



A L A I R

**FRANCHISE DISCLOSURE DOCUMENT**  
**(Alair Homes Unit Franchises)**

**Alair Enterprises USA, Inc.**  
**(an Arizona corporation)**  
**96 Wallace Street**  
**Nanaimo, BC V9R 0E2, Canada**  
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**[www.alairhomes.com](http://www.alairhomes.com)**

Alair Enterprises USA, Inc. offers franchises for the operation of businesses that provide high quality custom home building services, home renovation services and commercial contracting services under the Alair Homes® service marks.

The total investment necessary to begin operation of an Alair Homes franchised business is between \$111,450 and \$187,000. This includes between \$91,800 and \$92,300 that must be paid to the franchisor or its affiliates. If you desire to develop more than one Alair Homes Franchise, for each additional Alair Homes Franchise, you must pay between \$30,250 and \$30,750.

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Maritess Bermejo at Alair Enterprises USA, Inc., 96 Wallace Street, Nanaimo, BC V9R 0E2, Canada and (250) 824-0279.

The terms of your contract will govern your franchise relationship. Don't rely on the Franchise Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Franchise Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Franchise Disclosure Document can help you make up your mind. More information on franchising, such as "*Buying a Franchise, A Consumer Guide*" which can help you understand how to use this Franchise 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 be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: December 18, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit J.
<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 M 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 Alair Homes business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an Alair Homes franchisee?</b>	Item 20 or Exhibits J and K list current and former franchisees. You can contact them to ask about their experiences.

## 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 A.

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

## Special Risks to Consider About *This* Franchise

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

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

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.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

- A prohibition on the right of a franchisee to join an association of franchisees.
- A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel that deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into an agreement, from settling any and all claims.
- 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.
- A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months' advance notice of the franchisor's intent not to renew the franchise.
- 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.
- 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.<sup>1</sup>
- A provision that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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<sup>1</sup> Despite this provision, we intend, and we and you agree, to fully enforce the arbitration provisions of the Franchise Agreement. We believe that this provision is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

- (a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (b) The fact that the proposed transferee is a competitor of the franchisor or sub franchisor.
- (c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (d) 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.

- 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 agreement and has failed to cure the breach after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such breach.

- A provision that permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Franchise Section  
G. Mennen Williams Building, 6th Floor  
525 West Ottawa  
P.O. Box 30213  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

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## Item 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Alair Enterprises USA, Inc. offers franchises for the operation of businesses (“Alair Homes Franchises”) that provide high quality custom home building services, home renovation services and commercial contracting services using our business format, Proprietary Software (as defined below), Accounting Systems and Services (as defined below), systems, methods, policies, materials, procedures, specifications, trade secrets and other proprietary information (the “Systems”) under the Alair Homes® Marks (as defined below). For ease of reference, Alair Enterprises USA, Inc. will be referred to as “Alair Homes,” “we” or “us” and the person or entity that buys the franchise will be referred to as “you” or “your.”

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

Alair Homes was formed as an Arizona corporation on July 23, 2013. Our principal business address is 96 Wallace Street, Nanaimo, BC V9R 0E2, Canada. Our telephone number is (250) 824-0279. Our agents for service of process are listed in Exhibit A. Alair Homes does business under the names Alair Enterprises USA, Inc., Alair Homes and Alair Commercial.

Alair Enterprises Canada Ltd., a British Columbia corporation formed on August 30, 2012 (“Alair Canada”), is our predecessor and affiliate. Alair Enterprises USA Holdings, Inc., an Arizona corporation formed on October 2, 2013 (“Alair Holdings”), and Alair Enterprises Ltd., a British Columbia corporation formed on September 28, 2007 (“Alair Ltd.”), are our parents. Alair Holdings is a holding company and does not engage in any business. Alair Ltd. holds various passive income investments. The principal business address of Alair Canada, Alair Holdings and Alair Ltd. is 96 Wallace Street, Nanaimo, BC V9R 0E2, Canada.

Alair Homes has offered Alair Homes Franchises (sometimes referred to as “Unit Franchises” or “Alair Homes Franchises”) since December 2013. In addition, since December 2013, Alair Homes has offered franchises to become Alair Homes Master Franchisees. Owners of Master Franchises identify and solicit prospective owners of Unit Franchises (“Unit Franchisees”) and train, supervise and support Unit Franchisees in connection with developing and operating their Unit Franchises. There are presently 45 Unit Franchises and 16 Master Franchises. (See Exhibits J and L.) Alair Homes does not offer, and has not offered, franchises in any other line of business or conduct any other business. If a Master Franchisee operates in your Marketing Area (as defined below), that Master Franchisee may perform certain of our obligations to you. See Exhibit L.

Since November 2012, Alair Canada has offered franchises similar to Unit Franchises and Master Franchises in Canada. There are presently 55 franchises similar to the Unit Franchises sold and operating in Canada and 10 franchises similar to the Master Franchises sold and operating in Canada. Alair Canada has not offered Alair Homes franchises in the United States and has not offered franchises in any other line of business.

Alair Homes does not operate businesses of the type being franchised. However, Alair Enterprises BC Ltd. (formerly known as Alair Enterprises Vancouver Island Ltd.), which is indirectly



controlled by one of our affiliates, owns and operates a business similar to a Unit Franchise in Nanaimo British Columbia, Canada.

### The Franchise

We offer franchises for the operation of Alair Homes Franchises. Alair Homes Franchises provide high quality custom home building services, home renovation services and commercial contracting services using the Systems under the Marks.

The Franchise Agreement that you will sign if you purchase an Alair Homes Franchise will be in substantially the form attached as Exhibit B. If you desire to develop more than one Alair Homes Franchise, and we agree that you may do so (in our sole and absolute discretion and in accordance with our multi-unit owner policies), the franchise agreement that you will sign in connection with additional Alair Home Franchises will be the form of franchise agreement then generally being offered to prospective Alair Homes franchisees, which may contain materially different terms and conditions from the Franchise Agreement attached as Exhibit B.

In addition, under a separate Franchise Disclosure Document, we offer Master Franchises.

### Market and Competition

The markets for custom home building services, home renovation services and commercial contracting services are well established, fragmented and highly competitive. Your services will be provided to homeowners and commercial property owners, landlords and tenants generally.

Competition in the custom home building services, the home renovation services and commercial contracting services markets ranges from large, established, well-capitalized companies to small, fledgling, undercapitalized companies. Your competitors could include us and/or our other franchisees.

### Laws and Regulations

Most states and many local governments have laws, regulations, ordinances, building codes and permitting requirements with respect to construction projects, home building, home renovation, commercial contracting and contractor licensure, registration and/or bonding. If you are not a licensed contractor, there may be a delay in establishing your business due to the delay in obtaining the necessary license; alternatively, you may be denied a license and may not be able to operate an Alair Homes Franchise. In addition, you will be subject to other federal, state and local laws, regulations and ordinances generally applicable to businesses, including employment, workers compensation, insurance, corporate and tax laws.

These laws, regulations, ordinances, codes and requirements are complex and frequently changing. It is your responsibility to determine to what extent these laws, regulations, ordinances, codes and requirements may affect your Alair Homes Franchise before investing in an Alair Homes Franchise. You should consult with your attorney on this subject.

**Item 2**  
**BUSINESS EXPERIENCE**

Blair McDaniel, CEO, Director, Secretary and Treasurer

Blair McDaniel has been the CEO of Alair Homes since September 2020. In addition, he has been the Director, Secretary and Treasurer of Alair Homes since its incorporation in July 2013. Between July 2013 and September 2020 he was the President of Alair Homes. In addition, he has been the Director of Alair Ltd. since September 2007 and between September 2007 and September 2020 he was the President of Alair Ltd. He was also the Director and the President of Alair Canada since August 2012 and the Director, President, Secretary and Treasurer of Alair Holdings since its incorporation in July 2013. In addition, he has been the Treasurer of Concept Property Group Inc. since October 2011 and of Pacific Edge Properties Ltd. since May 2009. Mr. McDaniel has also been an owner of AVI Master Enterprises Ltd. since May 2014. Mr. McDaniel is based in Guelph, Ontario, Canada. Prior to July 2014, he was based in Nanaimo, British Columbia, Canada.

Stu Hopewell, Chief Operating Officer

Stu Hopewell has been the Chief Operating Officer of Alair Homes since November 2016. In addition, he has been the owner of Alair Enterprises BC Ltd. (formerly known as Alair Enterprises Vancouver Island Ltd.) since May 2012, an owner of Arizona Master since Sept 2018, and an owner of AVI Master Enterprises Ltd. since August 2012. In those capacities, he has been based in Nanaimo, British Columbia.

Rob Cecil, President and Chief Development Officer

Rob Cecil has been the President of Alair Homes since September 2020 and has been the Chief Development Officer of Alair Homes since March 2014. In those positions, he is based in Savannah, Georgia and was previously based in Gardiner and New Paltz, New York. In addition, he has been the Managing Partner of AMRC Group, LLC, a consulting firm, since June 2014, a Director of EZCR Financial since November 2012 and a Partner in Holibray Holdings since January 2009. In those positions, he has been based in Burlington, Vermont, Gardiner New York and New Paltz, New York.

Adam McCaa, Director of Sales

Adam McCaa has been the Director of Sales since January 2023. Between March 2014 and January 2023, he was the Chief Communications Officer of Alair Homes. In addition, he has been the President of ACM LLC since September 2011. He was based in Springfield, Virginia between March 2014 and August 2014 and in Cajica, Colombia between August 2014 and June 2018, then in Harrells, North Carolina between June 2018 and July of 2018, and has been based in Charleston, South Carolina since August 2018.

Katrina M. McLauchlan, Chief Financial Officer

Katrina McLauchlan has been the Chief Financial Officer of Alair Homes since August 2015; prior to that (since October 2014) she was a Controller with Alair Homes. Prior to that (since January 2012), she was a Controller with Alair Ltd. Ms. McLauchlan is, and has been, based in Nanaimo, British Columbia, Canada.

Bob Kerr, Director of Procurement

Bob Kerr has been the Director of Procurement since September 2022 based in Toronto, Ontario. Prior to that he worked at Bluum, between 2020 and 2021, a Phoenix, Arizona based educational technology provider where he assumed a similar role as Director of Product and Vendor Relations. Between 2019 and 2022, he held two positions, Director of Operations, and later Sales Operations Consultant at D.A.U. a distributor of pre-recorded entertainment based in Toronto Ontario. Between 2008 and 2019, he worked at Entertainment One, a distributor of pre-recorded content, based in Toronto Ontario as the Director of Purchasing.

Stephen Gordon, National Controller US)

Stephen Gordon has been a Controller of Alair Homes and Alair Ltd. since August 2017. From August 2015 to August 2017, he was an Assistant Controller with Alair Homes and Alair Ltd. Between February 2014 and August 2015 he was an Account Manager with Alair Homes and Alair Ltd. Mr. Gordon is, and has been, based in Nanaimo, British Columbia, Canada.

Dale Patrick Riva, National Controller (Canada)

Dale Patrick Riva has been a Controller with Alair Homes since October 2017. Between November 2016 and October 2017, Mr. Riva was a Controller for Ecklundson Construction Ltd. Between March 2015 and December 2016 he was a Financial Accountant for Coastal Community Credit Union. In all of those capacities, he is and has been based in Nanaimo, British Columbia, Canada.

Akhil Karim, Controller

Akhil Karim has been a Controller with Alair Homes since February 2022 and is based in Windsor, Ontario Canada. Prior to Alair Homes, Mr. Karim worked at Essex Terminal Railway as a Controller from approximately May 2019 to January 2021; Mr. Karim has held a position of Cost Accountant for Intertape Polymer Group during the period of March 2018 to August 2019; and was an Accountant for BDO during August 2015 to March 2018.

Damien Peters, Director of Accounting Services

Damien Peters has been the Director of Accounting Services for Alair Homes since March 2021 and is based out of Kitchener, Ontario. Between July 2018 and December 2020, Mr. Peters was the Vice President of Finance for Prodigy Education and had been based out of Oakville, Ontario. Between February 2017 and July 2018, Mr. Peters was a Controller for Delego Software Inc. and

had been based out of Kitchener, Ontario.

Shane Duff, Director Market Development

Shane Duff has been the Director of Market Development of Alair Homes since July 2016. In that capacity, he was based in Ballston Spa, NY between July 2016 and November 2017, and in Naples, Florida since December 2017. In addition, Mr. Duff has owned Refined Strategies, Inc., a business coaching, consulting and advisory firm, since March 2016 and was the President of EZCR Financial, Inc., an operations and advisory firm, between January 2012 and August 2020. In those capacities, he was based in Saratoga Springs, New York between January 2012 and November 2017, and has been based in Naples, Florida since December 2017.

Michael Duncan, Director of Operations

Michael Duncan has been the Director of Operations of Alair Homes since November 2019. In this capacity, he has overall operations, compliance, legal, training and general administration responsibilities and is based in Nanaimo, British Columbia, Canada. Between January 2015 and November 2019, he was a General Manager with WildPlay Element Parks heading up operations on Vancouver Island and was based in Nanaimo, British Columbia, Canada.

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Jeff Daley, Training Director

Jeff Daley has been the Training Director of Alair Homes since July 2019. In that capacity, he heads up the software and training process. Between February 2018 and July 2019, he was a Project Manager for Alair Enterprises BC Ltd., Alair Canada's franchisee in Nanaimo, British Columbia owned by Stu Hopewell. From April 2016 to February 2018, he was a Site Coordinator for Habitat for Humanity in Nanaimo, British Columbia, Canada. In all of those positions, he has been based in Nanaimo, British Columbia.

### Item 3 LITIGATION

*Bolahood v. Alair Enterprises Canada Ltd., et al.* (Ontario Superior Court of Justice, Case # 97929-16). On November 16, 2016, Barry Bolahood (“Bolahood”) commenced an action against homeowners John and Antoinette Curley (the “Curleys”), Gerald (Jerry) Stockla (“Stockla”), Alair Homes and Meridian Credit Union. The action was later amended to properly identify the Canadian franchisor as Alair Canada Ltd. and add 2479165 Ontario Inc. (“AC Franchisee”), the Alair Canada franchisee owned by Stockla. Bolahood was a subcontractor hired by AC Franchisee or Stockla to perform certain construction at the Curleys’ home. The claimed damages were \$29,522.50. The Curleys filed a cross-claim against AC Franchisee, Stockla and Alair Canada for \$350,000.00 claiming, among other things, that AC Franchisee and Stockla abandoned the project and failed to complete the construction and that there were numerous deficiencies that required repair. The Curleys claimed that Alair Canada knew or should have known that AC Franchisee and Stockla were incapable of performing the work, that Alair Canada failed to perform due diligence before recommending AC Franchisee and Stockla and that Alair Canada failed to make it clear that AC Franchisee was a franchisee and that the Curleys would have no contract with Alair Canada. Alair Canada filed a crossclaim against AC Franchisee and Stockla for, among other things, numerous breaches of AC Franchisee’s franchise agreement and also issued a third party claim against Stockla’s wife, Patricia Cummins (“Cummins”), under a personal guarantee signed in connection with AC Franchisee’s franchise agreement. The Curleys paid Bolahood to settle his claim. However, the crossclaims and third party claim are continuing. Examinations for discovery of Alair Canada and the Curleys took place in October and November 2018. Alair Canada strongly denies the claims made by Curleys against Alair Canada because, among other things, Alair Canada had no contact with the Curleys prior to the construction, had no contract with the Curleys and did not refer them to AC Franchisee or Stockla. AC Franchisee, Stockla and Cummins were each noted in default for failing to file a Statement of Defence to any claims against them. No trial date has been scheduled; The Plaintiff has not taken any steps to move this matter forward in over two years.

*Mark Egan v. 2457662 Ontario Inc. c/o/b as Alair Homes, 1932898 Canada Ltd. c/o/b as Alair Enterprises Canada Ltd., 2451755 Ontario Inc. c/o/b as Alair Construction, Marlene Verena Beeler, and Thomas Beeler* (Ontario Superior Court of Justice Small Claims Court, Case #SC20000000850000). On December 16, 2020, Mark Egan (“Egan”) commenced a small claims court action against 2457662 Ontario Inc. cob as Alair Homes (“245”) and homeowners, Marlene Verena Beeler and Thomas Beeler (collectively, the “Beelers”). On April 21, 2021, Egan amended its claim to strike out the claim against 245 and include 1932898 Canada Ltd. cob as Alair Enterprises Canada Ltd. (“Alair Canada”) and 2451755 Ontario Inc. cob as Alair Construction (the “Franchisee”) as defendants. The Beelers entered into a construction agreement with the Franchisee. Egan was a sub-trade of the Franchisee and was hired to provide siding to the Beelers’ home. Egan alleges that the Franchisee did not pay Egan for the work he did on the Beelers’ home. There is question about whether the work was done properly. Egan is claiming damages of \$31,989.00 plus HST, along with pre and post-judgment interest. On July 4, 2022, the Beelers served a defence, pleading, amongst other things, that any payment owing to Egan is owed by the Franchisee in accordance with the subcontract it had with Egan. Specifically, the Beelers pleaded that they did not enter into a contract with Egan. The Beelers further pleaded that they made all

payments to the Franchisee in accordance with their construction agreement and the Franchisee was responsible to make all payments owing to sub-trades for their work on the Beelers' home. On August 5, 2022, Alair Canada served a defence, pleading, amongst other things, that it never had any communications or dealings with Egan and never entered into any agreements with him. Alair Canada provided Egan's paralegal with the Franchise Agreement it has with the Franchisee to prove that Alair Canada has no liability. Alair Canada waiting to hear back from Egan's paralegal as to whether the claim against Alair Canada will be dismissed. On August 11, 2022, the Beelers cross claimed against the Franchisee for contribution and indemnity in respect of any award that may be made against them in the main action. At this time, no other documents have been filed and no other steps in the litigation have been scheduled.

Other than this action, no litigation is required to be disclosed in this Item.

#### **Item 4 BANKRUPTCY**

On January 20, 2015, Shane Duff, our Director, Market Development, filed a petition under Chapter 7 of the U.S. Bankruptcy Code in the Northern District of New York (Albany), Case Number 15-10098-1-rel. On April 21, 2015, the Bankruptcy Court entered a discharge.

Except as stated above, no bankruptcy is required to be disclosed in this Item.

#### **Item 5 INITIAL FEES**

Upon signing the Franchise Agreement, you must pay us an initial franchise fee of \$81,550. We will finance up to 50% of your initial franchise fee. The principal amount outstanding will bear interest at the rate of 10% per annum (compounded annually) and will be payable in 24 equal monthly installments beginning up to six months after the effective date of the Franchise Agreement. California Usury Law prohibits us from charging a financing fee above a certain percentage. See Item 10.

If you have been honorably discharged from the U.S. armed forces, the initial franchise fee will be \$79,050.

If you desire to develop more than one Alair Homes Franchise, and we agree that you may do so (in our sole and absolute discretion and in accordance with our multi-unit owner policies), the initial franchise fee for subsequent franchises will be \$20,000 per additional franchise.

