Area Representative business as authorized by us in this Agreement or the Area Representative Operations Manual, unless you first obtain our prior written approval.

**8.5 No Unauthorized Commitments.** You acknowledge that you have no authority to bind us with respect to any matter, and agree that you will not enter into any agreements or understandings with any Candidates or other third parties other than as authorized in writing by us.

## **9. JOINT DUTIES**

**9.1 Enforcement of Unit Agreement.** The Parties will be responsible for the enforcement of all agreements (“Franchise Documents”) executed in the awarding of a franchise to a Candidate and the monitoring of individual franchise performance and adherence to our Franchise system.

## **10. MINIMUM AREA REPRESENTATIVE PERFORMANCE**

**10.1 Minimum Requirements.** Continuation of your territorial rights depends on achieving a certain sales volume, namely, the sale of the number of unit territories that you have purchased in a ten (10) year time frame.

**10.2 Remedy for Failure to Meet Minimum Requirements.** If you fail to meet Minimum Requirements, we reserve the right to decline to renew your Area Representative Agreement.



## **11. ADVERTISING AND TRADEMARKS**

**11.1 Use of our Marks.** We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Area Representative 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 Manual. Further, you must either use any advertising templates we may make available, or if you wish to use your own material, submit it to us for written approval prior to its use. If we do not approve material within 15 days of submission, it is deemed disapproved.

**11.2 Business cards.** You may purchase business cards to use in the operation of your Area Representative Business in accordance with our specifications.

**11.3 Private Websites.** You are not allowed to have an independent website or obtain or use any domain name (Internet address) in connection with the provision of services under this Agreement or to facilitate any efforts to find, solicit, and recruit Candidates.

**11.4 Social Media.** Any social media used to promote the Area Representative Business must be in accord with our specifications.

**11.5 No use of “1<sup>st</sup> Class Real Estate” within a company name.** You may not use the words “1<sup>st</sup> Class” or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

**11.6 No confusingly similar marks.** You agree not to use any marks that could be confused with our Marks.

**11.7 We may update or change our Marks.** We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to 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.

**11.8 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.

**11.9 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.

**11.10 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.

**11.12 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.

## **12. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS.**

**12.1 Definition.** “Confidential Information” means information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, of or about us that is valuable and not generally known or readily available to third parties obtained by you from us during the Term of this 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 by the parties in the course of the performance of this Agreement.

**12.2 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 who have signed Confidentiality Agreements, agreeing to keep the Confidential Information confidential.

**12.3 Return of Information.** Upon termination or expiration of this Agreement, you will return to us all of our 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 remain subject at all times to the confidentiality restrictions of this Agreement.

**12.4 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.

**12.5 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.

## **13. REPORTS AND REVIEW**

**13.1 Reports.** You agree to file with us reports detailing your activities, sales, and other information at such times and in such form as we may specify in the Manual or otherwise.

**13.2 Reviews.** We reserve the right to review your business operations, in person, by mail, or electronically, to inspect your operations and obtain your paper and electronic business records related to your Area Representative 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. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

**13.3 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 Area Representative Business, you must send us at your expense these records within five business days of receiving our request.

**13.4 Independent Access to Information.** You agree to allow us to have independent access to the information that will be generated or stored in your computer system, which includes prospect, financial, and operational information.

## **14. TERMINATION**

**14.1 Termination by You.** You may terminate this Agreement at any time by giving us written notice of termination. Termination of this Agreement will be effective upon our receipt of your termination notice. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

**14.2 Termination by Us.** We may terminate this Agreement effective upon our sending to you written notice of termination, and without the opportunity for you to cure, for any of the following reasons:

- (a) If you do not complete our Initial Training;
- (b) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- (c) If a final judgment of record against you or your Area Representative Business remains unsatisfied for 30 days or longer;
- (d) If you commit a material violation of any law, ordinance, rule or regulation of a government or governmental agency or department which constitutes a material violation of any franchise law, antitrust law, securities law, fraud or similar wrong, unfair or deceptive practices, or a comparable violation;
- (e) If you violate any part of Sections 7.10 (Franchise Sales Representations) or 8(e) (No Unauthorized Commitments) of this Agreement;
- (f) If you make a misstatement of material fact or fail to disclose a material fact on a Biographical Information Form or requested in any form, or refuse to fill out or completely fill out such forms or tender supporting documentation upon reasonable request;
- (g) 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;

(h) 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; or

(i) If you die or become incapacitated and you or your estate does not begin the process of transferring your rights under this Agreement within 60 days or complete the transfer within 6 months of your death or incapacity.

(j) If you abandon the Area Representative Business or discontinue active operation of the Area Representative Business by failing to communicate with us for 30 consecutive days, except when active operation or communication is not reasonably possible, such as because of a natural disaster.

**14.3 Termination by Us with the 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; or

(b) Any amount owing to us from you is more than 30 days past due.

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

## **15. POST TERMINATION OBLIGATIONS**

Upon termination or expiration of this Agreement, including a sale of the business, you agree to:

(a) Discontinue using any of our “Marks;”

(b) Pay to us all sums due between the parties;

(c) If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Agreement and deliver to us written proof of transfer;

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

(e) Cancel all fictitious name filings which you use of any of our Marks; and

(f) Adhere to the post-term duties stated in Section 16 below and any other duties that require your performance after you are no longer an Area Representative.