In addition, upon signing the Franchise Agreement, you must pay us a Brand Fund Payment (as defined below) in the amount of \$10,000 (per Franchise Agreement). Your Brand Fund Payment will be used to develop the webpage for the Alair Homes Franchises in your Marketing Area, if that webpage needs development, and to market the Alair Homes Franchises in your Marketing Area through various media (such as online SEO, marketing and collateral material for marketing campaigns), if additional marketing is, in our opinion, necessary. Any amount not used for those purposes will be deposited into the Brand Fund (as defined below). If your Alair Homes Franchise is one of the first franchises in your Marketing Area, all or most of your Brand Fund Payment will

likely be used in your Marketing Area and if your Alair Homes Franchise is not one of the first franchises in your Marketing Area, all or most of your Brand Fund Payment will likely be deposited into the Brand Fund. You may desire to spend additional funds for marketing within your Marketing Area (as defined below), particularly if your Alair Homes Franchise is one of the first franchises in your Marketing Area.

Before opening each Alair Homes Franchise, you must purchase from us branded clothing in an amount anticipated to be between \$250 and \$750 (per Franchise Agreement), the exact amount of which will be dependent upon the quantity and items you select.

None of the above fees is refundable. Except as stated above, all of the above fees are uniform.

**Item 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty <sup>1</sup>	4% of Gross Revenue up to and including \$5 million per calendar year; 3% of Gross Revenue above \$5 million up to and including \$7 million per calendar year; 2.5% of Gross Revenue above \$7 million up to and including \$10 million per calendar year; 2% of Gross Revenue over \$10 million per calendar year	Semi-monthly	Royalty rates are calculated based on the collective Gross Revenue of your Alair Homes Unit Franchise and your Majority-owned Affiliated Alair Homes Unit Franchises
Brand Fund Payment <sup>1</sup>	Up to 1.5% of Gross Revenue	Semi-monthly	
Advertising Cooperative Fee <sup>1</sup>	Up to 3% of Gross Revenue	As determined by the advertising cooperative	Payable only if an advertising cooperative is established in your Marketing Area and the advertising cooperative assesses a fee
Accounting Systems and Services Fee	Will vary, depending upon the volume and complexity of your Alair Homes Franchise and the time expended by our (or our affiliate's) accounting staff and the level of accounting staff; billed on an hourly basis, at our cost plus 5% (our accounting staff is currently billed at \$50, \$58 and \$110 per hour); although fees can vary, for example, the monthly Accounting Systems and Services Fee is anticipated to range from \$1,800 to \$2,500 for Alair Homes franchisees during their second year of operations and from \$2,600 to \$3,900 during their third through fifth years of Operations	Semi-monthly	
Sales Tax Preparation Fee	Then-current fee (currently \$1,704/year)	Annually	



Type of Fee	Amount	Due Date	Remarks
Interest on Deferred Initial Franchise Fee	10% per annum on deferred initial franchise fee; increased to 18% upon default	Payable in 24 equal monthly installments beginning one month after the effective date of the Franchise Agreement	California Usury Law prohibits us from charging a financing fee above a certain percentage; see Item 10
Project Management Academy Training Program Fee	\$1,500 per attendee	Prior to attending the Project Management Academy Training Program	
Fees plus Expenses of Attending Periodic Meetings	Then-current meeting fees plus travel, meals, lodging and related expenses	Fee payable to prior to attending meetings; expenses payable as incurred	Meeting fees are payable only if we impose such a fee; we do not currently impose such a fee
Additional Training Fee plus Expenses of Attending	Then-current training fees (currently \$110/hour) plus travel, meals, lodging and related expenses	Fee payable prior to attending training; expenses payable as incurred	
Proprietary Software Maintenance/Access Fee	Then-current fee for maintaining, repairing, upgrading, accessing and/or updating the Proprietary Software	As invoiced	Payable only if we impose such a fee; we do not currently impose such a fee but anticipate imposing one in the future
E-mail and Cloud Data Storage Fee	Then-current e-mail and cloud data storage fee (currently \$6.25-\$29.07/month/user)	Monthly	
Payroll Software & Service Fee	Then-current payroll software & service fee (currently \$117/month + \$6/employee); Year end processing fees include \$6.75 per employee for W2 and \$0.50 for SSN Validation	Monthly	

Type of Fee	Amount	Due Date	Remarks
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Customer Survey Fee	Then-current fee (currently calculated at \$50.00/hr.)	As invoiced	
MS Office365, CRM, LMS and PM/Accounting Solution	Then-current fee* (Office365 is \$12.19-\$29.14, CRM is \$9.44-\$23.70, LMS \$5.00 PM/Accounting Solution is \$9.44-\$80.72) *Costs range depending on access requirements of user	Monthly	
Smart payables Cheque Services	Document/insert prices \$0.25-\$0.55 per page Check costs \$0.44-\$0.54 per check Mailing costs \$0.57-\$0.63 per check Mail Bundling costs \$22.50-\$50.00 Setup fee – Onetime charge of \$15.00	As invoiced	Payable only if franchisees register for this services
Customer Gifts	\$200-\$350 in value	Upon project completion	Upon completion of each project, you must give your customer a thank you gift
Website Update Fees	Website update fee will vary, depending upon time expended by our internal or external web staff (billed on an hourly basis; our web staff is currently billed at \$75-\$150/hour	Semi-monthly	Payable only if you or the franchisees in your Marketing Area request that the webpage for your Marketing Area be updated or modified or we believe an update or modification is necessary
On-site Assistance Fee	Then-current on-site assistance fee (currently \$110/hour) plus travel, meals, lodging and related expenses	As incurred	Payable only if we or your Master Franchisee provide more than our average amount of on-site assistance at your request
Out-of-Operating Area Payment	1% of Gross Revenue from an out-of- Operating Area project	As incurred	Payable to Master Franchisee in the area in which the project is located (or us) only if we authorize you to provide any services outside of your Operating Area
New Vendor/Supplier Evaluation Fee	Will vary, depending upon our costs and expenses; inasmuch as we have not been requested to approve a new vendor/supplier, we cannot estimate this amount	As incurred	Payable only if you request that we approve a new vendor/supplier and we evaluate that vendor/supplier to ensure that it meets our high standards

Relocation Fee	\$2,500 or 100% of our costs and expenses, whichever is greater	\$2,500 upon request for relocation of the Premises; the balance is payable on demand	Payable only if you request to relocate your Alair Homes Franchise
Transfer Fee	Up to 25% of then-current initial franchise fee plus the then-current hourly rates for administrative and legal services multiplied by the actual number of hours expended	50% of fixed amount upon request for Transfer; the balance at or before closing of Transfer	Payable only if you request a Transfer

Type of Fee	Amount	Due Date	Remarks
Successor Franchise Fee	25% of the then-current initial franchise fee; based upon the current initial franchise fee, the Successor Franchise Fee would be \$20,387.50	Upon execution of Successor Franchise Agreement	Payable only if you sign a Successor Franchise Agreement
In-breach Fee	\$250,000	As incurred	Payable only if you (a) are involved in any venture that relates to the home building, home renovation and/or commercial contracting industry, (b) or a Representative have an interest in real property with respect to which you or any other person may build on, renovate or otherwise develop for purposes of resale within five years, including, without limitation, renovating and/or flipping (reselling) or fixed-price contracting, (c) or a Representative have an interest in real property that we prohibit you or the Representative from having an interest in, (d) fail to use our standard forms of contract for all projects and work, (e) fail to have a written signed contract, in our standard form, with each customer, (f) fail to have modifications to our standard forms approved by us in advance, (g) fail to timely submit to us an accurate and complete copy of each customer contract, (h) fail to include all projects and work in the Proprietary Software and in all reports and statements or (i) provide home building services, home renovation services and/or commercial contracting services other than through your Alair Homes Franchise
Unauthorized Advertising Fee	\$1,000 per occurrence	On demand	Payable only if you use unapproved advertising or marketing materials

Type of Fee	Amount	Due Date	Remarks
Unauthorized Product Usage Fee	\$500 per day per product or service	On demand	Payable only if you use, sell or distribute unauthorized products or services
Costs of Performing your Obligations	Our costs and expenses plus 5% and our then-current fees (currently \$60-\$110/hour)	As incurred	Payable only if we do something that you are required to do, but do not do (for example, if we pay insurance premiums that you failed to pay or we removed unauthorized products used in connection with your Alair Homes Franchise after you failed to do so)
Legal Fees and Expense Reimbursement	Then-current fees and expenses of in-house legal assistance (currently \$265/hour) and/or the fees and expenses of outside legal counsel	As incurred	Payable if our legal team spends time reviewing your documents, transactions or matters (for example, if you request a change to our standard construction agreements)
Tax Reimbursement	Will vary	As incurred	Payable only if we pay to any state taxing authority an amount with respect to the conduct of your Alair Homes Franchise or your payments to us (except for certain income-related taxes of ours)
Management Fee	10% of Gross Revenue plus our costs and expenses	As incurred	Payable only if we or our designee assume management of your Alair Homes Franchise
Interest	Lesser of 18% per annum and highest rate permitted by law	On demand	Payable only if a payment to us or our affiliates is late or if we make a payment on your behalf
Late Fee	\$100 per occurrence	On demand	Payable only if a payment to us or our affiliates is late, if you submit any required reports late or if you do not perform any other obligation on a timely basis
Attorneys' Fees and Costs	Will vary	As incurred	Payable only if we prevail in a proceeding initiated by you or us

Type of Fee	Amount	Due Date	Remarks
Costs and expenses of Inspection or Audit	Will vary	On demand	Payable only if we incur costs or expenses in connection with confirming your compliance with the Franchise Agreement, if our inspection or audit is due to your failure to allow us access to your books and/or records or to submit required reports, if you fail to cooperate with our inspection or audit or if our inspection or audit reveals a deficiency of 2% or more in the amounts owed to us for any period
Indemnification	Will vary	As incurred	Payable only if we suffer a loss or incur costs and expenses in connection with your Alair Homes Franchise or a breach of your Franchise Agreement
De-identification Fee	Our costs and expenses in connection with deidentifying the Premises	Upon demand	Payable only if you fail to de-identify the Premises upon relocation, expiration or termination and we do so
Post-termination Operation Fee	\$25,000, plus all of our costs and expenses	Upon demand	Payable only if you continue to operate your Alair Homes Franchise or use our intellectual property after expiration or termination of the Franchise Agreement
Liquidated Damages	\$50,000	Upon demand	Payable only if the Franchise Agreement is terminated by you for any reason other than our material breach of the Franchise Agreement or if the Franchise Agreement is terminated by us due to an event of default; these liquidated damages apply only to the damages relating to termination and do not apply to other damages that we may suffer resulting from your breach and/or your actions or omissions

All fees and other payments in the above table other than the Royalty may be modified by us from time to time without your approval. Those fees or other payments will be no greater than the fees and payments then being charged to new franchisees. Fees may be charged in Canadian dollars and payments converted from United States dollars into Canadian dollars at then-current exchange rates.

All fees or other payments listed in the above table, other than the Sales Tax Preparation Fee, the Customer Survey Fee and travel, meals, lodging and related expenses, are payable to, and collected by, us or our affiliates. All fees or other payments listed in the above table are imposed by us, are non-refundable and are uniformly imposed. The Sales Tax Preparation Fee and the Customer Survey Fee will be payable to and collected by our designated vendors. Travel, meals, lodging and related expenses will be payable to and collected by airlines, restaurants, hotels and other third parties.

If we so request, you must deposit all revenue and other receipts from the operation of your Alair Homes Franchise into one business checking account (the "Electronic Depository Transfer Account" or "EDTA") and authorize us and our affiliates to electronically debit the EDTA for all fees and other amounts payable under the Franchise Agreement and otherwise in connection with the operation of your Alair Homes Franchise (including amounts that we or our affiliates collect for third parties). We will generally debit these amounts from the EDTA on the due date or, if the due date is not a business day, on the subsequent business day. We may require payment other than by automatic debit; if we do so, you must comply with our payment instructions.

If you do not timely report your Gross Revenue, we may debit the EDTA for 120% of the last payment we debited. If that debit exceeds the amount actually due, we will credit you for the overpayment; if that debit is less than the amount actually due, we will debit you the additional amount, plus interest and late fees.

Your obligations under the Franchise Agreement and the other documents executed in connection with the Franchise Agreement (as well as other franchise agreements that you and your affiliates enter into with us or our affiliates) will be secured by all of your assets, including, without limitation, your furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, under a Security Agreement, in the form of Exhibit G (the "Security Agreement").

Notes:

<sup>1</sup> The term "Gross Revenue" means the aggregate amount of (1) all revenue from sales of products and/or services of every kind and nature sold from, at or in connection with your Alair Homes Franchise(s) or arising out of the operation or conduct of business by you and/or your Alair Homes Franchise(s), whether or not at or from the Premises, whether for cash, check, credit or otherwise, excluding federal, state and local sales and service taxes collected from customers and paid to the appropriate taxing authority, plus (2) all insurance proceeds received or realized by you for loss or interruption of business, plus (3) the fair market value of any products and/or services received or realized by you in barter or exchange for products and/or services. If we determine that you and

your Majority-owned Affiliates own more than one Alair Homes Unit Franchise for purposes of calculation of the Royalty, the Royalty with respect to the Majority-owned Affiliated Alair Home Unit Franchises will be calculated based upon the collective Gross Revenue of your Alair Homes Unit Franchise and the Majority-owned Affiliated Alair Homes Unit Franchises.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure*	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Initial Franchise Fee <sup>1</sup>	\$81,550	\$81,550	Lump sum	Upon signing Franchise Agreement	Us
Initial Brand Fund Fee <sup>2</sup>	\$10,000	\$10,000	Lump sum	Upon signing Franchise Agreement	Us
Bond requirements <sup>3</sup>	\$5,000	\$30,000	Lump sum	As required by your clients or their lenders or landlords	Insurance companies or governmental agencies
Premises rent and security deposit <sup>4</sup>					
Truck <sup>5</sup>	\$0	\$6,200	Monthly	Down payment and monthly rent or loan payments	Automobile dealer, lessor or lender
Computer System and telephone	\$1,500	\$3,000	Lump sum	Before opening	Vendors/suppliers
Vehicle Wrap/Site Signage	\$1,500	\$3,000	Lump sum	Before opening	Vendors/suppliers
Print Material	\$50	\$500	As incurred	Before opening	Vendors/suppliers or us
Branded Clothing	\$250	\$750	As incurred	Before opening	Us
Licenses and Permits	\$250	\$3,000	Lump sum	Before opening	Governmental agencies
Insurance <sup>6</sup>	\$2,850	\$9,000	Lump sum	Before opening	Insurance carrier, agent or broker
Professional Fees <sup>7</sup>	\$1,500	\$5,000	As incurred	Before opening	Attorney, etc.
Miscellaneous Expenses <sup>8</sup>	\$1,000	\$5,000	As incurred	Before opening and/or during the first three months of operations	Us, internet provider, utility companies, vendors/suppliers, etc.
Additional Funds – three months <sup>9</sup>	\$6,000	\$30,000	As incurred	Before opening and/or during the first three months of operations	Vendors, suppliers, etc.
<b>Total Estimated Initial Investment<sup>10</sup></b>	<b>\$111,450</b>	<b>\$187,000</b>			



Notes:

\*The amounts of all of the non-fixed expenditures, other than the permits and licenses, will be determined when you contact and negotiate with the respective third-party vendor/supplier. The costs of permits and licenses will be determined by contacting the appropriate governmental entity. All amounts paid to us are non-refundable. Third-party vendors/suppliers will determine whether payments to them are refundable. We do not offer direct or indirect financing for any part of your initial investment.

<sup>1</sup> If you have been honorably discharged from the U.S. armed forces, the initial franchise fee will be \$79,050. If you desire to develop more than one Alair Homes Franchise, and we agree that you may do so (in our sole and absolute discretion and in accordance with our multi-unit owner policies), the initial franchise fee for subsequent franchises will be \$20,000 per additional franchise.

<sup>2</sup> You may desire to spend additional funds for marketing within your Marketing Area, particularly if your Alair Homes Franchise is one of the first franchises in your Marketing Area.

<sup>3</sup> Your clients, or their lenders or landlords, may require that you post bonds on commercial and government projects. Your posting a bond would provide your client protection in the event that you are unable to perform all of the services that you agreed to provide, as the bonding company would pay for another contractor to perform the services that you are unable to perform.

<sup>4</sup> It is anticipated that franchisees will initially operate their Alair Homes Franchises from their residences. If you rent the premises upon which to operate your Alair Homes Franchise, your estimated initial investment will be increased. Your monthly rent payment will vary depending upon the type of space you rent, your location and your market's lease rates; it is likely that you will also be required to pay a security deposit equal to one or two months' rent.

<sup>5</sup> You will be required to use a newer model (no more than seven years' old) black pick-up truck. Your monthly payments will vary depending upon the price of the truck (including taxes, document fees, etc.) and whether you lease or purchase it. If you lease it, your monthly payments will depend upon your initial cash payment, the residual value and your lease rate. If you purchase it, your monthly payments will depend upon your initial cash payment, the loan fees and your interest rate; if you pay the entire purchase price upon purchase, there will not be any monthly payments. The low end of the estimated range assumes that you own a newer-model black pick-up truck and the high end of the estimated range assumes a \$750-month payment and a \$5,000 down payment.

<sup>6</sup> The Franchise Agreement requires you to carry insurance of the types and in the amounts stated in the Operations Manual. In addition, you must comply with the insurance requirements of your lease or other agreements, if any, and applicable worker's compensation laws must be complied with. These insurance policies must name us (and your Master Franchisee and our affiliates) as an additional insured.

The low end of the range assumes that you pay 20% of a \$6,000 annual premium initially and the balance in 10 monthly installment payments. The high end of the range assumes that you pay 100% of a \$9,000 higher annually premium initially.

<sup>7</sup> You may incur legal fees, accounting fees and other professional fees in order to organize your business as a corporation or a limited liability company, review and negotiate your lease and advise you on complying with applicable laws relating to the conduct of your Alair Homes Franchise and other similar matters.

<sup>8</sup> These estimates include, among other things, expenses related to office supplies, internet access, e-mail and cloud data storage and payroll software & storage.

<sup>9</sup> These estimates include expenses (other than the amounts identified separately in the table) relating to your initial period of operations, including the Accounting Systems and Services Fee (estimated to be between \$400 and \$900 per month during this period), rent, truck lease or financing payments, payroll costs (but not a draw or salary for you or your Managing Principal), utilities, Sales Tax Preparation Fees, Customer Survey Fees, E-mail Fees, Cloud Data Storage Fees, Payroll Software & Service Fees, truck maintenance and gas and working capital items. These estimates assume that you do not have any project managers who attend the Project Management Academy Training Program during the initial period of operations. Assuming that you recognize Gross Revenue during your initial operating period, you must pay the Royalty (2% to 4% of Gross Revenue) and the Brand Fund Payment (up to 1.5% of Gross Revenue).

<sup>10</sup> These figures do not include rent or security deposit (see Note 3). We have relied upon our experience and the experience of Alair Canada and its franchisees in compiling these estimates and certain assumptions with respect to work and cash flow.

## **Item 8**

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

Except for the Accounting Systems and Services (which must be purchased from us or our affiliate, as the sole provider of those services), the sales tax preparation services, the customer survey services, e-mail service, cloud data storage and payroll software and services (which must be purchased from our designated vendors and suppliers), at this time, you are not required to purchase any goods or services from us or from designated vendors or suppliers. For avoidance of doubt, we or our affiliates are the sole suppliers of Accounting Systems and Services. Except for the Accounting Systems and Services and the sales tax preparation services, the customer survey services, e-mail service, cloud data storage, payroll software and services and as stated in the following two paragraphs, you are not required to purchase any goods or services in accordance with our specifications. However, we reserve the right to require that you purchase certain other goods and/or services that we may designate from us, our affiliates and/or from designated vendors or suppliers; we and/or our affiliates may be the sole source of supply for certain goods and/or services. In addition, we reserve the right to require you to purchase other goods and/or services in accordance specifications that we may designate. Our affiliates do not currently sell/lease goods and/or services to you.

You must operate your Alair Homes Franchise from an office located within the geographic area designated in the Franchise Agreement, which may be at your residence or a commercial site, that we have approved (the office location that we have approved is referred to as the “Premises”). The Premises must be located at a site that, based upon a geotracking search, would, in our opinion, be consistent with the Alair Homes franchise system’s image.

You must comply with our standards and specifications for your Computer System and your advertising, promotional and marketing materials. Our specifications and standards, and any modifications thereto, are included in the Operations Manual and/or other materials we provide to you. You must carry insurance of the types and in the amounts stated in the Operations Manual. At this time, the required insurance is as follows:

<b>Type of Insurance</b>	<b>Minimum Coverage</b>
Comprehensive public, professional, product & motor vehicle liability insurance against claims for bodily & personal injury, death & property damage caused by, or occurring in conjunction with, the operation of your Alair Homes Franchise	\$5 million – an amount equal to your annual Gross Revenue (depending upon your Gross Revenue)
General casualty insurance, including theft, cash theft, fire & extended coverage, vandalism & malicious mischief insurance	Replacement value of the Premises and its contents and other assets
Business interruption insurance	A period adequate to re-establish normal business operations, but not less than six months
Commercial automotive insurance for all owned vehicles – vehicle’s primary purpose is business	\$1 million
Non-owned automotive insurance	\$1 million
Workers compensation	Minimum requirements of law applicable to your Alair Homes Franchise
Any other insurance required by law applicable to your Alair Homes Franchise	

You must offer and sell or provide through your Alair Homes Franchise the high quality custom home building services, home renovation services and commercial contracting services and the related products that we designate, and only those services and products. If we believe that any product or service offered, sold or provided by you or located on the Premises or used in connection with your Alair Homes Franchise may be dangerous, unsafe, unsanitary, unhealthy, immoral, unauthorized or illegal, or otherwise reflects adversely upon the Marks or the goodwill associated with the Alair Homes franchise system, we will require that you remove, discard or discontinue that product or service item and you must do so immediately.

We will provide you a list of preferred vendors and suppliers, but you are not presently required to purchase goods and/or services from those vendors and suppliers. None of our officers owns an interest in any designated or preferred vendor or supplier. We have an online site (the “Purchase Facilitation Site”) through which you can purchase standard or personalized marketing materials, such as brochures and clothing with the Marks. At this time, when you place an order through our

online site, we place that order with one of our preferred vendors and suppliers. We pay the vendor or supplier directly and debit the purchase price either from your EDTA or an account that you have previously funded with us for that purpose. Although we established the Purchase Facilitation Site to facilitate your purchases, you are not presently required to purchase any items through the Purchase Facilitation Site.

Except for the Accounting Systems and Services (which must be purchased from us or our affiliate, as the sole provider of those services) and the sales tax preparation services, the customer survey services, e-mail service, cloud data storage and payroll software and services (which must be purchased from our designated vendors and suppliers), if we require that you purchase certain goods and/or services from us or our affiliates or from designated vendors and/or suppliers, you

may request that we add certain vendors or suppliers to our list of designated vendors and suppliers. We may require you to submit samples or specifications for examination or testing, at your expense, to determine if your requested vendors and/or suppliers and their products or services meet our specifications. You must also pay, or reimburse us for, our costs and expenses in connection with that evaluation and/or testing. We will advise you of our approval or denial of approval within 45 days after receipt of all applicable information and, if we approve a vendor or supplier, you may purchase the subject products and/or services from that vendor or supplier. We may, however, revoke our approval at any time by notifying you of that revocation. We do not presently have formal criteria for vendor or supplier approval; if and when we adopt formal criteria, the criteria will be made available to you upon your request.

#### Rebates and Other Consideration and Revenue

We reserve the right to make a profit on goods and/or services that franchisees may purchase from us or our affiliates. Certain of our designated and/or preferred vendors and suppliers have agreed to provide us a rebate in connection with products and services purchased by franchisees from those preferred vendors and suppliers. In addition, we reserve the right to receive rebates or other consideration or revenue in connection with required purchases of goods and/or services from designated or preferred vendors and suppliers. With respect to goods and/or services that do not contain the Marks and are not proprietary to us, we will use our commercially reasonable efforts to cause the price paid by you for goods and services from those vendors and suppliers not to exceed the price at which you can otherwise obtain such goods and services.

During fiscal year 2023 Alair Canada received \$3,344,201.29 (Canadian Dollars) (\$2,483,403.87 in USD using the average foreign exchange rate of 0.7426 between September 1, 2022 and August 31, 2023) in Accounting Systems and Services Fees, which represents 28.15% of its revenue for fiscal year 2023 of \$11,878,171.68 (Canadian dollars) (\$8,820,730.29 in USD using the average foreign exchange rate 0.7426 between September 1, 2022 and August 31, 2023). Accounting Systems and Services Fees were paid by franchisees to us and were passed on to Alair Canada, without our having recognized those fees as revenue. During fiscal year 2023 we received \$4,561.86 (Canadian Dollars) (\$3,387.64 in USD Using the average foreign exchange rate of 0.7426 between September 1, 2022 and August 31, 2023) in rebates from designated and preferred vendors and suppliers. During fiscal year 2023 we realized \$0 in mark-ups in connection with the Purchase Facilitation Site.

#### Percentage of Total Purchases

We estimate that 2.5% of the products and services you will purchase in connection with establishing your Alair Homes Franchise will be purchased from us, our affiliates and/or designated vendors and suppliers and/or in accordance with our standards and specifications. We estimate that approximately 1% of the products and services you will purchase in connection with the continuing operations of your Alair Homes Franchise will be purchased from us, our affiliates and/or designated vendors and suppliers and/or in accordance with our standards and specifications.

Purchasing/Distribution Cooperatives; Purchase Arrangements; Material Benefits

To date, we have not established any purchasing or distribution cooperatives, but we may do so in the future. We have negotiated certain purchase arrangements with certain of our designated and preferred vendors and suppliers for the benefit of franchisees and we presently intend to continue doing so; however, we cannot guarantee that any such arrangements will remain in effect at any time. At this time, we do not provide any material benefits to you based upon your purchase of particular goods or services or use of designated or preferred vendors and suppliers, but we may do so in the future.

**Item 9  
FRANCHISEE’S OBLIGATION**

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

Obligation	Section in Agreement*	Disclosure Document Item
a. Site selection and acquisition/lease	2(a), 3(a)	7, 11
b. Pre-opening purchase/lease	2(a), 3(a), 6(h), 6(j), 6(l), 6(o), 7(a), 8	5, 7, 8, 11
c. Site development and other pre-opening requirements	2(a), 3(a), 6(h), 6(j), 6(l), 6(o), 7(a)	5, 7, 8, 11
d. Initial and ongoing training	5, 12, 13	7, 11, 17
e. Opening	2(a), 5, 6(a), 6(l), 6(o), 8(s), 16(b), 18(g)	7, 11
f. Fees	3(c), 6(i), 6(p), 7, 8, 12, 13, 14, 15, 16, 17, 18; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit F-Promissory Note; Exhibit G-Security Agreement	5, 6, 7, 8, 10, 11
g. Compliance with standards and policies/operating manual	2, 3, 6, 9, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee	6, 8, 11, 14, 15, 16
h. Trademarks and proprietary information	1, 2, 4, 6, 7, 9, 10, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	11, 13, 14, 16
i. Restrictions on products/services offered	6	8, 16
j. Warranty and customer service requirements	5, 6, 16	1, 11
k. Territorial development and sales quotas	16	17
l. Ongoing product/service purchases	2(b), 6	6, 8, 11
m. Maintenance, appearance and remodeling requirements	3, 6	7, 8, 11
n. Insurance	6; Exhibit G-Security Agreement	6, 7, 8, 11

Obligation		Section in Agreement*	Disclosure Document Item
o.	Advertising	4, 6, 7, 8, 9	5, 6, 7, 11, 13, 14
p.	Indemnification	6, 8, 9, 15; Exhibit C-Agreement to be Bound and to Guarantee	6
q.	Owner's participation/management/staffing	5, 6, 14	15
r.	Records and reports	2, 6, 8	6, 11
s.	Inspections and audits	6	6
t.	Transfer	12, 16	6, 17
u.	Renewal	13	6, 17
v.	Post-termination obligations	9, 10, 11, 15, 17; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	6, 11, 14, 15, 17
w.	Non-competition covenants	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	6, 15, 17
x.	Dispute resolution	18; Exhibit C-Agreement to be Bound and to Guarantee Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	17
y.	Other:		
	Spousal Consent	Spousal Consent	
	Principals' Guarantee	8, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee	6, 10, 15, 22

\*Reference is to Franchise Agreement, unless otherwise stated.

## **Item 10 FINANCING**

We will finance up to 50% of your initial franchise fee of \$81,550 or \$40,775. The principal amount outstanding will bear interest at the rate of 10% per annum (compounded annually) Installments of principal and accrued interest will be payable in 24 equal monthly installments beginning up to six months after the effective date of the Franchise Agreement. Your obligation to pay the deferred portion of your initial franchise fee, together with interest, will be evidenced by a promissory note in substantially the form of Exhibit F (the "Promissory Note"). Your obligations under the Promissory Note will be secured by all of your assets, including, without limitation, your accounts receivable, under a Security Agreement in substantially the form of Exhibit G (the "Security Agreement"). Your obligations under the Promissory Note and the Security Agreement, as well as under the Franchise Agreement, will be guaranteed by your

Principals (as defined below) under the Agreement to be Bound and to Guarantee (as defined below).

You may prepay any amount outstanding at any time without penalty. If you fail to pay any installment in full when due or otherwise breach your obligations under the Promissory Note, any other promissory note issued by you or your affiliates to us or our affiliates, the Security Agreement, the Franchise Agreement or any other agreement between you and your affiliates and us and our affiliates, the interest rate will be increased to 18% per annum (compounded annually) and we can accelerate your obligations under the Promissory Note, exercise our rights under the Security Agreement and/or terminate your rights under the Franchise Agreement and other agreements between you and your affiliates and us and our affiliates. You will be obligated to pay our costs and expenses in connection with enforcing our rights, including attorneys' fees and costs. The Promissory Note and the Security Agreement require you to waive defenses and other legal rights, including diligence, demand, grace, presentment for payment, notice of nonpayment, protest and notice of protest, notice of dishonor, notice of extension and notice of default. It is not our practice or intent to sell, assign or discount to a third party all or part of the Promissory Note or your obligations thereunder; however, we reserve the right to do so.

California Usury Law prohibits us from charging a financing fee above a certain percentage. Please see the California section of Exhibit N (State Addenda to Franchise Disclosure Document) for an excerpt of the California Usury Law.

Except as stated above, we do not, directly or indirectly, offer you financing or guarantee any of your obligations.

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

**Except as listed below, Alair Homes is not required to provide you with any assistance.**

Certain elements of this assistance, such as training and consulting, may be provided to you by our affiliates and/or the Master Franchisee who supervises your area or another Master Franchisee, or other parties that we engage. All of our Master Franchisees have successfully completed, to our satisfaction, our Master Franchisee Training Program, operate Unit Franchises and have significant experience as general contractors.

#### Pre-opening Assistance

Before you open your Alair Homes Franchise for business, we will:

- Approve or disapprove the Premises from which you will operate your Alair Homes Franchise. The Premises must be located within your Marketing Area and must be located at a site that, based upon a geotracking search, would, in our opinion, be consistent with the Alair Homes franchise system's image. (Franchise Agreement, Sections 2(a) and 3(a)) We have no other requirements for your Premises. We will approve or disapprove your selection of a site for the Premises within 30 days after we receive all information that we



request in connection with that site. Our approval, however, does not guarantee the success of your Alair Homes Franchise. We will not assist you in locating a site or negotiating the purchase or lease of the Premises; we do not generally own the Premises and lease it to you. We will not assist you in conforming the Premises to local ordinances and building codes, obtaining required permits or constructing, remodeling or decorating the Premises.

If you do not locate and lease (or otherwise obtain the right to use) the Premises (that we have approved) within 45 days after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement.

- Provide access to our Operations Manual, which contains our mandatory and suggested specifications, standards and procedures for operating your Alair Homes Franchise, “The Alair Process.” (Franchise Agreement – Section 2(a)). Exhibit I to this Franchise Disclosure Document contains the Table of Contents of our Operations Manual, which currently contains 130 pages. The Operations Manual may be embodied in electronic or other media and/or which may be comprised of a series of volumes under various titles. We may make all or part of the Operations Manual available to you through various means, including the Internet. We may modify the Operations Manual periodically. You must keep your copy of the Operations Manual current, and in a secure location at the Premises. The Operations Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. All written procedures found in the Operations Manual are “The Alair Process.”
- Provide you a list of designated and preferred vendors and suppliers, standards and specifications for your Computer System and your advertising, promotional and marketing materials and specifications of required types and amounts of insurance, all of which will be included in our Operations Manual. (Franchise Agreement, Section 2(a))
- Allow you and the persons who will supervise or have primary responsibility for business operations and/or business development to attend the Initial Franchisee Training Program. (Franchise Agreement, Section 2(a)) See the section entitled “Initial Franchisee Training Program” in this Item 11.
- Allow your project managers to attend the Alair University<sup>SM</sup> Project Management Academy Training Program. (Franchise Agreement, Section 2(a)) See the section entitled “Initial Franchisee Training Program” in this Item 11.
- Develop the webpage for the Alair Homes Franchises in your Marketing Area. (Franchise Agreement, Section 2(a)) That webpage will be part of our website.
- Market the Alair Homes Franchises in your Marketing Area through various media (such as online SEO, marketing and collateral material for marketing campaigns). (Franchise Agreement, Section 2(a))

- Consult with you by telephone, e-mail or otherwise with respect to all aspects of establishing and operating your Alair Homes Franchise. (Franchise Agreement, Section 2(a)) If you request on-site assistance, we may require you to pay our On-site Assistance Fee.

### Post-opening Assistance

After you open your Alair Homes Franchise for business, we will:

- Allow you and the persons who will supervise or have primary responsibility for business operations and/or business development to attend the Initial Franchisee Training Program. (Franchise Agreement, Section 2(b)) See the section entitled “Initial Franchisee Training Program” in this Item 11.
- Allow your project managers to attend the Alair University<sup>SM</sup> Project Management Academy Training Program. (Franchise Agreement, Section 2(b)) See the section entitled “Alair University<sup>SM</sup> Project Management Academy Training Program” in this Item 11.
- Provide continuing training and education and facilitate information and experience sharing among Alair Homes franchisees and Canadian franchisees (the “Alair Homes Community”) and support among the Alair Homes Community through the on-site operational support provided through the Continuing Mandatory Training (as defined below) if there is a Master Franchisee in your region, periodic regional in-person training sessions, periodic system-wide conference calls, online forums and focus groups. (Franchise Agreement, Section 2(b)) See the section entitled “Continuing Training” in this Item 11.
- Allow you to use our Marks and the Systems in connection with operating your Alair Homes Franchise. (Franchise Agreement, Section 2(b))
- Provide a full-cycle back-end accounting management system and full-cycle accounting management services to you. The accounting management system and services will provide accounting functions and financial reports (such as paying accounts payable, collecting accounts receivable, managing cash flow and calculating profit and loss) (the “Accounting Systems and Services”), but will not generate year-end financial statements, which must be generated by your accountant. (Franchise Agreement, Section 2(b)) You will be required to pay the Accounting Systems and Services Fee.
- Allow you to use proprietary software that manages and streamlines project management, customer relations management and business operations (the “Proprietary Software”), which contains a vendor database, provides scheduling, budgeting, bidding, accounting, invoicing, billing and other functions and provides you and your customers access to current information with respect to their projects. In addition, we will provide necessary ongoing maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. Although we do not presently charge a fee for doing so, we may impose a fee for doing so in the future. We anticipate imposing a fee in the future. (Franchise Agreement, Section 2(b))

- Provide access to a copy of our Operations Manual, containing the “Alair Process.” (Franchise Agreement, Section 2(b)).
- Provide you a list of preferred vendors and suppliers, standards and specifications for your Computer System and your advertising, promotional and marketing materials and specifications of required types and amounts of insurance, all of which will be included in our Operations Manual. (Franchise Agreement, Section 2(b)) See above.
- Update or modify your webpage, if you or the franchisees in your Marketing Area request that the webpage for your Alair Homes Franchise be updated or modified (for example, to include photos of your recent projects) or if we believe that an update or modification is necessary. (Franchise Agreement, Section 2(b)) You and the franchisees in your Marketing Area will be required to pay the Website Update Fee.
- Develop standardized/template marketing material for Alair Homes businesses. (Franchise Agreement, Section 2(b))
- Market the Alair Homes franchise system through various media (such as online SEO, marketing and collateral material for marketing campaigns). (Franchise Agreement, Section 2(b)) See the section entitled “Advertising” in this Item 11.
- Consult with you by telephone, e-mail or otherwise with respect to all aspects of operating your Alair Homes Franchise. (Franchise Agreement, Section 2(b)) If you request on-site assistance, we may require you to pay our On-site Assistance Fee.

We presently maintain the Purchase Facilitation Site, through which you can purchase standard or personalized marketing materials, such as brochures and clothing with the Marks. However, you are not obligated to purchase these materials through the Purchase Facilitation Site and we have no obligation to continue to maintain the Purchase Facilitation Site or otherwise provide for purchasing, facilitating the purchase of, delivering or installing any items.

#### Initial Franchisee Training Program

If you are an individual, you must attend and successfully complete, to our satisfaction, the entire Initial Franchisee Training Program. In addition, all persons who will supervise or have primary responsibility for business operations and/or business development must attend and successfully complete, to our satisfaction, the entire Initial Franchisee Training Program. Other Principals (as defined below), officers and/or employees that we approve may also attend the Initial Franchisee Training Program. All Initial Franchisee Training Program attendees must sign the Confidentiality and Restrictive Covenant Agreement attached to this Franchise Disclosure Document as Exhibit D. The fee for two people attending the Initial Franchisee Training Program is included in the initial franchise fee. The fee for additional people attending the Initial Franchisee Training Program is \$5,900 per person, payable before the Initial Franchisee Training Program begins. In

addition, you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Initial Franchisee Training Program.