## 16. NON-COMPETE AND NO SOLICITATION

### 16.1 Non-Compete.

(a) **In-Term.** You will not, during the Term of this Agreement, in the United States, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in a real estate agency or brokerage, except as to seeking 1<sup>st</sup> Class Real Estate franchisees under this Agreement, or (ii) aid or facilitate another person or entity (except as authorized by us pursuant to this Agreement) in the establishment or operation of a real estate agency or brokerage business.

(b) **Post-Term.** You will not, for a period of two years after expiration or termination of this Agreement, including a sale of the franchise or your interest in it, from your office location or a twenty-five (25) mile radius from it or any franchised location you developed or recruited, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in a real estate agency or brokerage business.

### 16.2 No Solicitation.

(a) **In-Term.** Except with our permission, you will not, during the term of this Agreement, in the United States, directly or indirectly solicit for employment in a management or supervisory capacity, any management or supervisory personnel employed by us, any management or supervisory personnel employed by a 1<sup>st</sup> Class Real Estate franchisee, or any 1<sup>st</sup> Class Real Estate franchisee, or in the case of a franchisee that is an entity, the owners of such entity.

**16.3 Waiver of bond.** You agree that if we are forced to bring suit to enforce Sections 15 or 16 above, you agree to waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

**16.4 Severability.** If any covenant or provision of Section 16.1 or 16.2 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.

## 17. STATUS OF PARTIES

**17.1 Independent Contractor.** This Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty, other special duty, or relationship with respect to the other party. The parties acknowledge that your relationship with us is that of an independent contractor.

## **18. GOODWILL**

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

## **19. INDEMNITY**

**19.1 Indemnity.** You will indemnify, defend and hold us and our affiliates, officers, directors, members, partners, employees, and agents (the "Indemnified Parties") harmless from and against any damage, cost, or attorney fees which relates to or arises from your breach or alleged breach of any of your duties under this Agreement.

## **20. TRANSFER**

**20.1 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.

**20.2 Transfer by You.** You may transfer your interest under this Agreement or your ownership in your Area Representative Business only if we approve, and you comply with the provisions in this Section 20. We shall not unreasonably withhold approval. No interest may be transferred unless and until you are in full compliance with this Agreement and current in all monies owed to us. 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 20, 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.

**20.3 Transfer to 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. 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.

**20.4 Transfer within an Entity.** A transfer of interest within an Area Representative entity shall not trigger the Right of First Refusal if only the percentage ownership, rather than the identity of the owners, is changing. At 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.

**20.5 Right of First Refusal.** If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Area Representative Agreement or any interest in it, you shall grant us the option (the "Right of First Refusal") to purchase the Area Representative 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 Area Representative Business or interest in the Area Representative 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 your 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 Area Representative Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Sections 20.2 and 20.6 below 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.

**20.6 Transferee Requirements.** The proposed transferee(s) must complete our then current Area Representative application and pass our application screening using our then current qualifications; sign either, at our option, an assignment of the rights remaining in your Area Representative Agreement or our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement; and attend and successfully complete Initial Training.

## **21. DEATH OR INCAPACITY**

In the event of your death or incapacity, you, or your estate, as the case may be, 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 Area Representative must pay the transfer fee specified above, meet our qualifications, complete Initial Training, and enter into a new Area Representative 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.

## **22. 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 Paragraph 7.5.

## **23. 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 terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

## **24. FULL UNDERSTANDING**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

## **25. GOVERNING LAW**

**25.1 Florida Law.** This Agreement is effective upon its acceptance in Florida by our authorized officer. Except as to claims governed by federal law, Florida law governs all claims that in any way relate to or arise 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.

**25.2 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 Sarasota, Florida. However, if you are an Illinois or Maryland resident or your Area Representative 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.”

**25.3 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.

**25.4 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.

**25.5 Compensatory Damages.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

**25.6 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.

**25.7 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.



**25.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 25.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

**25.9 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.

**25.10 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.

**25.11 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.

**25.12 Survival.** All of 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.

**25.13 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.

## **26. 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 arising prior to the date of this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document.

## **27. NOTICES**

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally or by facsimile, to our CEO, at our corporate office, presently 6330 Hollywood Blvd, Sarasota, FL 34231; Phone: (757) 504-4363. Any such notice may also be given to you in the same manner at the address indicated below your signature on this Agreement or such other more current address as we may have on file for you. We may also give notice to you by e-mail.

## **28. 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. 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.

## **29. GUARANTY**

The Area Representative 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 **Sections 15-19** the obligation to make payments specified above 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.

[Signature Page on Next Page]

Area Representative: \_\_\_\_\_ 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)

**1<sup>st</sup> Class Franchising, LLC d/b/a 1<sup>st</sup> Class Real Estate**

By: \_\_\_\_\_ Effective Date: \_\_\_\_\_

Rhyan Finch, CEO

**\*Joint Tenants with Right of Survivorship is typically for spouses and must be owned equally by each tenant, 50-50 for two owners, and if one 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**

### **TERRITORY**

The Territory consists of any approved state where the Franchisor may lawfully offer and sell franchises within the United States per the Tracking Sheet provided by Franchisor.

**SCHEDULE 2**

**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 d/b/a 1st Class Real Estate (“Franchisor”) 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 or Area Representative Agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Franchisor 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

#### AREA REPRESENTATIVE DISCLOSURE ACKNOWLEDGMENT

[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.

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.