In addition, your project managers must attend and successfully complete, to our satisfaction, the Alair University<sup>SM</sup> Project Management Training Program portion of the Initial Franchisee Training Program. The fee for project managers to attend the Alair University<sup>SM</sup> Project Management Training Program is \$1,500 per person, payable before the Alair University<sup>SM</sup> Project Management Training Program begins. (If you only have one person attend the entire Initial Franchisee Training Program, one project manager may attend the Alair University<sup>SM</sup> Project Management Training Program without paying the fee for that program.)

In addition, you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Alair University<sup>SM</sup> Project Management Training Program. Travel for training is not currently required, we may require travel for training in the future. If so, the Initial Franchisee Training Program may include on-site orientation.

The Initial Franchisee Training Program currently includes the following:

- Pre-opening Operations Training Program, which consists of three one-hour online orientation and training sessions held within the 90-day period beginning on the effective date of the Franchise Agreement. These sessions will be presented by our Director of Operations, our Director of Marketing and our accounting controllers. Additional training may be provided by us as needed.
- Alair University<sup>SM</sup> Project Management Training Program, which is comprised of online self-paced computer training on the Proprietary Software using the online Learning Management System (LMS) known as LMS365, followed by one-on-one training calls with our Training Director and eight synchronous one-hour webinars with our Training Director on a mock project. The Alair University<sup>SM</sup> Project Management Training Program starts before you open your Alair Homes franchised business and ends after you open your Alair Homes franchised business and typically takes between 12 and 18 weeks to complete.
- Alair University<sup>SM</sup> Business Development Training Program, which consists of nine synchronous one to three-hour online interactive group sessions and three one-on-one conference calls held over 12 weeks. The group may consist of both new Alair Franchisees and veteran Alair Franchisees. These sessions are designed to help new Alair Franchisees understand the proven business development strategies, tactics and best practices for winning Alair clients. The Alair University<sup>SM</sup> Business Development Training Program begins once every two months and may begin, but will likely not be completed, before you open your Alair Homes Franchise for business. The Alair University<sup>SM</sup> Business Development Training Program will be led by our President and Chief Development Officer and our Chief Communications Officer.

<b>Pre-opening Operations Training Program</b>			
<b>Subject</b>	<b>Hours of Classroom Training*</b>	<b>Hours of On-the-Job Training*</b>	<b>Location</b>
Operations	1	0	Virtual
Accounting	3	0	
Marketing	1	0	
<b>Total Hours</b>	5	0	

<b>Alair University<sup>SM</sup> Project Management Academy Training Program</b>			
<b>Subject</b>	<b>Hours of Classroom Training*</b>	<b>Hours of On-the-Job Training*</b>	<b>Location</b>
<b>Client Control<sup>SM</sup> Software Training Program</b>			
General Setup Canada/US	0.5	0	LMS365
Basic Software Setup	0.5	0	
Alair Team	0.5	0	
Process – Overview	1.5	0	LMS365; One-on-one Calls
Process – Feasibility	1.5	0	
Process – Project Planning	1.5	0	
Process – Construction	1.5	0	
Software – Scope of Work & Quotes	1.5	0	
Software – Selections	1.5	0	
Software – Complex & Multi-category Selections	1.5	0	
Software – Scheduler	1.5	0	
Software – Invoices	1.5	0	
Software – Budget	1.0	0	
Software – CRM	.5	0	LMS365

<b>Project Management Training Program</b>			
Who is Alair?	1	0	Virtual
Time Management Fundamentals I	1	0	
Time Management Fundamentals II	1	0	
The Alair Process	1	0	
Defining Alair Roles & Expectations	1	0	
Defining Non-Alair Roles & Expectations	1	0	
Project Planning Workshop	1	0	
Project Construction Workshop	1	0	
<b>Total Hours</b>	24.5	0	

<b>Alair University<sup>SM</sup> Business Development Training Program</b>			
<b>Subject</b>	<b>Hours of Classroom Training*</b>	<b>Hours of On-the-Job Training*</b>	<b>Location</b>
Mindset and Mastery of Your Alair Business	2	0	Virtual
The Fundamentals of Being an Alair Trusted Advisor	2	0	
The Alair Trust Diamond	2	0	
Getting Certainty Around the Problem	2	0	
Flipping the Script	2	0	
Winning Project Planning	2	0	
Review and Refine Mastermind	2	0	
Market Partner Recruitment & Development	1		
Review and Strengthen	3	0	Conference Call
<b>Total Hours</b>	<b>18</b>	<b>0</b>	

Training of all of your attendees may not be held at the same time. The number of hours may vary, depending upon the attendees’ backgrounds and their ability to comprehend the information. The instructional materials will include online materials, one-on-one webinars, group webinars, the Operations Manual and other materials.

Rob Cecil, our President and Chief Development Officer, has 10 years’ training experience with Alair Homes. Adam McCaa, our Director of Sales has 10 years of training experience with Alair Homes. Jeff Daley, our Training Director, has four years of training experience with Alair Homes. Michael Duncan, our Director of Operations, has four years of experience with Alair Homes. Our accounting controllers have a minimum of two years of training experience with Alair Homes. Our Master Franchisees may provide part or all of the training.

Continuing Training

We will provide continuing training and education and facilitate information and experience sharing and support within the Alair Homes community through the on-site operational support provided by the mandatory continuing training (“Mandatory Continuing Training”) if there is a Master Franchisee in your region, periodic regional in-person training sessions, periodic system-wide conference calls, online forums and focus groups.

If you are an individual, you must attend and actively participate in all of the Mandatory Continuing Training. If you are a corporation, limited liability company or other entity, the Managing Principal must attend and actively participate in all of the Mandatory Continuing Training. In addition, your project managers must attend and actively participate in all of the Mandatory Continuing Training. We expect you or the Managing Principal (as the case may be, the “Manager”) and your project managers to attend and actively participate in 100% of the Mandatory Continuing Training, the monthly Regional training programs within your Master Franchisee’s area and/or the weekly system-wide conference calls. However, if the Manager and your project managers do not each

attend and actively participate in 90% of the Mandatory Continuing Training, the monthly regional training programs within your Master Franchisee's area and/or the weekly system-wide conference calls, we will have the right to terminate the Franchise Agreement.

In addition, we may provide additional training mandatory or optional programs and/or refresher courses from time to time.

You will be responsible for your travel, meals, lodging and related expenses. We may impose a fee for any or all of the continuing training.

#### Time Between Franchise Agreement Signing and the Opening of Your Alair Homes Franchise

The typical length of time between signing the Franchise Agreement and the opening of your Alair Homes Franchise is 45 days. The factors that will affect the length of time for your Alair Homes Franchise to open include scheduling and attending the Pre-opening Operations Training Program, obtaining necessary permits, licenses and bonds and your own time commitments. Other factors that may affect the length of time include, among other things, current local and national economic conditions, the availability of, and the length of time necessary to obtain, financing, the length of time it takes to select a site and negotiate a lease, whether you will relocate, delivery and installation of signage, furniture, etc. and compliance with zoning, local ordinances and building codes. If you do not open your Alair Homes Franchise for business within 45 days after the date of the Franchise Agreement, we will have the right to terminate the Franchise Agreement.

#### Advertising

Upon signing each Franchise Agreement, you must pay us an initial Brand Fund Payment in the amount of \$10,000. The Brand Fund Payment will be used to develop the webpage for the Alair Homes Franchises in your Marketing Area, if that webpage needs development, and to market the Alair Homes Franchises in your Marketing Area through various media (such as online SEO, marketing and collateral material for marketing campaigns), if additional marketing is, in our opinion, necessary. Any amount not used for those purposes will be deposited into the Brand Fund.

In addition, you must pay us, on a semi-monthly basis, a Brand Fund Payment in an amount of up to 1.5% of your Gross Revenue. At this time, all Unit Franchisees' Brand Fund Payments are calculated at the same rate and on the same basis; however, future franchisees' Brand Fund Payments may differ from yours.

Brand Fund Payments collected from you and other Unit Franchisees will be deposited into our brand fund (the "Brand Fund") and used by us for expenditures that, in our discretion, promote, enhance or further the Alair Homes brand or the Alair Homes franchise system, including standardized/template marketing material for Alair Homes businesses, advertising, promotional, marketing and public relations expenses, hiring marketing, public relations and advertising agencies and personnel to assist in developing the Alair Homes brand name, the Alair Homes website, the Alair Homes intranet, designing and preparing scripts and advertisement templates, photography and other artwork, expenses associated with listings in telephone books, travel expenses in connection with promotions and market meetings, training, development of Marks and materials bearing the Marks, production of circulars and media, advertisements, coupons and

promotional materials, sponsorships and conducting market research, taste studies, focus groups and advertising tracking studies. The materials could be generated by our in-house advertising department or a local, regional or national advertising agency.

Those expenditures may be paid to third parties for goods and/or services provided by them and/or paid to us as reimbursement for goods and/or services provided by us. No part of the Brand Fund will be used for advertising that is principally for soliciting new franchisees.

We will administer the Brand Fund. Although we presently intend that 75% of the deposits into the Brand Fund from each Marketing Area will generally benefit that Marketing Area, we are not required to spend any particular percentage of the Brand Fund (or the Brand Fund Payment) in the area in which any particular franchisee is located. We will have no fiduciary duty to you with respect to the expenditure of the Brand Fund. We are not required to prepare audited or other financial statements for the Brand Fund. Quarterly reconciliation reports will be made available to Master Franchisees, who will make them available to you upon your request. We are not required to contribute to the Brand Fund with respect to company-owned units, but may do so if we desire. At this time, we intend to do so.

Any amounts in the Brand Fund not spent during the fiscal year during which they were collected will be used during the following fiscal years; any amounts expended in excess of the amount in the Brand Fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years' or the prior years' Brand Fund. Any amounts in the Brand Fund not spent during the fiscal year during which they were collected may be used by us for other purposes on a short-term basis provided that that use does not impair the availability of those amounts for advertising purposes.

Print, radio, television, digital and other advertising media may be used, depending upon the total volume of Brand Fund Payments generated by franchisees. Advertising media coverage is expected to be regional, but as the Alair Homes franchise system grows, it may be national. Advertising may be generated in-house by us and/or by local, regional and national public relations and advertising firms.

During fiscal year 2023, the Brand Fund received \$1,952,390.47, of which \$1,579,345.27 was spent during fiscal year 2023 and the balance was retained in the Brand Fund for future expenditure. The funds expended during fiscal year 2023 were spent as follows:



Administration and Planning	15.39 %
Yearly Marketing Strategic Plan	16.94 %
Trade Shows & Market Events	21.20 %
Social Media & Public Relations	28.05 %
Content Marketing / SEO	0.22 %
Website Hosting & Call Tracking	0.89 %
Print Advertising	4.14 %
Photography / Videography	6.01 %
Website Development & Set up	0.60 %
Graphic Design / Print Collateral	2.02 %
Award Applications	1.01 %
Media and Online Advertising	3.54 %
Total	100%

You may request an accounting of the Brand Fund, including budgeting and historical transactions, by submitting a written request to our Marketing team at [marketing@alairhomes.com](mailto:marketing@alairhomes.com). This request can be made directly to us, regardless of whether your area has a Master Franchisee.

### Local Advertising

You may market and advertise your Alair Homes Franchise locally within your Marketing Area. In doing so, you may use your own advertising materials, provided that they comply with our requirements.

### Advertising Council

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

## Computer System

If you do not already possess such equipment, you must purchase a Mac- or Windows-based laptop computer with a processor equal to or exceeding Intel i5, 4 GB RAM and 128 GB hard drive or greater, an operating system equal to or exceeding macOS 10.14 or Windows 10, a wifi cellular modem, a scanner capable of sending multi-page scans via e-mail, a printer, a smartphone with a data plan and an iPad or other tablet device (as modified by us from time to time, the “Computer System”). You must obtain and maintain continuous access to the Internet and to our website in a manner that will enable you to download and upload required information (without regard to size) and to otherwise interact with us, your Master Franchisee and other persons, in such manner as we may specify. The Computer System must be capable of supporting the Proprietary Software, which contains a vendor database, provides scheduling, budgeting, bidding, accounting, invoicing, billing and other functions and provides you and your customers access to current information with respect to their projects, and be accessible by us remotely. The estimated cost of the Computer System is between \$1,500 and \$3,000. We and our affiliates and our respective Representatives will have unrestricted independent access to all information generated and stored in the Computer System at any time and reserve the right to access the Computer System without prior notice to you. We and/or our affiliates and our respective Representatives will remotely access the Computer System in connection with providing the Accounting Systems and Services, which will provide accounting functions and financial reports (such as accounts payable, accounts receivable, cash flow, profit and loss). There is no contractual limitation on our access (or the access of our affiliates and Representatives) to the data generated and stored in the Computer System. All information and data generated by the Computer System is our property.

You are solely responsible for protecting yourself from viruses, computer hackers and other computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You are responsible for backing up and otherwise protecting your information and data on the Computer System. You are also responsible for recording and restoring all software license keys.

We and our affiliates will not be obligated to provide ongoing maintenance, repairs, upgrades or updates with respect to the Computer System. You must, at your expense, upgrade, update and/or replace that Computer System when we believe that it is necessary, appropriate or desirable. There is no limitation on the frequency or cost to do so.

We will provide necessary maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. Although we do not presently charge a fee for doing so, we may impose a fee for doing so in the future. We anticipate imposing a fee in the future.

(Franchise Agreement, Sections 2(b) and 6(o))

## Item 12 **TERRITORY**

You must operate your Alair Homes Franchise from the Premises, which is an office that we have approved and that is located within the geographic area designated in the Franchise Agreement as

your “Marketing Area.” The Premises must be located at a site that, based upon a geotracking search, would, in our opinion, be consistent with the Alair Homes franchise system’s image. If you have selected, and we have approved, the Premises at the time you sign the Franchise Agreement, the Premises will be identified in the Franchise Agreement. Your Marketing Area will depend upon population density, travel time and other factors and will be designated in the Franchise Agreement.

Your advertising, promotional and/or marketing activities must be conducted within your Marketing Area. You may not advertise, promote or market your Alair Homes Franchise outside of your Marketing Area or use other channels of distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) to obtain business outside your Marketing Area.

You must operate your Alair Homes Franchise and provide custom home building services, home renovation services and commercial contracting services within the geographic area designated in the Franchise Agreement (your “Operating Area”). Your Operating Area will depend upon population density, travel time and other factors and will be designated in the Franchise Agreement. Your Marketing Area will be located within your Operating Area.

You may not operate your Alair Homes Franchise or provide custom home building services, home renovation services or commercial contracting services outside of your Operating Area (through other channels of distribution or otherwise), unless we expressly authorize you to do so on a project-by- project basis. If we authorize you to provide any services outside of your Operating Area, we may require that you pay one percent of the Gross Revenue from that project to the Brand Fund.

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. The marketing areas and the operating areas of us and our affiliates and other franchisees may be the same as, overlap and/or be contiguous with your Marketing Area and your Operating Area. There are no restrictions on our right, or the right of our affiliates or other franchisees, to solicit or accept projects from customers, or sell or provide goods and services, within your Marketing Area and/or your Operating Area. We reserve the right to use other channels of distribution (such as the Internet, telemarketing and other direct marketing) to obtain business within your Marketing Area and your Operating Area using the principal Marks and/or under other trademarks. Neither we, nor our affiliates or franchisees, will be required to pay you any compensation for soliciting or accepting business from inside your Marketing Area or your Operating Area.

We will refer all leads for custom home building services, home renovation services and commercial contracting services within your Operating Area to you or to us, our affiliates or other franchisees within your Operating Area. We intend to refer those leads based upon the recipient’s ability to handle the project and otherwise on an equitable basis.

You will have no option, right of first refusal or other similar right to acquire additional Alair Homes Franchises. If you desire to acquire an additional Alair Homes Franchise, and we agree to allow you to do so, you must sign the then-current franchise agreement that will provide for the establishment of that Alair Homes Franchise.

We do not currently operate or franchise, under trademarks other than the principal Marks, a business that sells or will sell goods or services similar to those goods and services that you will sell and provide, nor do we currently have plans to do so.


If your Earned Revenue (actual costs incurred for construction projects (construction; materials and labor invoiced to date) plus the entitled mark up in accordance with the franchise client agreements) during any contract year is less than \$2,000,000, we will be entitled to terminate the Franchise Agreement.

### Relocation

Any relocation of the Premises must be for a legitimate business reason, will be subject to our approval and must meet our then-current requirements for the office from which Alair Homes Franchisees must operate their Alair Homes Franchises. Your Alair Homes Franchise may not be closed for business in connection with your relocation. In addition, you must sign the form of franchise agreement then being signed by new Alair Homes franchisees and will be subject to the terms of that franchise agreement (including Brand Fund Payments and other charges), except that the term will be the term remaining under the Franchise Agreement, you will not be obligated to pay the initial franchise fee and you will not be entitled to attend the Initial Franchisee Training Program at our expense. You must also pay us a Relocation Fee in the amount of \$2,500 or 100% of our costs and expenses, whichever is greater.

## **Item 13 TRADEMARKS**

We grant you the nonexclusive right to operate an Alair Homes Franchise under the “Alair Homes” service marks, as well as our other current or future trademarks, service marks, trade names, logotypes, trade dress, product identifiers, selections and/or designations (collectively, “Marks”). The principal Marks that are registered with the United States Patent and Trademark Office (the “USPTO”) on the Principal Register are as follows:

Mark	Registration Number	Registration Date
ALAIR HOMES	4857485	November 24, 2015
	4857486	November 24, 2015
ALAIR	5418785	March 6, 2018
ALAIR COMMERCIAL	5001034	July 19, 2016
ALAIR COMMERCIAL	5001030	July 19, 2016
CLIENT CONTROL	5048159	September 27, 2016
CLIENT CONTROL	5030248	August 30, 2016

The above principal Marks were registered to Alair Canada with the USPTO.

The following principal Marks are not currently registered with the USPTO on the Principal Register, but registration applications have been filed by Alair Canada. We do not have a federal registration for the following principal Marks. Therefore, these Marks do 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.

Mark	Serial Number	Filing Date
LIVING BETTER STARTS HERE	86776779	October 2, 2015
LIVING BETTER STARTS HERE	86776757	October 2, 2015

Under the Trademark and Systems License Agreement dated as of December 1, 2014 (the “License Agreement”), Alair Canada exclusively licensed us to use, and sublicense franchisees to use, the principal Marks in the United States for a period of 49 years. The License Agreement is automatically renewable for additional 10-year terms. The License Agreement requires us to use, display and sublicense the principal Marks only in compliance with mandated quality standards. The License Agreement may be modified to include additional Marks and may only be terminated if we (directly or through our franchisees) materially breach the License Agreement and fail to cure such breach within a reasonable period of time or are insolvent, make an assignment for the benefit of our creditors or other unapproved assignment or transfer of our rights under the License Agreement, or our assets are placed in the hands of a trustee or receiver. The License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Franchise. Other than as stated above, the License Agreement will not affect you.

On February 23, 2018, Alair Canada assigned the principal Marks to BCM Holdings USA Inc. Under the Intellectual Property License Agreement dated February 23, 2018 (the “BCM License Agreement”), BCM Holdings USA Inc. exclusively licensed Alair Canada to use, and to sublicense us to use and sublicense our franchisees to use, the above principal Marks in the United States in perpetuity. The BCM License Agreement may be terminated if Alair Canada materially breaches the BCM License Agreement and fails to cure such breach within 60 days after written notice of

such breach. The BCM License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Franchise. Other than as stated above, the BCM License Agreement will not affect you.

All affidavits required to be filed for the principal Marks through the date of this Franchise Disclosure Document have been filed. There are no (a) presently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, except as stated above, (b) pending infringement, opposition or cancellation proceedings, (c) agreements that significantly limit our right to use or sublicense the principal Marks or (d) pending material litigation regarding our use or ownership rights in the principal Marks. Except as stated above, we are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal Marks.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Marks. We will decide, in our discretion, whether to institute any action in connection with infringement of or challenge to the Marks, and will control all proceedings and litigation. We are not required to protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Marks in compliance with the Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit, you have cooperated with us in connection with such defense and you have discontinued the use of the infringing Marks promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

We may, in our discretion, modify or discontinue use of any of the Marks and/or use one or more additional or substitute service marks or trademarks. If we decide to do so, you must do so also, at your expense.

#### **Item 14**

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

We grant you the nonexclusive right to operate an Alair Homes Franchise using the Systems. We own, or have the right to use, proprietary information, copyrights and other rights in and with respect to the Systems, which includes, but is not limited to, our home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual. All information and data generated by the Computer System and all other information and data related to your Alair Homes Franchise are our property. All of the above information is referred to collectively as the “Confidential Information.”

We also grant you the nonexclusive right to use the Proprietary Software in connection with the operation of your Alair Homes Franchise.

Some of those items are suitable for copyright protection and/or are protectable as trade secrets. To date, none of such information or rights has been registered for copyright protection or patented,

nor are applications therefor pending. However, we are entitled to copyright protection by law, regardless of whether our material has been registered. No patents or pending patent applications are material to the Alair Homes Franchise.

Under the License Agreement, Alair Canada has exclusively licensed us to use, and sublicense franchisees to use, the Systems in the United States for a period of 49 years. The License Agreement is automatically renewable for additional 10-year terms. The License Agreement requires us to use and sublicense the Systems only in compliance with mandated quality standards. The License Agreement may be modified to expand or contract the Systems and may only be terminated if we (directly or through our franchisees) materially breach the License Agreement and fail to cure such breach within a reasonable period of time or are insolvent, make an assignment for the benefit of our creditors or other unapproved assignment or transfer of our rights under the License Agreement, or our assets are placed in the hands of a trustee or receiver. Other than as stated above, the License Agreement will not affect you.

On February 23, 2018, Alair Canada assigned the Systems to BCM Holdings USA Inc. Under the BCM License Agreement, BCM Holdings USA Inc. exclusively licensed Alair Canada to use, and to sublicense us to use and sublicense our franchisees to use, the Systems in the United States in perpetuity. The BCM License Agreement may be terminated if Alair Canada materially breaches the BCM License Agreement and fails to cure such breach within 60 days after written notice of such breach. The BCM License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Franchise. Other than as stated above, the BCM License Agreement will not affect you.

There are no (a) presently effective material determinations of the USPTO, the United States Copyright Office or any court regarding the copyrights or the proprietary information or (b) agreements that limit our right to use or sublicense the copyrights or the proprietary information, other than the License Agreement. There are no agreements currently in effect that significantly limit our rights to use or license the use of the copyrights and proprietary information. There are no superior prior rights or infringing uses of the principal copyrights and proprietary information actually known to us, which rights or uses could materially affect your use of the principal copyrights and proprietary information in any state.

If you or your Principals, directors, officers, managers, employees and independent contractors (collectively, "Representatives") conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to your Alair Homes Franchise (the "Innovations"), you (or they) will be deemed to have assigned all of your (or their) rights, title and interest in the Innovations, including any intellectual property rights, to us. You and your Representatives also must cooperate with us in connection with protecting the Innovations. When conceived, invented, created, designed or developed, the Innovations will be deemed part of the Systems.

All home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services generated by or for you or your Representatives in connection with your Alair Homes Franchise will be deemed a work-made-for-

hire, and all ownership rights, including any copyrights or other rights, in any of those items will be deemed to be assigned by you and your Representatives to us.

If you reproduce any of our items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use our proprietary information only in the manner required by us and in no other manner. This information is strictly confidential and you may not disclose to any person, or use, any of that information for any purpose, except disclosure to a person who has signed and delivered to us a confidentiality agreement and use as necessary in connection with the operation of your Alair Homes Franchise. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets and/or that we otherwise consider confidential. You and your Representatives will be bound by certain provisions protecting our proprietary rights.

You will not have the exclusive right to use the Systems, nor will you acquire, by use or otherwise, any right, title or interest in or to the Systems, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Systems is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Systems in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Systems. We will decide, in our discretion, whether to institute any action in connection with infringement of or challenge to the Systems, and will control all proceedings and litigation. We are not required to protect your right to use the Systems or to defend you against claims arising from your use of the Systems. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Systems in with the Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit, you have cooperated with us in connection with such defense and you have discontinued the use of the infringing material promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

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

If you are an individual, you must personally and directly manage the overall and day-to-day operation of your Alair Homes Franchise. If you are a corporation, limited liability company or other entity, the Managing Principal must personally and directly manage the overall and day-to-day operation of your Alair Homes Franchise. Your Alair Homes Franchise must be personally supervised from the Premises at all times by the Manager, who has successfully completed, to our satisfaction, the Initial Franchisee Training Program and who has been approved by us. The Manager must spend at least 40 hours per week actively operating and supervising your Alair Homes Franchise. The Manager must exert his or her full-time efforts to manage and supervise the operation of your Alair Homes Franchise and may not engage in any other business or other activity, directly or indirectly, that may conflict with his or her obligations under this Agreement.



If you are a married individual, your spouse must sign the Spousal Consent to the Franchise Agreement. Each individual (and his/her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a five percent or greater equity interest in the franchised entity (a “Principal”) must sign an agreement, in the form of Exhibit C (the “Agreement to be Bound and to Guarantee”), in which he or she agrees to perform, and guarantees, all of the franchisee's obligations to us and our affiliates and agrees to be bound by the restrictive covenants, the confidentiality provisions and certain other provisions contained in the Franchise Agreement, the related agreements and the Promissory Note.

Your Representatives other than your Principals must agree to be bound by certain obligations of the franchisee entity under the Franchise Agreement and related agreements, including, without limitation, the restrictive covenants and the confidentiality provisions. See Exhibit D.

## **Item 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell or provide through your Alair Homes Franchise the high quality custom home building services, home renovation services and commercial contracting services and related products that we designate using the Systems under the Marks. We may from time-to-time incorporate into the Alair Homes franchise system new products and services that we believe will be successful, or modify or discontinue existing products and services. If we incorporate any new products or services into the Alair Homes franchise system, you will be required to sell or provide such products or services. If we modify or discontinue any existing products or services, you will be required to do so.

You will be required to participate in all local, regional and national test, promotional or other programs, initiatives and campaigns adopted by us in which we require you to participate. We reserve the right to designate which of our franchisees may, or will be required to, participate in such programs, initiatives and campaigns. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on our right to require you to offer and sell or provide those new products or services or to participate in those programs, initiatives and campaigns.

You may not offer, sell or provide any other products or services at, from or through your Alair Homes Franchise or the Premises, or conduct any other business at, from or through your Alair Homes Franchise or the Premises, unless we specifically approve the offering and sale or provision of those products or services in writing. In addition, you may not offer, sell or provide any product or service specified by us in any configuration, form or manner other than that specifically approved by us in writing. You may only market your Alair Homes Franchises and use the Marks on the Internet through our website and in the manner we approve in writing.

If we believe that any product or service offered, sold or provided by you or located on the Premises or used in connection with your Alair Homes Franchise may be dangerous, unsafe, unsanitary, unhealthy, immoral, unauthorized or illegal, or otherwise reflects adversely upon the Marks or the goodwill associated with the Alair Homes franchise system, we will request that you remove, discard or discontinue that product or service item and you must do so immediately. If

you do not do so immediately, we may do so, at your expense. In addition, we may require you to cease operating your Alair Homes Franchise and/or close the Premises until we are satisfied that any such product or service is no longer being offered, sold or provided or located on the Premises and/or used in connection with your Alair Homes Franchise.

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

**THE FRANCHISE RELATIONSHIP**

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

Provision		Section in Franchise Agreement or other agreement*	Summary
a.	Length of the franchise term	13(a)	10 years
b.	Renewal or extension of the term	13(b)	No right to renew; you may under certain circumstances have the option to sign Successor Franchise Agreements for two additional successive 10-year terms
c.	Requirements for franchisee to renew or extend	13(b)	No right to renew; you may under certain circumstances have the option to sign Successor Franchise Agreements, in the form then being signed by new franchisees (except that you will not be obligated to pay the initial franchise fee and you will not be entitled to attend the Initial Franchisee Training Program) – you and your Representatives must not be in breach (or have a history of repeated breaches) of your or their obligations under, or related to, the Franchise Agreement or any other agreement with us or our affiliates; you must timely notify us of your intent to sign the Successor Franchise Agreement; you and your affiliates and your respective Principals must sign a general release of us and our affiliates; you, your Manager, and your project managers must attend such training programs or refresher courses as we may request; you must pay the Successor Franchise Fee; you may be asked to sign a Successor Franchise Agreement materially different terms and conditions from the original Franchise Agreement
d.	Termination by franchisee	Not Applicable	Rights under applicable law
e.	Termination by franchisor without cause	Not Applicable	Not applicable
f.	Termination by franchisor with cause	16	See (g) and (h)
Provision		Section in Franchise Agreement or other agreement*	Summary
g.	“Cause” defined – curable defaults	6(k); 16	If you fail to pay any amounts owed to us, any of our Affiliates or any other person (15-day cure period); if you or your Representatives fail to perform, or breach, any curable obligation (15-day cure period); if you fail to comply with certain of our cash-on-hand policies (15-day cure period)

h.	“Cause” defined – non- curable defaults	6; 16; Exhibit C- Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	If you (or the Manager) and/or the persons who will supervise or have primary responsibility for business operations and/or business development fails to successfully complete, to our satisfaction, the Initial Franchisee Training Program; if your project managers fail to successfully complete, to our satisfaction, the Project Management Academy Training Program; if your Earned Revenue during any contract year is less than \$2,000,000; if you or any of your Principals is convicted of, or enters a plea of no contest to, a felony, a crime involving moral turpitude or any other crime or offense that may have an adverse effect; if a threat or danger to public health or safety results from the operation of your Alair Homes Franchise; if any of your representations or warranties is untrue; if any misrepresentation or fraud is committed; if you or your Representatives fail to perform, or breach, any obligation and that failure is incurable; repeated breaches; if you operate your Alair Homes Franchise in a manner, or engage in any other conduct (whether in the operation of your Alair Homes Franchise or in your personal capacity), that may have an adverse effect on us; if you transfer (or attempt to transfer) this Agreement without complying with the Franchise Agreement; if you do not timely transfer this Agreement in connection with death, disability or dissolution of marriage; if any other franchise or other agreement (other than a Master Franchise agreement for failure to meet the development schedule) is terminated; if you or any of your Affiliates engages in any illegal conduct with respect to the operation of your Alair Homes
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		<p>Franchise; if you underreport your Gross Revenue; if you fail to include any project or work in the Proprietary Software and/or otherwise fail to reflect any project or work in any reports or statements; if you do not timely obtain Premises that we have approved; if you do not timely open your Alair Homes Franchise for business; if you abandon your Alair Homes Franchise; if you lose, or fail to obtain or maintain, any necessary permit, license or certification; if the Manager or any of your project managers do not attend and actively participate in our continuing education and support programs; if you default on your obligations under the Promissory Note or breach any of your obligations under the Security Agreement; if you or your Representatives breach your obligations with respect to Confidential Information, Intellectual Property; if you or your Representatives breach your restrictive covenant; if you or your Representatives is involved in a related business or purchase, lease or otherwise have an interest in real property with respect to which you may build on, renovate or otherwise develop for purposes of resale within five years, including renovating and/or flipping (reselling) or fixed-price contracting; if you or your Representatives have an interest in real property that we prohibit you from having an interest in; if you fail to comply with our quality control and customer service requirements, requirements for resolving customer issues and/or score satisfactorily on our periodic quality and operations control inspections; if you fail to retain funds adequate to meet your financial obligations and otherwise comply with our requirements regarding your accounts and payments; if you fail to pay your debts and obligations when due in the ordinary course of business; if you fail to comply with certain of our cash-on-hand policies; if you pay to one or more equity owners more than your cumulative year-to-date earnings; insolvency-related events; if you commit, or are charged with committing, any act, which is an offense involving moral turpitude under federal, state, or local laws, or which</p>
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			might tend to bring us, our Affiliates, or any Alair Homes Franchisee to public disrepute, contempt, scandal or ridicule, or which might may embarrass, offend, insult or denigrate individuals or groups, or that may shock, insult or offend the community or Franchisor's workforce or public morals or decency or prejudice us, or which results in actual or threatened claims against us
i.	Franchisee's obligations on termination/non-renewal	7(g); 17; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	You must cease operating your Alair Homes Franchise and using the Marks and the Systems, the Innovations and the Confidential Information; you must return to us the Operations Manual; you must cancel all assumed names, notify telephone carriers of your assignment of your telephone numbers to us and renovate and de-identify the Premises; you will forfeit all fees paid and must pay all amounts outstanding; you must not identify yourself with the Alair Homes franchise system; we will have the right to purchase your assets, you must sell them to us (or our designee) in accordance with a stated formula and stated terms; we may assume the Premises lease; see (r); liquidated damages in the amount of \$50,000 are payable if the Franchise Agreement is terminated by you for any reason other than our material breach of the Franchise Agreement or terminated by us due to an event of default; these liquidated damages apply only to the damage relating to termination and do not apply to other damages that we may suffer resulting from your breach and/or your actions or omissions; you must transfer any social media accounts operated by you regarding your Alair Homes Franchise, the Marks, and/or the System or any other account used for the purpose of promoting your Alair Homes Franchise
j.	Assignment of contract by franchisor	18(d)	No restrictions

Provision		Section in Franchise Agreement or other agreement*	Summary
k.	“Transfer” by franchisee - defined	12	Sale or other transfer (by operation of law or otherwise) of any of your rights under the Franchise Agreement and/or your AlairHomes Franchise; transfer or issuance of an equity interest in you (if an entity) (by operation of law or otherwise); merger or consolidation of you (if an entity); sale of all or substantially all of your assets or the assets of your Alair Homes Franchise
l.	Franchisor approval of transfer by franchisee	12	Our approval is required, but may not be unreasonably withheld.
m.	Conditions for franchisor approval of transfer	12	You must provide us with a request for transfer, accompanied by the information regarding the transferee and the transaction that we may require; the transferee must satisfy our then-current qualifications for franchisees and certain other requirements; you and the transferee must not be in breach of your obligations to us; the financial and other terms of the transfer must not, in our judgment, have an adverse impact upon the transferee’s potential ability to operate, or potential success in operating, your Alair Homes Franchise; you must subordinate any post-closing payments from the transferee to its obligations to us; the transferee must sign the then-current form of franchise agreement and the related agreements (with certain exceptions); the transferee or its Managing Principal (and the persons who will supervise or have primary responsibility for business operations and/or business development) must satisfactorily complete, to our satisfaction, the Initial Franchisee Training Program; the transferee’s project managers must satisfactorily complete, to our satisfaction, the Alair University <sup>SM</sup> Project Management Academy Training Program; you and your Principals must sign an acknowledgement that certain provisions of this Agreement (including the confidentiality, non-solicitation and non-competition provisions) will continue to be binding upon you; you and your affiliates and your respective Principals must sign a general release of us and our affiliates; you must pay us a transfer fee or the transferee must remodel and update your Alair Homes Franchise to our then-current standards; you must return the Operations Manual and certain other materials to us; the transfer documents must clearly effectuate the transfer; all amounts outstanding by you or your Affiliates to us and our Affiliates must



Provision		Section in Franchise Agreement or other agreement*	Summary
o.	Franchisor's option to purchase franchisee's business	17(b)	Upon the expiration or termination of the Franchise Agreement, we (or our designee) may purchase your assets in accordance with a stated amount and formula; see also (n)
p.	Death or disability of franchisee	12(e), 16(b)	Your Alair Homes Franchise must be transferred in accordance with stated requirements upon your death or disability; if a transfer is not effectuated on a timely basis, the Franchise Agreement will be terminated
q.	Non-competition covenants during the term of the franchise	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	Non-competition during the term of the Franchise Agreement; applicable to you and your Representatives
r.	Non-competition covenants after the franchise is terminated or expires	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	Non-competition within your Operating Area plus a 25-mile radius around your Operating Area for the two-year period after the Transfer, expiration or termination of the Franchise Agreement; applicable to you and your Representatives
s.	Modification of the agreement	8(q), 18(e); Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	We may amend the Systems, the System Standards, the Operations Manual, our rules, regulations, policies and procedures and/or certain fees and charges (other than the Royalty rate) without your approval; otherwise, mutual written agreement is required
t.	Integration/merger clause	18(h)	Only the terms of the Franchise Agreement and the related agreements are binding (subject to state law). Any representations or promises made outside of this Franchise Disclosure Document, the Franchise Agreement and the related agreements may not be enforceable

Provision		Section in Franchise Agreement or other agreement*	Summary
u.	Dispute resolution by arbitration or mediation	18(n)	Except for certain claims, we and you must arbitrate all disputes in Maricopa County, Arizona (subject to state law)
v.	Choice of Forum	18(n), 18(o); Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	Subject to applicable state law, Maricopa County, Arizona
w.	Choice of Law	18(m) Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	Subject to applicable state law, except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 <i>et seq.</i> ), Arizona law will govern.

\*Reference is to Franchise Agreement, unless otherwise indicated.

### **Item 18 PUBLIC FIGURES**

We do not use any public figure to promote the Alair Homes franchise 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rob Cecil, 96 Wallace Street, Nanaimo, BC V9R 0E2, Canada (telephone: 250.824.0279), the Federal Trade Commission and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table #1**  
**Systemwide Outlet Summary**  
**For Fiscal Years 2021 to 2023\***

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	9/1/20-8/31/21	32	37	+5
	9/1/21-8/31/22	37	40	+3
	9/1/22-8/31/23	40	45	+5
Company-owned	9/1/20-8/31/21	0	0	0
	9/1/21-8/31/22	0	0	0
	9/1/22-8/31/23	0	0	0
Total Outlets	9/1/20-8/31/21	32	37	+5
	9/1/21-8/31/22	37	40	+3
	9/1/22-8/31/23	40	45	+5

\*Excludes units operated in Canada by us, our affiliates and our franchisees.

**Table #2**  
**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)**  
**For Fiscal Years 2021 to 2023\***

State	Year	Number of Transfers
Total	9/1/20-8/31/21	0
	9/1/21-8/31/22	0
	9/1/22-8/31/23	

\*Excludes units operated in Canada by our franchisees.