[signature page follows]

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 4**

**BIOGRAPHICAL INFORMATION FORM**

**AREA REPRESENTATIVE**

1. Name: \_\_\_\_\_

2. Current Title/Position with Franchisor: **Area Representative**

3. Business Address:  
\_\_\_\_\_  
\_\_\_\_\_

4. Business Phone Number: \_\_\_\_\_

5. Beginning with the date you started the job you held six years ago, on the chart below please list your dates of employment, your employer(s), and your position(s) held from then to the present:

---

**\*Please make sure to include your current position with the franchisor (including Area Representative, etc.) as well as any prior titles or positions you held with the franchisor.**

**\*Please make sure to include all positions held even though not as an employee. For example, include positions held as “self-employed” or as a franchisee, consultant, or independent contractor.**

**\*Please print clearly and do not use abbreviations except where such abbreviation actually shows up in the name of a company (i.e., “Inc.”) and you may abbreviate the name of a state.**

<u>Company</u>	<u>City/State</u>	<u>Position Held</u>	<u>Start Date (Month and Year)</u>	<u>End Date (Month and Year)</u>

6. Have you been convicted of a felony or pleaded *nolo contendere* to a felony charge involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

7. Have you been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge involving a violation of franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

8. Have you been party to any civil action, administrative action, complaint or legal proceeding involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

9. Are you a party to any proceeding, which could make you subject to, or are you subject to an injunction or restraining order brought by any public agency or department?

YES  NO

10. Have you been a party in any arbitration proceeding during the past ten years?

YES  NO

11. Have you filed in bankruptcy; been adjudicated a bankrupt; been reorganized due to insolvency; or been a principal, director, executive officer, trustee or general partner or any other entity that has filed in bankruptcy, been adjudicated a bankrupt, or been reorganized due to insolvency in the last ten years?

YES  NO

12. Are you subject to any currently effective order of any national securities association or national securities exchange suspending or expelling you from membership in such association or exchange?

YES  NO

13. If your answer to any of the above items is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

## II. SALESPERSON DISCLOSURE

If anyone other than you will be offering or selling franchises under this Area Representative Agreement, please write their name(s) below and what they will be doing.

<u>Name</u>	<u>What Will They Be Doing</u>
1. _____	_____
2. _____	_____
3. _____	_____

## III. LLC AND CORPORATIONS

If your Area Representative Agreement is held by a limited liability company or corporation, please also advise:

What is the name of the entity? \_\_\_\_\_

In what state is the entity formed? \_\_\_\_\_

What is your role in the entity? (For example, Managing Member, President, etc.):

\_\_\_\_\_

#### IV. TERRITORY

In what state is your Area Representative Business? \_\_\_\_\_

#### V. PROMISE TO UPDATE & CERTIFICATION

If at any time I become involved in litigation, convicted of a crime, or file bankruptcy, I promise to notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

Signature: \_\_\_\_\_

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

## SCHEDULE 5

### STATE ADDENDA TO THE AREA REPRESENTATIVE AGREEMENT

#### CALIFORNIA ADDENDUM TO THE AREA REPRESENTATIVE AGREEMENT

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

Sections 14.2 and 14.3 are deleted and in their place are substituted the following:

**14.2 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 Area Representative 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 Area Representative admits his or her inability to pay his or her debts as they come due;

(b) The Area Representative abandons the franchise by failing to operate the business for five consecutive days during which the Area Representative 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 Area Representative 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 Area Representative's control;

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

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

(e) The Area Representative 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 Area Representative, after curing any failure in accordance with Section 14.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

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

(j) The Area Representative 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 Area Representative will result in an imminent danger to public health or safety.

**14.3 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.

The Agreement is amended by adding the following:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all of its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

AREA REPRESENTATIVE:

FRANCHISOR:

1<sup>st</sup> Class Real Estate Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

**ILLINOIS ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

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

1. Illinois law governs the Area Representative Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an Area Representative 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 Area Representative 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 Area Representative Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.
6. 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.

AREA REPRESENTATIVE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Real Estate Franchising, LLC

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

Rhyan Finch, CEO

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

**VIRGINIA ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

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

The Area Representative 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 area representative 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:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

Rhyan Finch, CEO

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



## **WASHINGTON ADDENDUM TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative 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.

**Use of Franchise Brokers.** The franchisor uses 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.

The franchise agreement is amended to also provide: “Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the Area Representative and the Area Representative is open for business.

Section 28 of the Area Representative Agreement is amended to delete Section 28, “Acknowledgment,” in its entirety and shall not apply in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

AREA REPRESENTATIVE:

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

## SCHEDULE 6

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is entered into by and between 1<sup>st</sup> Class Franchising, LLC with its principal offices at 6330 Hollywood Blvd, Sarasota, FL 34231, ("Disclosing Party") and the Receiving Party identified below ("Receiving Party") for the purpose of preventing the unauthorized disclosure of Confidential Information. 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 oral, written, and electronic information furnished by Disclosing Party to Receiving Party concerning technical and business information relating to Disclosing Party's intellectual property, Operations Manual, franchisee training materials, proprietary ideas, patentable ideas, copyrights, or trade secrets, existing or contemplated products and services, software, schematics, research and development, production, costs, profit and margin information, finances and financial projections, customers, clients, marketing, and current or future business plans and models, and the terms of any vendor relations or other agreements, regardless of whether such information is designated as "Confidential Information" at the time of its disclosure.