**Table #3  
Status of Franchised Outlets  
For Fiscal 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 Year
Arizona	9/1/20-8/31/21	2	0	0	0	0	0	2
	9/1/21-8/31/22	2	0	0	0	0	0	2
	9/1/22-8/31/23	2						2
California	9/1/20-8/31/21	0	0	0	0	0	0	0
	9/1/21-8/31/22	0	1	0	0	0	0	1
	9/1/22-8/31/23	1	0					1
Colorado	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
	9/1/22-8/31/23	1						1
Florida	9/1/20-8/31/21	5	0	0	0	0	0	5
	9/1/21-8/31/22	5	0	0	0	0	0	5
	9/1/22-8/31/23	5	1					6
Georgia	9/1/20-8/31/21	3	1	0	0	0	0	4
	9/1/21-8/31/22	4	0	0	0	0	0	4
	9/1/22-8/31/23	4	1					5
Iowa	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
	9/1/22-8/31/23	1						1
Maine	9/1/20-8/31/21	0	0	0	0	0	0	0
	9/1/21-8/31/22	0	0	0	0	0	0	0
	9/1/22-8/31/23	0						0
Missouri	9/1/20-8/31/21	0	0	0	0	0	0	0
	9/1/21-8/31/22	0	0	0	0	0	0	0
	9/1/22-8/31/23	0						0
North Carolina	9/1/20-8/31/21	5	0	0	0	0	0	5
	9/1/21-8/31/22	5	0	0	0	0	0	5
	9/1/22-8/31/23	5	1					6
Ohio	9/1/20-8/31/21	3	0	0	0	0	0	3
	9/1/21-8/31/22	3	0	0	0	0	0	3
	9/1/22-8/31/23	3						3
South Carolina	9/1/20-8/31/21	3	1	0	0	0	0	4
	9/1/21-8/31/22	4	0	0	0	0	0	4
	9/1/22-8/31/23	4	1					5

Texas	9/1/20-8/31/21	6	2	0	0	0	0	8
	9/1/21-8/31/22	8	1	0	0	0	0	9
	9/1/22-8/31/23	9		1				8
Utah	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
	9/1/22-8/31/23	1						1
Virginia	9/1/20-8/31/21	1**	1	0	0	0	0	2**
	9/1/21-8/31/22	2**	0	0	0	0	0	2**
	9/1/22-8/31/23	2	1					3
Washington	9/1/20-8/31/21	0	0	0	0	0	0	0
	9/1/21-8/31/22	0	1	0	0	0	0	1
	9/1/22-8/31/23	1						1
Wisconsin	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
	9/1/22-8/31/23	1	1					2
Totals	9/1/20-8/31/21	32	5	0	0	0	0	37
	9/1/21-8/31/22	37	3	0	0	0	0	40
	9/1/22-8/31/23	40	6	1				45

\*Excludes units operated in Canada by our franchisees.

\*\*Franchisee's area extends into Washington, D.C.

**Table #4  
Status of Company-owned Outlets  
For Fiscal Years 2021 to 2023\***

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Totals	9/1/20-8/31/21	0	0	0	0	0	0
	9/1/21-8/31/22	0	0	0	0	0	0
	9/1/22-8/31/23	0	0	0	0	0	0

\*Excludes units operated in Canada by us and our affiliates.

**Table #5**  
**Projected Openings as of August 31, 2023\***

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company- owned Outlet in the Next Fiscal Year
California	0	1	0
Florida	0	2	0
Georgia	0	1	0
North Carolina	0	1	0
Ohio	0	0	0
South Carolina	0	1	0
Texas	0	1	0
Virginia	0	1	0
Washington	0	1	0
Wisconsin	0	0	0
Total	0	9	0

\*Excludes units to be operated in Canada by us, our affiliates and our franchisees.

Exhibit J lists the names of all current Alair Homes franchisees and their addresses and telephone numbers. Exhibit K lists the names, cities, states and current business telephone numbers (or, if unknown, the last known home telephone number) of every Alair Homes franchisee who (a) had its Alair Homes Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 2023 or (b) has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Alair Homes franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Alair Homes. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

To our knowledge, there are no trademark-specific franchisee organizations associated with the Alair Homes franchise system.

## Item 21 FINANCIAL STATEMENTS

Attached as Exhibit M to this Franchise Disclosure Document are the audited financial statements of Alair Homes as of August 31, 2021, August 31, 2022 and August 31, 2023, and for the years then ended. Our fiscal year end is August 31<sup>st</sup>.

**Item 22**  
**CONTRACTS**

Attached to this Franchise Disclosure Document are the following franchise-related contracts:

Exhibit B	Franchise Agreement
Exhibit C	Agreement to be Bound and to Guarantee
Exhibit D	Confidentiality and Restrictive Covenant Agreement
Exhibit E	Representations and Acknowledgement Statement
Exhibit F	Promissory Note
Exhibit G	Security Agreement
Exhibit H	Sample Release
Exhibit N	State Addenda to Franchise Disclosure Document

**Item 23**  
**RECEIPT**

Two copies of an acknowledgement of your receipt of this Franchise Disclosure Document are attached at the end of this Franchise Disclosure Document as Exhibit O. One copy must be signed by you and given to us. The other copy may be retained by you for your records.

**Exhibit A**  
**List of State Agencies/Agents for Service of Process**

<b>State</b>	<b>State Administrator</b>	<b>State Agent</b>	<b>Address/Phone</b>
California	Department of Financial Protection and Innovation	Commissioner of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 866-275-2677
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722
Illinois	Office of the Attorney General	Attorney General	500 South Second Street Springfield, IL 62706 217-782-4465
Indiana	Secretary of State Securities Division	Secretary of State	302 West Washington Street, Room E-111 Indianapolis, IN 46204 317-232-6681
Maryland	Office of Attorney General	Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360
Michigan	Department of Attorney General Consumer Protection Division	Department of Licensing and Regulatory Affairs	P.O. Box 30213 Lansing, MI 48909 517-373-7117
Minnesota	Minnesota Department of Commerce	Commissioner of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 651-539-1600
New York	NYS Department of Law Investor Protection Bureau		28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236 (phone)
		Department of State	One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Department	Securities Commissioner	600 East Boulevard Avenue State Capitol, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 701-328-2910
Rhode Island	Department of Business Regulation Securities Division Franchise Section	Director of Department of Business Regulation	1511 Pontiac Avenue, Bldg. 69-I Cranston, RI 02920 401-462-9645
South Dakota	Division of Insurance Securities Regulation	Director of Division of Insurance Securities Regulation	124 E. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563
Virginia	State Corporation Commission Division of Securities & Retail Franchising		1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219-3630 804-371-9276
		Clerk of the State Corporation Commission	1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219-3630 804-371-9733
Washington	Department of Financial Institutions Securities Division	Director of Department of Financial Institutions	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Department of Financial Institutions Division of Securities	Wisconsin Division of Securities	201 W. Washington Avenue, Ste 300 Madison, WI 53703 608-266-0448



**Exhibit B**  
**Franchise Agreement**

**ALAIR HOMES FRANCHISE AGREEMENT**

**Dated \_\_\_\_\_**

**by and between**

**Alair Enterprises USA, Inc**

**and**

\_\_\_\_\_

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## **FRANCHISE AGREEMENT**

**AGREEMENT**, by and between **Alair Enterprises USA, Inc.**, an Arizona corporation (“We,” “Us” or “Franchisor”), and the franchisee identified on the signature page of this Agreement (“You” or “Franchisee”).

### **RECITALS**

**A.** We and/or our Affiliates (as defined below) have, as a result of significant time, effort and money, designed and developed (and are continuing to design and develop) a comprehensive system for the development and operation of businesses that provides high quality custom home building services, home renovation services and commercial contracting services using our business format, Proprietary Software (as defined below), Accounting Systems and Services (as defined below), systems, methods, policies, materials, procedures, specifications, trade secrets and other proprietary information (the “Systems”) under the Alair Homes® name and service marks (“Alair Homes Franchises” or the “Franchised Businesses”).

**B.** We and/or our Affiliates have, as a result of significant time, effort and money, designed and developed, and We and/or our Affiliates own, the Alair Homes® name and other Marks (as defined below) in connection with the operation of Alair Homes Franchises.

**C.** The restrictions and controls on your operations contained in this Agreement are intended to protect the rights to the Marks and to enhance the Alair Homes® franchise system by maintaining a high quality of products and services provided under the Marks.

**D.** You desire to obtain the license and franchise to operate a single Alair Homes Franchise under the Marks in strict accordance with the Systems, and the standards and specifications established by Us, and We are amenable to granting You a license and franchise in accordance with the terms and conditions of this Agreement.

### **AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties understand and agree as follows:

**1. Grant of Franchise.** Subject to and in accordance with the terms of this Agreement, We hereby award You the right and license, and You hereby accept the right, license and obligation, during the Term (as defined below), to use and display the Marks, and to use the Systems, to operate an Alair Homes Franchise upon the terms and subject to the provisions of this Agreement.

## 2. **Our Obligations.**

(a) Before You open your Alair Homes Franchise for business, We or Your Master Franchisee (as defined below) will:

(i) Approve or disapprove the Premises (as defined below).

(ii) Provide access to You to our operations manuals, which contain our mandatory and suggested specifications, standards and procedures for operating your Alair Homes Franchise (as modified from time to time, the "Operations Manual"). The Operations Manual may be embodied in electronic or other media and/or which may be comprised of a series of volumes under various titles. We may make all or part of the Operations Manual available to you through various means, including the Internet. We may modify the Operations Manual periodically. You must keep your copy of the Operations Manual current, and in a secure location at the Premises. The Operations Manual is confidential, and You may not copy, duplicate, record or otherwise reproduce any part of it. If there is any disparity between our copy of the Operations Manual and your copy, our copy will govern. All written procedures found in the operations manual are "The Alair Process."

(iii) Provide You a list of preferred vendors and suppliers, standards and specifications for the Computer System and your advertising, promotional and marketing materials and specifications of required types and amounts of insurance, all of which will be included in the Operations Manual.

(iv) Allow You and the persons who will supervise or have primary responsibility for business operations and/or business development to attend the Initial Franchisee Training Program (as defined below) and allow your project managers to attend the Alair University<sup>SM</sup> Project Management Academy Training Program.

(v) Develop the webpage (the "Marketing Area Webpage") for the AlairHomes Franchises in your Marketing Area (as defined below) as part of our website (the "Company Website").

(vi) Market the Alair Homes Franchises in your Marketing Area through various media (such as online SEO, marketing and collateral material for marketing campaigns), if additional marketing is, in our opinion, necessary.

(vii) Consult with You by telephone, e-mail or otherwise with respect to all aspects of establishing and operating your Alair Homes Franchise. We may, in our discretion, and depending upon the geographic proximity between Us, provide on-site consultation. If You request more than our average amount of on-site assistance, we may require you to pay our On-site Assistance Fee provided for in Section 8(i).

Your opening of your Alair Homes Franchise for business constitutes your acknowledgement and agreement that We have completely and satisfactorily fulfilled all of our obligations that We are required to fulfill prior to the opening of your Alair Homes Franchise.

(b) After You open your Alair Homes Franchise for business, We or Your Master Franchisee will:

(i) Allow You and the persons who will supervise or have primary responsibility for business operations and/or business development to attend the Initial Franchisee Training Program and allow your project managers to attend the Alair University<sup>SM</sup> Project Management Academy Training Program.

(ii) Provide continuing training and education and facilitate information and experience sharing among Alair Homes franchisees and Canadian franchisees (the “Alair Homes Community”) and support among the Alair Homes Community through the on-site operational support provided through the Mandatory Continuing Training (as defined below), periodic regional in-person training sessions, periodic system-wide conference calls, online forums and focus groups.

(iii) Allow You to use our Marks and the Systems in connection with operating your Alair Homes Franchise.

(iv) Provide a full-cycle back-end accounting management system and full-cycle accounting management services to You. The accounting management system and services will provide accounting functions and financial reports (such as accounts payable, accounts receivable, cash flow, profit and loss) (the “Accounting Systems and Services”), but will not generate year-end financial statements, which must be generated by your accountant. You will be required to pay the Accounting Systems and Services Fee provided for in Section 8(c).

(v) Allow You to use proprietary software that manages and streamlines project management, customer relations management and business operations (the “Proprietary Software”), which contains a vendor database, provides scheduling, budgeting, bidding, accounting, invoicing, billing and other functions and provides You and your customers access to current information with respect to their projects. In addition, We will provide necessary ongoing maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. You will be required to pay the proprietary software maintenance fee provided in Section 8(f).

(vi) Provide You access to the Operations Manual.

(vii) Provide You a list of preferred vendors and suppliers, standards and specifications for the Computer System and your advertising, promotional and marketing materials and specifications of required types and amounts of insurance, all of which will be included in the Operations Manual.

(viii) Update or modify the Marketing Area Webpage, if You or the franchisees in your Region request that the Marketing Area Webpage be updated or modified (for example, to include photos of recent projects) or if We believe that an update or modification is necessary. You and the franchisees in your Marketing Area will be required to pay the website update fee provided for in Section 8(g).

(ix) Develop standardized/template marketing material for Alair Homes businesses.

(x) Market the Alair Homes franchise system through various media (such as online SEO, marketing and collateral material for marketing campaigns).

(xi) Consult with You by telephone, e-mail or otherwise with respect to all aspects of operating your Alair Homes Franchise. We may, in our discretion, and depending upon the geographic proximity between Us, provide on-site consultation. If You request more than our average amount of on-site assistance, We may require You to pay our On-site Assistance Fee provided for in Section 8(i).

(c) Certain elements of this assistance will be provided to You by our Affiliates and/or your Master Franchisee with whom We have contracted to, among other things, provide training and support to our franchisees in connection with developing and operating their Alair Homes Franchises within a designated area, or other parties that we engage. (The Master Franchisee in your area is referred to as “Your Master Franchisee.”)

### **3. The Premises: The Marketing Area: The Operating Area.**

(a) (i) You must operate your Alair Homes Franchise from an office (the “Premises”), selected by You and approved by Us, in our discretion, that is located within the geographic area designated in Exhibit A hereto as your Marketing Area (the “Marketing Area”). The Premises may be located at your residence or a commercial site. The Premises must be located at a site that, based upon a geotracking search, would, in our opinion, be consistent with the Alair Homes franchise system’s image. We will approve or disapprove your selection of a site for the Premises within 30 days after We receive all information that We request in connection with that site. The decision to operate your Alair Homes Franchise at the Premises will be made solely by You, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Us or our Representatives (as defined below). We will not assist You in locating the Premises or negotiating the purchase or lease of the Premises. We will not assist You in conforming the Premises to local ordinances and building codes, obtaining required permits or constructing, remodeling or decorating the Premises. You acknowledge that although We may approve the Premises, our approval does not guarantee the success of your Alair Homes Franchise. If You have selected, and We have approved, the Premises at the time You sign this Agreement, the Premises will be identified in Exhibit A hereto.

(ii) If You do not locate and lease (or otherwise obtain the right to use) the Premises (that We have approved) within 45 days after the Effective Date, We may terminate the Franchise Agreement. It is your responsibility to obtain our approval of the Premises; our withholding of approval of any site as the Premises will not relieve You of your obligation to locate and lease (or otherwise obtain the right to use) the Premises within such 45-day period.

(iii) You must maintain the condition and appearance of the Premises in accordance with the System Standards and in a manner that enhances, to our satisfaction, your Alair Homes Franchise, the Alair Homes franchise system and the goodwill associated with the Marks.

(iv) Any relocation of the Premises must be for a legitimate business reason, will be subject to our approval, in our discretion, and must meet our then-current requirements for the office from which Alair Homes franchisees must operate their Alair Homes Franchises. Your Alair Homes Franchise may not be closed for business in connection with your relocation. In addition, You must enter into a new franchise agreement in the form then generally being offered to prospective Alair Homes

franchisees. You acknowledge that the terms of that franchise agreement will be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement, except that the term will be the term remaining under this Agreement, the Royalty rate will be the rate contained in this Agreement, You will not be obligated to pay the initial franchise fee and You will not be entitled to attend the Initial Franchisee Training Program at our expense.

(b) Your advertising, promotional and/or marketing activities must be conducted within the Marketing Area. You may not market your Alair Homes Franchise outside of the Marketing Area or use other channels of distribution (such as catalog sales, telemarketing or other direct marketing) to obtain business outside the Marketing Area. You may only market your Alair Homes Franchises and use the Marks on the Internet through the Marketing Area Webpage and in the manner We approve.

(c) You must operate your Alair Homes Franchise and provide custom home building services, home renovation services and commercial contracting services within the geographic area designated in Exhibit A hereto as your Operating Area (your “Operating Area”). Your Marketing Area will be located within your Operating Area. You may not operate your Alair Homes Franchise or provide custom home building services, home renovation services or commercial contracting services outside of your Operating Area (through other channels of distribution or otherwise), unless We expressly authorize You to do so on a project-by-project basis. If We authorize You to provide any services outside of your Operating Area, We may require that You pay 1% of the Gross Revenue from that project (an “Out-of-Operating Area Payment”) to Your Master Franchisee.

(d) We will refer all leads for custom home building services, home renovation services and commercial contracting services within your Operating Area to You or to us, our Affiliates or other franchisees within your Operating Area. We intend to refer those leads based upon the recipient’s ability to handle the project and otherwise on an equitable basis.

(e) You will have no option, right of first refusal or other similar right to acquire additional Alair Homes Franchises in other geographic areas. If You desire to acquire an additional Alair Homes Franchises, and We agree to allow You to do so, You must sign the franchise agreement in the form then generally being offered to prospective Alair Homes franchisees that will provide for the establishment of that Alair Homes Franchise.

**4. No Geographic Exclusivity.** You will not have an exclusive territory. You may face competition from other Alair Homes franchisees, from Alair Homes units that We or our Affiliates own and operate and/or from other channels of distribution or competitive brands that We control. The marketing areas and the operating areas of Us and our Affiliates and other franchisees may be the same as, overlap and/or be contiguous with your Marketing Area and your Operating Area. You acknowledge that such competition may have an adverse effect on the revenue and profitability of your Alair Homes Franchise. There are no restrictions on our right, or the right of our Affiliates or other franchisees, to solicit or accept projects from customers, or sell or provide goods and services, within, from or into your Marketing Area and/or your Operating Area. We reserve the right to use other channels of distribution (such as the Internet, telemarketing and other direct marketing) to obtain business within, from or into your Marketing Area and your Operating Area using the Marks and/or under other service marks or trademarks, without the payment of any amount to You.



(b) We reserve all rights that this Agreement does not expressly grant to or confer upon You and We or our Affiliates or other franchisees may, directly or indirectly, within, from, into or outside of your Marketing Area and your Operating Area and regardless of competitive impact upon your Alair Homes Franchise:

(i) Establish and/or operate Alair Homes Franchises within, from, into or outside of your Marketing Area and your Operating Area;

(ii) Market, advertise and/or promote the Alair Homes franchise system within, from, into or outside of your Marketing Area and your Operating Area;

(iii) Market, advertise, promote and/or sell any products and/or services, including home building services, home renovation services and commercial contracting services, under the Marks or under other service marks or trademarks within, from, into and outside of your Marketing Area and your Operating Area through Alair Homes Franchises or methods of distribution other than Alair Homes Franchises, such as electronic mail, Internet sales, catalogs, sales solicitations, mail order and other direct order merchandising, broadcast television, radio and other media and telemarketing; and/or

(iv) Merge with, acquire and/or be acquired by (regardless of the form of the transaction) any other business, including a business that competes with your Alair Homes Franchise.