Confidential Information does not include information (a) already in Receiving Party's possession before receipt from Disclosing Party; (b) that is matter of public knowledge through no fault of Receiving Party; (c) that is rightfully received by Receiving Party from a third party not an affiliate of Disclosing Party and not owing a duty of confidentiality to the Disclosing Party; (d) that is disclosed without a duty of confidentiality to a third party by, or with the authorization of, Disclosing Party; or (e) that is independently developed by the Receiving Party.

2. Obligations of Receiving Party. Receiving Party shall use the Confidential Information only for the purpose of evaluating potential business and investment relationships with Disclosing Party. Receiving Party shall limit disclosure and use of Confidential Information within its own organization to those directors, officers, partners, members, employees, representatives, or agents ("Representatives") having a need to know, and Receiving Party and its Representatives shall keep the Confidential Information confidential and shall not disclose Confidential Information to any other person or entity without the prior written consent of Disclosing Party. If Receiving Party is required to disclose any Confidential Information pursuant to a legal proceeding, the Receiving Party will provide reasonable notice to Disclosing Party in order for Disclosing Party to file a protective order or take other such action as necessary to prevent the disclosure of such information. If Receiving Party or any of its Representatives is compelled as a matter of law to

disclose any Confidential Information, Receiving Party may disclose to the person compelling disclosure only that part of the Confidential Information as is required by law to be disclosed. Receiving Party shall promptly advise Disclosing Party if the Receiving Party becomes aware of any possible unauthorized disclosure or use of the 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. No Licenses Granted. Neither party grants any licenses, by implication or otherwise, under any patent, copyright, trademark, trade secret or other rights by disclosing Confidential Information under this Agreement.

This Agreement shall not be construed as creating, conveying, transferring, granting, or conferring upon the Recipient any right, license, or authority in or to the information exchanged, except the limited right to use Confidential Information as specified herein. Specifically, no license or conveyance of any intellectual property rights is granted or implied by this Agreement.

5. Indemnification. Receiving Party agrees to defend, indemnify, and hold harmless the Disclosing Party and its officers, directors, agents, affiliates, distributors, representatives, and employees from any and all third party claims, losses, damages, and cost, including reasonable attorney's fees and expenses resulting from Receiving Party's breach of any duty, representation, or warranty under this Agreement.

6. 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.

7. 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.

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

9. Governing Law, Venue. This Agreement and any disputes arising out of or related to this Agreement, or the parties' dealings ("Claims") will be governed by Florida law, without regard to its rules of conflict or choice of laws. The parties also agree to bring any Claims solely in the state and federal courts in Sarasota, Florida.

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: 1<sup>st</sup> Class Franchising, LLC**

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

Rhyan Finch, CEO

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

**EXHIBIT D**  
**PROMISSORY NOTES**

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

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Sarasota, Florida

For and in consideration of good and valuable consideration, the undersigned (“Maker”) promises to pay to the order of 1st Class Franchising, LLC [“Holder”] at 6330 Hollywood Blvd, Sarasota, FL 34231, 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.

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

Maker 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.

Maker understands that Holder may transfer this Note. The Holder or any party who takes this Note by transfer and who is entitled to receive payments under this Note shall be called “Holder.”

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.

As security for the prompt and full satisfaction of the outstanding principal balance of this Note, and all other sums due under this Note, Maker agrees that Holder shall have, and Maker hereby grants to and creates in favor of Holder, a lien and security interest in any and all of the accounts, assets, real property, personal property, and intangible property of the Franchised Business. Maker agrees that it shall not, without the prior written consent of the Holder, grant or create or permit to attach or exist any mortgage,

security interest, lien, judgment, or other encumbrance of or in any of the assets of the Franchised Business or any portion thereof. Maker agrees that it shall preserve and protect Holder's security interest in the Franchised Business assets. In addition to all rights and remedies given to Holder by this Note, Holder shall have all the rights and remedies of a secured party under the Uniform Commercial Code (the "UCC"). The parties hereto agree that this Note constitutes a security agreement under the UCC. Maker agrees from time to time at the request of Holder to file or record, or cause to be filed or recorded, such instruments, documents or notices, including assignments, financing statements and continuation statements as the Holder may deem necessary or advisable from time to time in order to perfect, to continue perfected and to preserve the priority of such lien and security interest.

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 Maker 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 Florida.

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

\_\_\_\_\_  
Signature of Maker

\_\_\_\_\_  
Signature of Maker

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Printed Name of Maker

Home Address:

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Printed Name of Maker

Home Address:

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**PROMISSORY NOTE- ENTITY**

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Sarasota, Florida

For and in consideration of good and valuable consideration, the undersigned (together with the Guarantor “Maker”) promises to pay to the order of 1st Class Franchising, LLC [“Holder”] at 6330 Hollywood Blvd, Sarasota, FL 34231, 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.

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

Maker 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.

Maker understands that Holder may transfer this Note. The Holder or any party who takes this Note by transfer and who is entitled to receive payments under this Note shall be called “Holder.”

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.

As security for the prompt and full satisfaction of the outstanding principal balance of this Note, and all other sums due under this Note, Maker agrees that Holder shall have, and Maker hereby grants to and creates in favor of Holder, a lien and security interest in any and all of the accounts, assets, real property, personal property, and intangible property of the Franchised Business. Maker agrees that it shall not, without the prior written consent of the Holder, grant or create or permit to attach or exist any mortgage, security interest, lien, judgment, or other encumbrance of or in any of the assets of the Franchised Business or any portion thereof. Maker agrees that it shall preserve and protect Holder’s security interest in the Franchised Business assets. In addition to all rights and remedies given to Holder by this Note, Holder shall have all the rights and remedies of a secured party under the Uniform Commercial Code (the “UCC”).

The parties hereto agree that this Note constitutes a security agreement under the UCC. Maker agrees from time to time at the request of Holder to file or record, or cause to be filed or recorded, such instruments, documents or notices, including assignments, financing statements and continuation statements as the Holder may deem necessary or advisable from time to time in order to perfect, to continue perfected and to preserve the priority of such lien and security interest.

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 Maker 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 Florida.

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

**Maker:** \_\_\_\_\_  
(Enter Name of Entity Here)

By \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Guarantors:**

---

Signature of Guarantor

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Printed Name of Guarantor

Home Address:

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Signature of Guarantor

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Printed Name of Guarantor

Home Address:

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Signature of Guarantor

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Printed Name of Guarantor

Home Address:

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Signature of Guarantor

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Printed Name of Guarantor

Home Address:

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**EXHIBIT E**  
**GENERAL RELEASE**

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

1. Releasor and 1<sup>st</sup> Class Franchising, LLC d/b/a 1<sup>st</sup> Class Real Estate ("Releasee") are parties to one or more Area Representative Agreements.

2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Area Representative 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 Area Representative Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Area Representative Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Area Representative and all of Area Representative'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, Area Representatives, 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 Area Representative 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, and the Rhode Island Investment Act and the Washington Franchise Investment Protection Act.

Approved and agreed to by:

**Area Representative:**

**1st Class Franchising, LLC**

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

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

Rhyan Finch, CEO

Printed Name: \_\_\_\_\_

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

Title: \_\_\_\_\_

**EXHIBIT F**  
**LIST OF CURRENT AREA REPRESENTATIVES**

**AS OF DECEMBER 31, 2023**

The following is a list of the names of all current Area Representatives and the address and telephone number of each of their outlets.

**Operational Outlets:**

**Alabama**

Logical Lifestyle Solutions LLC: 5807 Harper Road, Northport, AL 35473 - 205-861-5698

Powerhouse Realty LLC: 225 McFarland Blvd., Suite A, Northport, AL 35476 – 205-454-9247

**Arizona**

BHRE Enterprises LLC: 21448 N 75<sup>th</sup> Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660

JSV Holdings LLC: 15282 W Brookside Ln., Suite 119, Surprise, AZ 85374 - 480-794-0902

It's A Breeze Real Estate LLC: 18612 W Lawrence Ln., Waddell, AZ 85355 – 623-910-6700

**California**

Ponoisms Inc.: 9245 Madison Ave., La Mesa, CA 91941 – 619-384-8163

**Colorado**

Z Holdings LLC: 16890 E Alameda Pkwy., Apt. 470713, Aurora CO 80017- 850-261-3308

**Florida**

Black Diamond Investment Group Inc: 1202 SW 17th St., Suite 201-157, Ocala, FL 34471 - 352-233-5376

Reagan Realty LLC: 200 Booth Rd., Ormond Beach, FL 32174 – 386-882-6644

Florida's Premier Realtor LLC: 4400 Bayou Blvd., Suite 49B, Pensacola, FL 32503 - 850-637-8622

1<sup>st</sup> AR LLC: 1600 E 8TH Ave., #A200, Tampa, FL 33605 - 813-856-0952

**Georgia**

Premier Group Partners Inc.: 145 Howell Rd, Tyrone, GA 30290 – 470-509-3301

**Missouri**

1CKCAR LLC: 317 W Kansas Ave., Independence, MO 64050 – 816-919-0044

**Texas**

The Eblen Real Estate Team LLC: 250 Assay St. Suite 300-326, Houston, TX 77044 - 888-228-4535 Ext 0

**Virginia**

River City Real Estate Holdings LLC: 6034 Pond Place Way, Mechanicsville, VA 23111 - 804-925-5700

Morgan Michael Enterprises LLC: 1246 Kempsville Rd., Norfolk, VA 23502 – 757-502-5000

Driver Holdings Company LLC: 1732 Freeman Mill Road, Suffolk, VA 23438 – 501-580-2546

SBA Realty LLC: 1732 Freeman Mill Road, Suffolk, VA 23438 – 501-580-2546

Christopher Arthur: 2425 Seven Kings Rd., Virginia Beach, VA 23456 – 757-575-8747

Coastal Concierge Group LLC: 901 Little Neck Road, Virginia Beach, VA 23452 – 757-513-2232

National AR Inc: 1650 Darrow St., Virginia Beach, VA 23456 – 757-572-8611

Seaport Paradis LLC: 513 19<sup>th</sup> Street, Virginia Beach, VA 23451 - 508-951-4437

**Wisconsin**

Impact Companies LLC: 111 N Broadway St., Suite B, Green Bay, WI 54303 - 920-562-5058

**Area Representative Agreement Signed But Outlet Not Yet Open (as of 12/31/2023):**

**EXHIBIT G**  
**LIST OF FORMER AREA REPRESENTATIVES**

**AS OF DECEMBER 31, 2023**

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every Area Representative who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Area Representative 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.