## **5. Training.**

(a) (i) We will provide You an initial franchisee training program (the “Initial Franchisee Training Program”) that, as of the Effective Date, includes the following:

(a) The Pre-opening Operations Training Program;

(b) The Alair University<sup>SM</sup> Project Management Academy Training Program; and

(c) The Alair University<sup>SM</sup> Business Development Training Program.

If You are an individual, You must attend and successfully complete, to our satisfaction, the entire Initial Franchisee Training Program. If You are an entity, the Managing Principal (as defined below) must attend and successfully complete, to our satisfaction, the entire Initial Franchisee Training Program. In addition, all Persons who will supervise or have primary responsibility for business operations and/or business development must attend and successfully complete, to our satisfaction, the entire Initial Franchisee Training Program. Other Representatives that We approve may also attend the Initial Franchisee Training Program. All Initial Franchisee Training Program attendees must sign the Confidentiality and Restrictive Covenant Agreement, in the form requested by Us. The fee for two persons attending the Initial Franchisee Training Program is included in the initial franchise fee. You will be required to pay the fee stated in Section 8(d) for additional people attending the Initial Franchisee Training Program. In addition, You must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Initial Franchisee Training Program. If You or the Managing Principal, as the

case may be (the “Manager”), and/or all Persons who will supervise or have primary responsibility for business operations and/or business development, do not attend and successfully complete, to our satisfaction, the Initial Franchisee Training Program, We may terminate this Agreement. The content, manner of communication and conduct and number of hours of the Initial Franchisee Training Program may be modified from time to time, in our discretion.

(ii) We will provide You a project manager training program (the “Project Management Academy Training Program”) that, as of the Effective Date, includes the following:

- (a) The Project Manager Training Program; and
- (b) The Client Control Software Training Program.

Your project managers must attend and successfully complete, to our satisfaction, the entire Project Management Academy Training Program. You will be required to pay the fee stated in Section 8(d) for people attending the Project Management Academy Training Program. In addition, You must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Project Management Academy Training Program. If your project managers do not attend and successfully complete, to our satisfaction, the Project Management Academy Training Program, We may terminate this Agreement. The content, manner of communication and conduct and number of hours of the Project Management Academy Training Program may be modified from time to time, in our discretion.

(b) We will provide You continuing training and education and facilitate information and experience sharing and support within the Alair Homes Community (the “Mandatory Continuing Training”) through the on-site operational support provided by a Master Franchisee in your region, if there is one, otherwise by Franchisor, periodic regional in- person training sessions, periodic system-wide conference calls, online forums and focus groups.

The content, manner of communication and conduct and number of hours of the Mandatory Continuing Training may be modified from time to time, in our discretion. The Managers and your project managers must attend and actively participate in all of the Mandatory Continuing Training. If the Manager and each of your project managers do not attend and actively participate in 90% of the Mandatory Continuing Training, We will have the right to terminate this Agreement.

(c) In addition, We may provide additional training mandatory or optional programs and/or refresher courses from time to time.

(d) You will be responsible for your travel, meals, lodging and related expenses. As stated in Section 8(e), We may impose a fee for any or all of the Mandatory Continuing Training or the additional training programs and/or refresher course.

## **6. Operating Your Alair Homes Franchise.**

(a) (i) You must open your Alair Homes Franchise for business within 45 days after the Effective Date. Otherwise, We may terminate this Agreement.

(ii) You must offer and sell or provide through your Alair Homes Franchise the high-quality custom home building services, home renovation services and commercial contracting services and related products that We designate using the Systems under the Marks. We may from time-to-time incorporate into the Alair Homes franchise system new products and services that We believe will be successful, or modify or discontinue existing products and services. If We incorporate any new products or services into the Alair Homes franchise system, You will be required to sell or provide such products or services. If We modify or discontinue any existing products or services, You will be required to do so.

(iii) You will be required to participate in all local, regional and national test, promotional or other programs, initiatives and campaigns adopted by Us in which We require you to participate. We reserve the right to designate which of our franchisees may, or will be required to, participate in such programs, initiatives and campaigns. If We designate You for participation in any such program, initiative or campaign, You must participate when and as required by Us.

(iv) You may not offer, sell or provide any other products or services at, from or through your Alair Homes Franchise or the Premises, or conduct any other business at, from or through your Alair Homes Franchise or the Premises, unless We specifically approve the offering and sale or provision of those products or services in writing. In addition, You may not offer, sell or provide any product or service specified by Us in any configuration, form or manner other than that specifically approved by Us in writing.

(v) If We believe that any product or service offered, sold or provided by You or located on the Premises or used in connection with your Alair Homes Franchise may be dangerous, unsafe, unsanitary, unhealthy, unauthorized or illegal, or otherwise reflects adversely upon the Marks or the goodwill associated with the Alair Homes franchise system, We will request that You remove, discard or discontinue that product or service item and You must do so immediately. If You do not do so immediately, We may do so, at your expense. In addition, We may require You to cease operating your Alair Homes Franchise and/or close the Premises until We are satisfied that any such product or service is no longer being offered, sold or provided or located on the Premises and/or used in connection with your Alair Homes Franchise.

(b) You must operate your Alair Homes Franchise strictly in accordance with this Agreement and the Operations Manual and with the rules, regulations, instructions, policies and procedures as may from time to time be issued by Us for the conduct of the Franchised Business as We may, in our discretion, deem appropriate (the Operations Manual and those the rules, regulations, instructions, policies and procedures are collectively referred to as the "System Standards"). You acknowledge and agree that compliance with all of the System Standards is essential for the success of your Alair Homes Franchise and to preserve the goodwill of the Marks. Therefore, You agree at all times to operate and maintain your Alair Homes Franchise strictly in accordance with each and every System Standard.

(c) (i) You must at all times faithfully, honestly and diligently perform your obligations under this Agreement and continuously exert your best efforts to promote and enhance the development, operation and good will of the Alair Homes franchise system. You must operate your Alair Homes Franchise with the highest integrity and good business standards, and must use your best efforts to enhance, to our satisfaction, your Alair Homes Franchise, the Alair Homes franchise

system and the goodwill associated with the Marks. You must refrain from any business or advertising practice that may be injurious to your Alair Homes Franchise, the Alair Homes franchise system and the goodwill associated with the Marks. Your marketing, promotional and advertising must be completely clear, factual and not misleading and must conform to the highest standards of ethical marketing, promotional and advertising, as well as the marketing, promotional and advertising policies that we prescribe from time to time.

(ii) You must not: (a) disparage to any person, Us, our Affiliates, any of our respective Representatives, our products and services or the Marks; (b) publicly disparage the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or franchisees; (c) willfully bring the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or franchisees into disrepute; or (d) commit libel or slander or take any illegal actions against the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or franchisees. In furtherance, but not in limitation of, clause (b), you shall not disparage the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or franchisees in the media or other public fora, such as blogs, podcasts and social media. Notwithstanding clauses (b) and (c), you may (i) openly and honestly discuss your experience in the Alair Homes Franchise system with prospective or existing franchisees and Master Franchisees, (ii) discuss complaints and system issues with existing franchisees and Master Franchisees and (iii) express honest opinions and state facts in depositions, sworn testimony and other legal proceedings.

(iii) If You commit, or are charged with committing, any act, which is an offense involving moral turpitude under federal, state or local laws, or which might tend to bring Us, our Affiliates or any Alair Homes Franchisee to public disrepute, contempt, scandal or ridicule, or which may embarrass, offend, insult or denigrate individuals or groups, or that may shock, insult or offend the community or Franchisor's workforce or public morals or decency or prejudice Us, or which results in actual or threatened claims against Us, We shall have the right to unilaterally terminate this Agreement without liability hereunder upon written notice to You.

(d) You must operate your Alair Homes Franchise and be available to customers the days and hours that We may require from time to time, which requirements may be waived by Us, in our discretion.

(e) (i) Your Alair Homes Franchise must be personally supervised from the Premises at all times by the Manager, who has successfully completed, to our satisfaction, the Initial Franchisee Training Program and who has been approved by Us. The Manager must spend at least 40 hours per week actively operating and supervising your Alair Homes Franchise. The Manager must exert his or her full-time efforts to manage and supervise the operation of your Alair Homes Franchise and may not engage in any other business or other activity, directly or indirectly, that may conflict with his or her obligations under this Agreement.

(ii) For purposes of maintaining transparency in your Alair Homes Franchise operations, focusing your efforts and your financial resources on your Alair Homes Franchise, not diluting or misusing the Alair Homes brand and other purposes that We may deem appropriate, You

and your Representatives may not, without our prior written consent, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), (a) be involved in, or engage in any conduct in connection with future involvement in, any commercial or other venture (a “Related Business”) that relates to the home building, home renovation and/or commercial contracting industry, including, without limitation, a Related Business that may offer, sell or provide goods or services to You or your customers, (b) purchase, lease or otherwise have an interest in real property (other than your personal residence) with respect to which You or any other individual or entity may build on, renovate or otherwise develop for purposes of resale within five years, including, without limitation, renovating and/or flipping (reselling), (c) purchase, lease or otherwise have an interest in real property that We prohibit You from purchasing, leasing or otherwise have an interest in, or (d) fixed-price contracting. For avoidance of doubt, and without limiting any of the foregoing, You understand and agree that You are restricted from using any of your company funds in connection with any Related Business or the procurement, renovation, or development of any real property for the benefit of You, including investment properties. Prior to purchasing, leasing or otherwise acquiring an interest in any real property, You shall provide us at least 30 days’ prior written notice of your intent to do so and promptly provide to Us such information regarding such real property, such acquisition and such other information as We may require; We may, in our sole discretion, have the right to prohibit You from purchasing, leasing or otherwise acquiring an interest in such real property if We, in the exercise of our sole discretion, believe it to be a risk to your Alair Homes Franchise or the Alair Homes franchise system.

(f) You must hire or engage, train and supervise efficient, competent and courteous employees and/or independent contractors of good character for the operation of your Alair Homes Franchise and You must train your employees and/or independent contractors in accordance with our specifications for the conduct of your Alair Homes Franchise. You must ensure that all employees and/or independent contractors whose duties include customer service or customer contact have sufficient literacy and fluency in the English language to adequately serve the public in connection with your Alair Homes Franchise. You will be solely responsible for hiring, engaging and discharging, and for setting the wages or other compensation and terms of employment or engagement of, your employees and/or independent contractors. Except for the Initial Franchisee Training Program, the Project Management Academy Training Program and the Mandatory Continuing Training, You will be solely responsible for training the employees of the Franchised Business. You must use your best efforts to cause your employees and/or independent contractors to comply with your obligations under this Agreement and the Operations Manual and You will be responsible for their actions and omissions in connection with the conduct of the Franchised Business, including their failure to comply with your obligations under this Agreement and the Operations Manual and/or violations of law.

(g) You must comply with the following cash-on-hand policies, as well as other or alternate cash-on-hand policies adopted by Us from time-to-time. All of such cash-on-hand policies are referred to as the “Cash-on-Hand Policies.”

(i) You must deposit all revenue and other receipts from operations of your Alair Homes Franchise into your primary checking account (the “Account”) within two days of your receipt, including all cash and checks and credit card receipts. The Account must facilitate read-only

access and You must grant Us read-only access to the bank records for the Account for purposes of the Accounting Systems and Services. All expenses must be processed through the Accounting Systems and Services.

(ii) All revenue received by You from, or for the benefit of, your clients will be deemed held by You in trust. All revenue received by You from, or for the benefit of, each of your clients must be used only for the future costs associated with that client's project, and may not be used for any other client's project, for your operating costs, for distributions or for any other purposes.

(iii) You must maintain a trust account for each client, crediting each such trust account with the amount received from, or for the benefit of, that client and debiting each such trust account with the construction costs paid with respect to that client's project. The amount at any time in a client's account is referred to as the "Client's Balance." Subject to Section 6(g)(iv), at all times the Client's Balance for each client must be at least equal to the construction costs to be paid to fully complete that client's project, unless You have not received 100% of the entire project fee from that client. In that case, the Client's Balance must be at least equal to the construction costs to be paid to complete that client's project to the percentage of that client's project fee that You have received. (For example, if You have received 70% of the client's entire project fee, the Client's Balance must be at least equal to the construction costs to be paid to 70% complete such client's project.)

(iv) At all times during which any client's trust account has a negative Client's Balance, You must, maintain Capital (as defined below) in an amount greater than the sum of all clients' negative Client's Balance (For purposes of clarity, only clients' trust accounts with negative Client's Balances are considered and positive Client's Balances shall not net out negative Client's Balances.) For purposes of this Agreement, the term "Capital" means the sum of your paid-in capital, your retained earnings and the current balance on your operating line of credit, as reflected on your balance sheet, prepared in accordance with generally accepted accounting principles. At any time during which You are in breach of the requirements of this Section 6(k)(iv), You must promptly (but in no event later than 15 days after the date that such breach initially occurs) deposit additional monies into the Account sufficient to remedy such breach. Should You fail to so deposit adequate additional monies into the Account within such time period, You may not (a) make any distributions, pay personal salaries or other compensation or reimburse any expense or make any other payments to any equity owner (regardless of how such payment is characterized) from the Account or otherwise from your funds unless and until such breach has been cured or (b) pay for any expenses directly incurred by You, without our prior written consent.

(v) In addition to the foregoing, You must ensure that: (a) the Account has a minimum of \$50,000 in excess of the Surplus Client Funds; (b) the balance of the Account is at all times greater than the sum of all Surplus Client Funds of its active projects; (c) all transactions (including deposits collect from clients) are processed in accordance with our policies and procedures outlines in the Operations Manual within two (2) weeks; and no more than twenty percent (20%) of your accounts payables are paid directly by You. All remaining accounts payable are to be processed as part of the Accounting Systems and Services. For purposes of this Agreement, the term "Surplus Client Funds" means the amount received from, or for the benefit of, that client, less the construction costs paid with respect to that client's project and less recognized profits earned to date.

(vi) You must use the Accounting Systems and Services that We or our Affiliates provide and You must pay the Accounting Systems and Services Fee provided for in Section 8(c). In

connection therewith, You must provide to Us or our Affiliates, as We designate, read-only access to

the Account (as defined below). You must, at your expense, utilize our designated vendor in connection with the preparation of your sales tax returns.

(h) You must, at your expense, obtain e-mail service through our designated vendor and supplier and use that e-mail address as your primary e-mail address in connection with your Alair Homes Franchise. You must, at your expense, obtain cloud data storage through our designated vendor and supplier and use that cloud data storage as your sole cloud or back-up data storage. You must, at your expense, use our designated vendor and supplier for your payroll Software and services. The fees to those designated vendors and suppliers will be paid through Us in accordance with Section 8(h). You must, at your expense, have customer satisfaction surveys conducted by our designated vendor.

(i) (i) In order to maintain the high standards of product and service quality and consistency associated with the Marks, and the uniformity of the Alair Homes franchise system, We may require that You purchase certain goods and services items and services: (a) from Us and/or our Affiliates, even though We or they may be your only source of those goods and/or services, (b) from vendors and/or suppliers on our list of designated vendors and suppliers, as it may exist from time to time, and/or (c) in accordance with the System Standards, and You will be required to do so.

(ii) We may remove a reasonable number of samples of your goods and/or communicate with, and obtaining documents and other materials and information from, your vendors, suppliers, employees, independent contractors, customers, lenders, lessors and other persons, for purposes of confirming whether You are performing your obligations to those persons, confirming the quality and the adequacy of the products and services provided by You, confirming compliance with your obligations under this Agreement and for any other purpose related to this Agreement and/or the relationship between the parties that We, in our discretion, determine to be necessary, appropriate or desirable. You agree to assist and cooperate with Us and our Representatives in that regard. You hereby consent to our (or our Representatives) taking any or all of such actions, expressly waives any and all rights that You may have in connection with the disclosure of those materials and that information to Us (or our Representatives) and the use of those materials and that information by Us (or our Representatives). You will promptly sign such other and further documents, and take such other and further actions, as We may request to confirm or effectuate our rights pursuant to this Section 6(i). You must pay, or reimburse Us for, at our election, any expenses that We (or our Representatives) may incur in connection this Section 6(i).

(iii) Except for the Accounting Systems and Services, e-mail service, cloud data storage and payroll software and service, if We require that You purchase certain goods and/or services from Us or our Affiliates or from designated vendors and/or suppliers, You may request that We add certain vendors or suppliers to our list of list of designated vendors and suppliers. We may require You to submit samples or specifications for examination or testing, at your expense, to determine if your requested vendors and/or suppliers and their products or services meet our specifications. You must also pay, or reimburse Us for, at our option, our costs and expenses in connection with that evaluation and/or testing. We will advise You of our approval or denial of approval within 45 days after receipt of all applicable information and, if We approve a vendor or supplier, You may purchase the subject products and/or services from that vendor or supplier. We may, however, revoke our approval at any time by notifying You of that revocation. We do not



presently have formal criteria for vendor or supplier approval; if and when we adopt formal criteria, the criteria will be made available to You upon your request.

(iv) We reserve the right to make a profit on goods and/or services that You or other franchisees may purchase from Us or our Affiliates and/or receive a rebate or other consideration from our preferred or designated vendors and suppliers, or other persons, in connection with goods and/or services purchased by You and other franchisees from those vendors and suppliers, or other persons, or otherwise derive revenue from required purchases or leases; provided, however, that with respect to goods and services that do not contain the Marks and are not proprietary to Us, We will use our commercially reasonable efforts to cause the price paid by You for goods and services from those vendors and suppliers not to exceed the price at which You can otherwise obtain such goods and services.

(v) You acknowledge that We and any preferred or designated vendors and suppliers have a direct and legitimate interest in the manner in which our or their products and services are marketed, including the prices at which products and services are offered to customers. As a service to You and other franchisees, We may, but are not obligated to, utilize our experience and the data obtained from our Affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services of the Franchised Business.

(j) You must obtain and maintain all bonds, licenses, permits and certifications required, or determined by Us to be desirable, to be held by You in connection with the conduct of your Alair Homes Franchise. It is your sole obligation to research all applicable federal, state and local laws, regulations and ordinances governing the operation of your Alair Homes Franchise to ensure that your operation of your Alair Homes Franchise does not violate any federal, state or local law, regulation or ordinance. You must secure and maintain in force throughout the Term all required bonds, licenses, permits and certifications relating to the operation of your Alair Homes Franchise and operate your Alair Homes Franchise in full compliance with all applicable laws, regulations and ordinances and in accordance with our policies. In all dealings with customers, suppliers, vendors, employees, independent contractors, Us and the public, You and your Representatives must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice that might injure your Alair Homes Franchise, the Alair Homes franchise system, Us, our Affiliates and/or the goodwill associated with the Marks. You must notify Us within 24 hours of any notice of violation of any law, regulation or ordinance relating to health, cleanliness or safety. You must notify Us within five days of (i) the commencement of any action, suit or proceeding relating to the Business, (ii) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that might adversely affect your operation or financial condition or that of your Alair Homes Franchise (including the revocation or threatened revocation of any bond, license, permit or certification applicable to your Alair Homes Franchise) and (iii) any notice of violation of any other law, regulation or ordinance relating to your Alair Homes Franchise. You must notify Us within two days of your receipt of an unsatisfactory or failing governmental inspection report.