NONE



**EXHIBIT H**  
**FINANCIAL STATEMENTS**

**1ST CLASS FRANCHISING, LLC**

**VIRGINIA BEACH, VIRGINIA**

**DECEMBER 31, 2023 AND 2022**



**1ST CLASS FRANCHISING, LLC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022 (restated), and the related statements of income and members' equity (deficit), and cash flows for the years then ended (restated for the year ended 2022), and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1st Class Franchising, LLC as of December 31, 2023 and 2022 (restated) 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  
April 5, 2024

**1ST CLASS FRANCHISING, LLC**

**BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022**

ASSETS	2023	(Restated) 2022
<b>CURRENT ASSETS</b>		
Cash	\$ 125,329	\$ 88,180
Accounts receivable	123,287	22,739
Notes receivable, current	99,171	105,062
Prepaid expenses, current	94	27,065
Prepaid area representative fees, current	110,800	92,800
Total current assets	\$ 458,681	\$ 335,846
<b>PROPERTY AND EQUIPMENT:</b>		
Software	\$ 80,000	\$ -
Less - accumulated depreciation	(1,333)	-
Net property and equipment	\$ 78,667	\$ -
<b>OTHER ASSETS</b>		
Notes receivable, long-term	\$ 171,624	\$ 264,352
Prepaid area representative fees, long-term	218,628	247,428
Total other assets	\$ 390,252	\$ 511,780
<b>TOTAL ASSETS</b>	\$ 927,600	\$ 847,626
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 35,042	\$ 849
Deferred revenue, current	431,693	408,339
Notes payable - related parties, current	165,000	-
Area representative fees payable, current	28,919	27,680
Accounts payable-related party	1,775	-
Total current liabilities	\$ 662,429	\$ 436,868
<b>LONG-TERM LIABILITIES</b>		
Notes payable - related parties, net of current-portion	\$ 88,750	\$ -
Deferred revenue, net of current-portion	1,207,120	1,484,641
Area representative fees payable, net of current-portion	40,292	17,309
Total long-term liabilities	\$ 1,336,162	\$ 1,501,950
Total liabilities	\$ 1,998,591	\$ 1,938,818
<b>MEMBERS' EQUITY (DEFICIT)</b>	(1,070,991)	(1,091,192)
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>	\$ 927,600	\$ 847,626

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, 2023 AND 2022**

	<u>2023</u>	<u>(Restated) 2022</u>
<b>OPERATING REVENUE</b>		
Franchise fees	\$ 2,514,706	\$ 2,270,818
Operation revenue	239,210	307,040
<b>TOTAL OPERATING REVENUE</b>	<u>\$ 2,753,916</u>	<u>\$ 2,577,858</u>
<b>OPERATING EXPENSES</b>		
Salaries and related expenses	\$ 643,355	\$ 660,561
Franchise fees	522,626	415,609
Bad debt	34,235	23,332
Software expense	383,571	604,287
Closing coordinators	136,685	145,733
Rent expense	42,567	76,457
Office expense	17,561	40,880
Travel expense	33,731	5,968
Marketing	63,621	34,727
Accounting and legal fees	84,524	58,836
Referral fees	128,176	187,681
Client care expense	13,177	13,440
Repairs and maintenance	11,078	13,841
Donations	23,707	4,712
Taxes and license	8,436	6,430
Insurance	22,518	32,123
Management fees	128,550	-
Depreciation	1,333	-
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 2,299,451</u>	<u>\$ 2,324,617</u>
<b>Net income before other income and expenses</b>	<u>\$ 454,465</u>	<u>\$ 253,241</u>
<b>OTHER INCOME</b>		
Interest income	\$ 39,201	\$ 51,636
Loss on transfer	(1,082)	(82,597)
Employee retention credit refunds	121,779	-
Other income	200	-
<b>TOTAL OTHER INCOME</b>	<u>\$ 160,098</u>	<u>\$ (30,961)</u>
<b>NET INCOME</b>	<u>\$ 614,563</u>	<u>\$ 222,280</u>
<b>MEMBERS' EQUITY (DEFICIT) - Beginning of the year</b>	(1,091,192)	(130,172)
<b>MEMBERS' DISTRIBUTIONS</b>	<u>(594,362)</u>	<u>(1,183,300)</u>
<b>MEMBERS' EQUITY (DEFICIT) - End of the year</b>	<u><u>\$ (1,070,991)</u></u>	<u><u>\$ (1,091,192)</u></u>

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, 2023 AND 2022**

	2023	(Restated) 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 614,563	\$ 222,280
Adjustments to reconcile net income to net cash provided by operating and other activities		
Depreciation	\$ 1,333	\$ -
(Increase) in accounts receivable	(100,548)	(4,795)
Decrease in prepaid expenses	26,971	1,604
(Increase) decrease in prepaid area representative franchise fees	10,800	(122,187)
Increase (decrease) in accounts payable	34,193	(6,680)
Increase (decrease) in area representative fees payable	24,222	(32,940)
Increase (decrease) in deferred revenue	(254,167)	426,053
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 357,367</b>	<b>\$ 483,335</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (80,000)	\$ -
Collections of (advances on) notes receivable	88,883	(139,976)
Sale of notes receivable	9,736	686,082
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 18,619</b>	<b>\$ 546,106</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from related party loans	\$ 330,000	\$ -
Repayment of related party loans	(76,250)	-
Advances from related party	1,775	-
Members' distributions	(594,362)	(1,183,300)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>\$ (338,837)</b>	<b>\$ (1,183,300)</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 37,149</b>	<b>\$ (153,859)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>88,180</b>	<b>242,039</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 125,329</b>	<b>\$ 88,180</b>

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



# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### 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, 2023 and 2022, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

#### 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, 2023 AND 2022**

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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, 2023 and 2022. Bad debt expense for the years ended December 31, 2023 and 2022 was \$34,235 and \$23,332, respectively.

Advertising

Advertising costs are expensed as incurred. During the years ending December 31, 2023 and 2022 the Company incurred marketing expenses of \$63,621 and \$34,727, 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.

The Company pays franchise fees and legal fees for certain franchise sales. During the years ended December 31, 2023 and 2022, the Company had \$522,626 and \$415,609 in such expenditures. Prepaid expenses total \$229,708 and \$340,228 as of December 31, 2023 and 2022, respectively.

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.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise agreements (Continued)

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.

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.

Property and equipment

Property and equipment are recorded at costs. Expenditures for property, equipment, software and major renewals that extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation of property, equipment and software purchases is provided on a straight-line method based over the following useful lives:

Asset Category	Useful Life
Software	3-10 years

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, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 99,171	\$ 105,062
Receivable in one to five years	171,624	264,352
	\$ 270,795	\$ 369,414

Reflected in the financial statements as follows:

	2023	2022
Notes receivable, current	\$ 99,171	\$ 105,062
Long-term notes receivable	171,624	264,352
	\$ 270,795	\$ 369,414

Interest income earned on the notes for the years ended December 31, 2023 and 2022 was \$39,201 and \$51,636, respectively. There is no allowance for doubtful accounts deemed necessary at December 31, 2023 or 2022. Bad debt expense for the years ended December 31, 2023 and 2022 was 34,235 and \$23,332, respectively.

See independent auditor's report. Notes continued on next page.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### NOTE 4 - DEFERRED REVENUE

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recondition ("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 franchisee agreement and will be recognized as follows:

Year ended December 31:	
Current Liabilities	
2024	<u>\$ 431,693</u>
Long term liabilities	
2025	\$ 398,529
2026	281,369
2027	186,711
2028	117,545
Thereafter	<u>222,966</u>
	<u>\$ 1,207,120</u>

### 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 per 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, 2023 and 2022 was \$42,567 and \$76,457, respectively.

### NOTE 6 - RELATED PARTY TRANSACTIONS

During 2022 and 2023, the Company sold 32 separate notes receivable to a company in which the majority owner of the Company exercises significant influence. The total face values of these notes were \$765,704 and \$10,818, respectively, and were sold at a discounts totaling \$79,621 and \$1,082, respectively.

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, 2023 and 2022 was \$23,000 and \$4,000, respectively.

During 2023, the Company received loans from several related parties. See Note 7.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 7 - NOTES PAYABLE - RELATED PARTIES**

	<b>2023</b>	<b>2022</b>
On November 29, 2023, the Company purchased software from a related party, financed entirely through a term loan secured by that software in an amount of \$80,000, with 24 monthly payments of \$3,333 each and a 0% stated interest rate. The note comes due November 29, 2025.	\$ 76,667	\$ -
On June 14, 2023, the Company redeemed the entire interest of a member of the Company owning a 2.5% interest in the Company through a term loan secured by 2.5% interest in the Company in an amount of \$250,000 with 24 monthly payments of \$10,417 each and a 0% stated interest rate. The note comes due June 14, 2025.	177,083	-
Total related party notes payable	<u>\$ 253,750</u>	<u>\$ -</u>
Less current maturities	(165,000)	-
Net long-term portion of related party notes payable	<u>\$ 88,750</u>	<u>\$ -</u>

Future maturities of the long-term portion of related party notes payable are as follows:

	<u>Amount</u>
2025	<u>\$ 88,750</u>

**NOTE 8 - EMPLOYEE RETENTION CREDITS**

During 2023, the Company retroactively applied for Employee Retention Credit (ERC) payroll tax credit refunds under the Coronavirus Aid, Relief and Economic Security (CARES) Act in amounts of \$50,714 and \$71,065, respectively, for 2020 and 2021 payroll tax returns. The Company's eligibility is based upon government-ordered suspension of operations due to the COVID-19 pandemic having a more than nominal impact on the Company's operations. These refunds were not received until July and August of 2023. Due to the ambiguity and subjective nature of credit eligibility, the refunds were not recognized as income until 2023, when the amounts were properly determinable. The refunds are reflected in other income.

**NOTE 9 - RESTATEMENT OF FINANCIAL STATEMENTS**

The December 31, 2022 financial statements were restated to properly account for prepaid area representative fees and area representative fees payable, which had previously been expensed as paid. The 2022 financial information has been updated to correct for this error as follows:

	<i>As previously reported</i>	<i>Correction</i>	<i>As restated</i>
Members' equity(deficit) - beginning of the year	\$ (270,284)	\$ 140,112	\$ (130,172)
Franchise fees expense	570,735	(155,126)	415,609
Members' equity(deficit) - end of the year	(1,386,430)	295,238	(1,091,192)
Prepaid area representative fees, current	-	92,800	92,800
Prepaid area representative fees, long-term	-	247,428	247,428
Area representative fees payable, current	-	27,680	27,680
Area representative fees payable, net of current-portion	\$ -	\$ 17,309	\$ 17,309

See independent auditor's report. Notes continued on next page.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**NOTE 10 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 5, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to April 5, 2024 that would require adjustment to, or disclosure in, the financial statements.

**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
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
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
<b>OTHER ASSETS</b>		
Notes receivable, long-term	264,353	702,988
<b>TOTAL ASSETS</b>	<b>\$ 507,399</b>	<b>\$ 1,204,172</b>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 849	\$ 7,529
Deferred revenue, current	408,339	277,750
Total current liabilities	\$ 409,188	\$ 285,279
<b>LONG TERM LIABILITIES - Deferred revenue</b>	1,484,641	1,189,177
Total liabilities	\$ 1,893,829	\$ 1,474,456
<b>MEMBERS' EQUITY (DEFICIT)</b>	(1,386,430)	(270,284)
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>	<b>\$ 507,399</b>	<b>\$ 1,204,172</b>

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
<b>OPERATING REVENUE</b>		
Franchise fees	\$ 2,270,818	\$ 1,571,532
Operation revenue	307,040	80,876
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 2,577,858</b>	<b>\$ 1,652,408</b>
<b>OPERATING EXPENSES</b>		
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
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,479,743</b>	<b>\$ 1,559,141</b>
Net income before other income and expenses	\$ 98,115	\$ 93,267
<b>OTHER INCOME</b>		
Interest income	\$ 51,636	\$ 81,666
Loss on transfer	(82,597)	-
Other income	-	2,604
<b>TOTAL OTHER INCOME</b>	<b>\$ (30,961)</b>	<b>\$ 84,270</b>
<b>NET INCOME</b>	<b>\$ 67,154</b>	<b>\$ 177,537</b>
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	<b>\$ (1,386,430)</b>	<b>\$ (270,284)</b>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
	<b>\$ 483,336</b>	<b>\$ 606,881</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances on notes receivable	\$ (139,977)	\$ (194,062)
Sale of notes receivable	686,082	-
	<b>\$ 546,105</b>	<b>\$ (194,062)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from related party	\$ -	\$ (18,500)
Members' distributions	(1,183,300)	(318,675)
	<b>\$ (1,183,300)</b>	<b>\$ (337,175)</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (153,859)</b>	<b>\$ 75,644</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>242,039</b>	<b>166,395</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 88,180</b>	<b>\$ 242,039</b>

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**

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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:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 105,062	\$ 212,532
Receivable in one to five years	264,353	702,988
	<u>\$ 369,415</u>	<u>\$ 915,520</u>

Reflected in the financial statements as follows:

	<u>2022</u>	<u>2021</u>
Notes receivable, current	\$ 105,062	\$ 212,532
Long-term notes receivable	264,353	702,988
	<u>\$ 369,415</u>	<u>\$ 915,520</u>

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
	<u>\$ 1,484,641</u>

See independent auditor's report. Notes continued on next page.



1ST CLASS FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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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.

**EXHIBIT I**  
**TABLE OF CONTENTS TO OPERATIONS MANUAL**

## Area Representative Operations Manual

### Table of Contents

<u>Chapter/Subject</u>	<u>Pages</u>
Chapter 1- Introduction	1-7
Chapter 2- Starting a Business as an Area Representative	8-10
Chapter 3- Area Representative Roles and Responsibilities	11-12
Chapter 4- Marketing and Lead Generation	13-15
Chapter 5- Sales Process	16-18
Chapter 6- Operations and System Support Services	19-40
Chapter 7- Franchisee Compliance	41-44
Chapter 8- Activity Reporting	45-47
Chapter 9 – Appendix	48-60

**Please Note: The contents of this Manual are confidential and subject to the Confidentiality Clause in your Area Representative Agreement.**

**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:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Michigan	April 22, 2024
Virginia	Pending
New York	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 Area Representative Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1st Class Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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, 6330 Hollywood Blvd, Sarasota, FL 34231. Its telephone number is (757) 504-4636.

Issuance Date: April 16, 2024 as amended August 9, 2024

The franchise seller for this offering is:

<input checked="" type="checkbox"/>	Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636
<input checked="" type="checkbox"/>	Dora Cuyler, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636

We authorize the respective state agencies identified on Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated April 16, 2024 as amended August 9, 2024 that included the following Exhibits:

Exhibit A      State Addenda to the Disclosure Document

- Exhibit B State Administrators and Agents for Service of Process
- Exhibit C Area Representative Agreement
  - Schedule 1- Territory
  - Schedule 2- Minimum Requirements
  - Schedule 2- Automatic Bank Draft Authorization
  - Schedule 3- Area Representative Disclosure Acknowledgment
  - Schedule 4- Area Representative Biographical Information Form
  - Schedule 5- State Addenda to the Area Representative Agreement
- Exhibit D Promissory Notes
- Exhibit E General Release
- Exhibit F List of Current Area Representatives
- Exhibit G List of Former Area Representatives
- Exhibit H Financial Statements
- Exhibit I Table of Contents of Operations Manual
- Exhibit J State Effective Dates
- Exhibit 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.

## RECEIPT

This disclosure document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1st Class Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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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 A.

The franchisor is 1st Class Franchising, LLC, 6330 Hollywood Blvd, Sarasota, FL 34231. Its telephone number is (757) 504-4636.

Issuance Date: April 16, 2024 as amended August 9, 2024

The franchise seller for this offering is:

<input checked="" type="checkbox"/>	Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636
<input checked="" type="checkbox"/>	Dora Cuyler, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636
<input type="checkbox"/>	
<input type="checkbox"/>	

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I have received a disclosure document dated April 16, 2024 as amended August 9, 2024 that included the following Exhibits:

- Exhibit A State Addenda to the Disclosure Document
- Exhibit B State Administrators and Agents for Service of Process
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\_\_\_\_\_  
**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 us.