(k) You must pay when due all debts and obligations incurred by You in connection with the operation of your Alair Homes Franchise, including all applicable tax liabilities and all liabilities to preferred or designated vendors and suppliers. If You fail to pay any amount You are required to pay, or perform any obligation You are required to perform, We may, but are not obligated to, pay

that amount and/or take any action necessary to cure the default. You must immediately pay to Us the amount We paid or the amount We expend to cure that default, plus interest from the date paid or expended by Us. This right will accrue whether or not We terminate this Agreement.

(l) You must, at your sole cost and expense, procure and maintain in full force and effect at all times during the term of this Agreement, insurance policies of the types and in the minimum amounts that We may from time to time require, as stated in the Operations Manual, that are required in your lease (if any) and that are required by applicable law. All insurance policies must be issued by insurance carriers rated A+ or better by A.M. Best Company, Inc. All insurance policies be primary (non-contributory), must name Us, our Affiliates and Your Master Franchisee as additional insureds, must provide that your failure to comply with any term, condition or provision of the contract, and any other conduct by You, will not void or otherwise affect the protection afforded to Us (or Your Master Franchisee or our affiliates) under the policy, must contain a waiver by the insurance carriers of all subrogation rights against Us and must provide that We will receive 30 days' prior written notice of termination, expiration, cancellation or modification of any such policy. If You sustain a loss by reason of fire, flood or other casualty of a type typically covered by insurance, and that casualty is caused wholly or partially by our (or Your Master Franchisee's or our Affiliates') acts or omissions, You must look solely to the proceeds of your insurance policy for reimbursement of the loss, and neither You nor any insurance carrier may recover damages against Us (or Your Master Franchisee or our Affiliates) by way of direct action, subrogation, assignment of claims or otherwise. You will waive all rights of recovery by You, any insurance carrier or other person against Us, and must notify each insurance carrier of that waiver. You agree to furnish to Us prior to opening your Alair Homes Franchise, annually and upon request certificates of insurance or other evidence of the maintenance, renewal or extension of each such policy. If You, at any time, fail or refuse to maintain in effect any insurance coverage required by Us, or to furnish satisfactory evidence thereof, We, at our option and in addition to our other rights and remedies in this Agreement, may, but need not, obtain such insurance coverage on behalf of You, and You must promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to Us, on demand, any costs and premiums incurred by Us and We may, at our option, debit your account for the amount of such costs or premiums, together with interest thereon. Your failure to provide insurance coverage as required will be considered a material breach of this Agreement. Your obligation to obtain and maintain the insurance coverage required by this Agreement will not be limited in any way by reason of any insurance maintained by Us, nor will your performance of such obligations relieve You of any indemnification obligations contained in this Agreement.

(m) (i) You must comply with our quality control, operational and customer service requirements, including the System Standards (including our construction and other operational guidelines) and/or resolving customer issues in a manner consistent with the System Standards (including our construction and other operational guidelines) or as We may otherwise require.

(ii) You must extend to customers, and honor, a warranty, in form and substance satisfactory to Us, with respect to all services provided by You in connection with the custom home building services, home renovation services, commercial contracting services and other services, if any, in connection with your Alair Homes Franchise.

(iii) You and your Representatives may not, directly or indirectly, receive or realize a commission, rebate, kickback, fee, other payment or other consideration (in cash or in

property, or as a credit or reduction of any amount payable), or otherwise derive revenue, from or with respect to any vendor, supplier or other person in connection with goods and/or services purchased, leased or otherwise obtained by You or your customers.

(iv) Upon completion of each project, You must give to your customer a gift reasonably acceptable to Us and valued at between \$200 and \$350 as a thank you for its business, that We designate or approve.

(n) If You abandon (as evidenced by your Alair Homes Franchise being closed for business for more than seven consecutive days or some other affirmative act, such as the authorization or auction or sale of equipment) or otherwise fail to operate your Alair Homes Franchise properly, We may elect to operate (or select a designee to operate) your Alair Homes Franchise for a reasonable period on your behalf, and pay Us the management fee provided for in Section 8(o) of this Agreement.

(o) You must obtain, at your expense, the computer and communications systems, equipment, software and programming that We designate (as modified by Us from time to time, the "Computer System"). You must obtain and maintain continuous access to the Internet and to the Company Website in a manner that will enable You to download and upload required information (without regard to size) and to otherwise interact with Us, Your Master Franchisee and other persons, in such manner as We may specify. You must comply with the policies relating to the Computer System that We specify from time to time, including our e-mail, social media and other IT policies, payment card industry policies, hardware policies and other policies. The Computer System must be capable of supporting the Proprietary Software and be accessible by Us remotely. You acknowledge that We and our Affiliates and our respective Representatives will have unrestricted independent access to all information generated and stored in the Computer System at any time and reserve the right to access the Computer System without prior notice to You. We and/or our Affiliates and our respective Representatives will remotely access the Computer System in connection with providing the Accounting Systems and Services. All information and data generated by the Computer System is our property. You must, at your expense, upgrade, update and/or replace that computer system, equipment, software and programming software and programming when We believe that it is necessary, appropriate or desirable. You are solely responsible for protecting yourself from viruses, computer hackers and other computer-related problems, and You may not sue us for any harm caused by such computer-related problems. You are responsible for backing up and otherwise protecting your information and data on the Computer System. You are also responsible for recording and restoring all software license keys.

(p) You must attend, at your expense, all periodic meetings and conference calls of franchisees that We determine are mandatory for all franchisees, or groups of franchisees (as designated by Us), such as franchisees within a particular geographic region. We may impose a fee for attending those meetings.

(q) You must maintain such books and records as are required by law and such books and records as We may from time to time require, in our discretion, in the English language and in an orderly fashion, utilizing the software programs and chart of accounts designated by Us, and in accordance with generally accepted accounting principles (GAAP) and standard accounting requirements and procedures. You must maintain your books and records on the Premises. All books

and records maintained by You relating to your Alair Homes Franchise must be retained by You during the Term and for the seven-year period following the Transfer, expiration or termination of this Agreement. We may disclose to any person (including any lender or lessor of yours) or use for any purpose, any financial or other information regarding You and/or your Alair Homes Franchise, without obtaining your consent.

(r) You must submit to us, by 8:00 a.m. (Phoenix, Arizona time) on each Payment Day (as defined below), an operating statement, in the form specified by Us, that includes Gross Revenue figures for subject Payment Period (as defined below) (the “Operating Statement”). You must submit to Us in the English language such operating, financial, tax and other statements, information, returns and reports as We may, in our discretion, require from time to time, in the form and manner that We may require, in our discretion (collectively, the “Statements”). We may inspect and/or cause our Representatives to inspect, at any time, the Statements and other books and records. Upon request, You must provide Us and/or our Representatives access to, or copies of, such books and records upon our request, as We may request, at your expense. We may access the Operating Statement and/or the Statements through the Accounting Systems and Services.

(s) We may audit, or cause our Representatives to audit, your books and records. You must provide Us and our Representatives access to your books and records, and cooperate with the conduct of any audit. We will pay all costs and expenses in connection with any audit unless (i) the audit was performed in connection with confirming your compliance with this Agreement, (ii) the audit is due to your failure to allow Us access to your books and/or records, (iii) the audit is due to your failure to submit Operating Statements or other Statements, (iv) You fail to cooperate with our audit or (v) the audit reveals a deficiency of 2% or more in the amounts owed to Us for any period. In that event, You must promptly pay, or reimburse Us for (at our election), all of our costs and expenses in connection with the audit, and must pay Us the amount of any underpayment, plus interest and late fees.

(t) You must use our standard forms of contract for all projects and work and must have a written and signed contract, in our standard form, with each customer; any modifications to such standard forms are subject to our prior written approval. You must submit to Us, within two days of your customer’s signing and submitting to You each contract, an accurate and complete copy of that contract. You must include all projects and work in the Proprietary Software and in all reports and statements in connection with your Alair Homes Franchise.

(u) You and your Representatives may not, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), provide home building services, home renovation services and/or commercial contracting services other than through your Alair Home Franchise.

## **7. The Brand Fund: Advertising Coops: Advertising.**

- (a)
- (i) Upon signing the Franchise Agreement, You must pay Us \$10,000 (the “Initial BrandFund Payment”), in cash or by check. The Initial Brand Fund Payment will be used to develop the Regional Webpage, if the Regional Webpage needs development, and to market the Alair Homes Franchises in your region, as designated by Us (your “Region”) through various media (such as online SEO,

marketing and collateral material for marketing campaigns), if additional marketing is, in our opinion, necessary. Any amount not used for those purposes will be deposited into the Brand Fund (as defined below). Notwithstanding the foregoing, the Initial Brand Fund Payment may be used for additional promotional and advertising materials in Our sole discretion.

- (ii) You must pay Us, on each Payment Day, an amount that We designate from time to time (the “Brand Fund Payment”), but which will not exceed 1.5% of your Gross Revenue. Brand Fund Payments and Out-of-Operating Area Payments collected from You and other Alair Homes franchisees will be deposited into our Brand Fund (the “Brand Fund”) and used by Us for expenditures that, in our discretion, promote, enhance or further the Alair Homes brand or the Alair Homes franchise system, including standardized/template marketing material for Alair Homes businesses, advertising, promotional, marketing and public relations expenses, hiring marketing, public relations and advertising agencies and personnel to assist in developing the Alair Homes brandname, the Company Website, the Alair Homes intranet, designing and preparing scripts and advertisement templates, photography and other artwork, expenses associated with listings in telephone books, travel expenses in connection with promotions and market meetings, training, development of Marks and materials bearing the Marks, production of circulars and media, advertisements, coupons and promotional materials, sponsorships and conducting market research, taste studies, focus groups and advertising tracking studies. The materials could be generated by our in-house advertising department or a local, regional or national advertising agency. Print, radio, television, Internet and other advertising media may be used, depending upon the total volume of Brand Fund Payments generated by franchisees. Advertising media coverage may be local, regional or national. Advertising may be generated in-house by Us and/or by local, regional and national public relations and advertising firms. Those expenditures may be paid to third parties for goods and/or services provided by them and/or paid to Us as reimbursement for goods and/or services provided by Us.
- (iii) We are not required to spend any particular percentage of the Brand Fund (or the Initial Brand Fund Payment) in the area in which You or any other franchisee is located. We will have no fiduciary duty to You with respect to the expenditure of the Brand Fund. We are not required to prepare audited or other financial statements for the Brand Fund. We are not required to prepare audited or other financial statements for the Brand Fund. Quarterly reconciliation reports will be made available to Master Franchisees, who will make them available to you upon your request.
- (iv) Any amounts in the Brand Fund not spent during the fiscal year during which they were collected will be used during the following fiscal years; any amounts expended in excess of the amount in the Brand Fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years’ or the prior years’ Brand Fund. Any amounts in the Brand Fund not spent during the fiscal year during which they were collected

may be used by us for other purposes on a short-term basis provided that that use does not impair the availability of those amounts for advertising purposes.

- (v) If and when We establish an advertising cooperative in your marketing area, You must participate in that advertising cooperative. We will determine the geographic scope and membership of each advertising cooperative. We may change, dissolve or merge any of the advertising cooperatives. We and/or our Affiliates (if We or our Affiliates operate an Alair Homes unit in your marketing area) and the Alair Homes franchisees in your marketing area will administer the advertising cooperative, which may assess a fee in an amount up to 3% of Gross Revenue for administration or advertising, in addition to the Brand Fund Payment paid to Us. We or our Affiliates will be entitled to one vote per Alair Homes unit that We then operate in your marketing area. If We do not operate any Alair Homes units within your marketing area, We may elect to participate in your advertising cooperative as a non-voting member. Advertising cooperatives will not be required to operate from written governing documents. However, if your advertising cooperative operates from written governing documents, You will be able to review those documents once You become an Alair Homes franchisee. We will not require advertising cooperatives to prepare periodic financial statements, but the advertising cooperative may elect to do so.
  - (vi) We may maintain one or more social media sites (e.g., Twitter, Facebook, Instagram or such other social media sites). You may not establish or maintain any social media sites utilizing any usernames, or otherwise containing or associated with the Marks, without our prior written consent. We may designate from time to time regional or territory-specific usernames/handles to be maintained by You. You must adhere to the social media policies established from time to time by Us and ensure all of your employees are aware of, and comply with, such policies.
  - (vii) Any commentary on the Internet by You regarding your Alair Homes Franchise, the Marks and/or the System, including the use of social media by You for the purpose of promoting your Alair Homes Franchise, shall be done strictly in accordance with the policies contained in the Operations Manual. Subject to the restrictions in Section 7(f), You shall provide Us with full access at all times to any social media account that is used for promoting your Alair Homes Franchise including the provision of passwords, and upon termination of this Agreement for any reason, You shall transfer such accounts to Us.
- (b) Co-Branding
- (i) You acknowledge that during the initial phase of franchise integration, it is essential to leverage the recognition and reputation of your existing company name along with our brand, Alair Homes. This co-branding period shall have an initial duration of eighteen (18) months, commencing from the Effective Date of this Agreement, herein referred to as the "Initial Period."
  - (ii) During the Co-Branding Period (as such term is defined below), You shall adhere to the following guidelines:
    - Your existing company name and Alair Homes branding shall be

prominently displayed on all marketing materials, including but not limited to, signage, business cards, websites, and promotional materials.

- Marketing materials shall emphasize the partnership between You and Alair Homes, highlighting the benefits of this collaboration while maintaining the distinct identity of the your business.
  - You shall actively participate in mutually agreed upon joint marketing initiatives and promotional activities.
  - No later than 180 days from the expiration of the Co-branding Period, You and Franchisor shall collaborate to develop a community communication plan that effectively conveys the transition from co-branding to exclusive Alair Homes branding.
- (iii) You shall evaluate the effectiveness of the Co-Branding Period at the conclusion of the Initial Period and You, in your sole discretion, may be extend the Initial Period for an additional eighteen (18) months (the “Renewal Period”) (the Initial Period and Renewal Period shall collectively be the “Co-Branding Period”).
- (iv) Any time during the Co-Branding Period, You may, with the support of Us, transition to exclusive Alair Homes branding. This transition shall be executed in a manner that ensures a smooth shift for clients, suppliers, and the community.
- (v) You hereby grant to Us a limited, non-exclusive, royalty-free, irrevocable, assignable, and transferable right and license to use the logos, trademarks, trade names, service marks and related proprietary documentation (the “Trademarks”) developed by or for or used by You in connection with your existing company.

## 8. Fees.

(a) (i) Except as stated in Section 8(a)(ii), simultaneously with signing this Agreement, You will pay Us a franchise fee in the amount of \$81,550 in cash or by check; provided, however, that if You have been honorably discharged from the U.S. armed forces, the initial franchise fee will be \$79,050 and if We agree that You may develop more than one Alair Homes Franchise, and this is not your first Alair Homes Franchise, the initial franchise fee will be \$20,000. In consideration of (x) administrative, legal and other expenses incurred by Us in granting this Franchise and (y) our lost or deferred opportunity to enter into this Agreement with others, the franchise fee is nonrefundable and is fully earned by Us when you sign this Agreement.

(ii) If You request, We will finance up to 50% of your initial franchise fee of \$81,550 or \$40,775. The principal amount outstanding will bear interest at the rate of 10% per annum (compounded annually). Installments of principal and accrued interest will be payable in 24 equal monthly installments beginning up to six months after the Effective Date. Your obligation to pay the deferred portion of your initial franchise fee, together with interest, will be evidenced by a promissory note in substantially the form required by Us (the “Promissory Note”). California Usury Law prohibits Us from charging a financing fee above a certain percentage. Your obligations under the Promissory Note will be secured by all of your assets, including, without limitation, your accounts receivable, pursuant to a security agreement (the “Security Agreement”), in the form

required by Us. Your obligations under all of those documents will be guaranteed by your Principals (as defined below) pursuant to the Agreement to be Bound and to Guarantee. You may prepay any amount outstanding at any time without penalty. If You fail to pay any installment in full when due



or otherwise breach your obligations under the Promissory Note, any other promissory note issued by You or your affiliates to Us or our affiliates, the Security Agreement, this Agreement or any other agreement between You and your affiliates and Us and our affiliates, the interest rate will be increased to 18% per annum (compounded annually) and We can accelerate your obligations under the Promissory Note, exercise our rights under the Security Agreement and/or terminate our rights under this Agreement and other agreements between You and your affiliates and Us and our affiliates.

(b) You will pay Us, on the 15<sup>th</sup> day and the first day of each month (the "Payment Days"), a royalty (the "Royalty") in an amount equal to the Applicable Percentage (as defined below) of your Gross Revenue (as defined below) realized during the first through 14<sup>th</sup> days of the month and the 15<sup>th</sup> through last day of the prior month, respectively (the "Payment Periods"). For purposes of this Agreement, the term "Applicable Percentage" means 4% of Gross Revenue up to and including \$5 million per calendar year, 3% of Gross Revenue above \$5 million up to and including \$7 million per calendar year, 2.5% of Gross Revenue above \$7 million up to and including \$10 million and 2% of Gross Revenue over \$10 million per calendar year and the term "Gross Revenue" means the aggregate amount of (i) all revenue from sales of products and/or services of every kind and nature sold from, at or in connection with your Alair Homes Franchise or arising out of the operation or conduct of business by You and/or your Alair Homes Franchise, whether or not at or from the Premises, whether for cash, check, credit or otherwise, excluding federal, state and local sales and service taxes collected from customers and paid to the appropriate taxing authority, plus (ii) all insurance proceeds received or realized by You for loss or interruption of business, plus (iii) the fair market value of any products and/or services received or realized by You in barter or exchange for products and/or services. If We determine that You and your Majority-owned Affiliates own more than one Alair Homes Franchise for purposes of calculation of the Royalty, the Royalty under this Agreement and the franchise agreements with respect to the Majority-owned Affiliated Alair Home Franchises will be calculated based upon the collective Gross Revenue of your Alair Homes Franchise and the Majority-owned Affiliated Alair Homes Franchises.

(c) You will pay Us, on the Payment Days, a fee (the "Accounting Systems and Services Fee") in an amount equal to the fees generated by our (or our Affiliate's) accounting staff with respect to the accounting systems and services invoiced to You during the preceding Payment Period. Those fees will be based upon our cost (from time-to-time), on an hourly basis, for the accounting staff's time, plus 5%.

(d) If more than two people will attend the Initial Franchisee Training Program, You will pay Us, prior to attending the Initial Franchisee Training Program, \$5,900 per additional person attending the Initial Franchisee Training Program. For each person attending the Project Management Academy Training Program, you will pay Us, upon prior to attending the Project Management Academy Training Program, \$1,500 per person. You will bear the travel, meals, lodging and related expenses in connection with attending the Initial Franchisee Training Program and the Project Management Academy Training Program.

(e) You will pay Us, prior to attendance or participation, any meeting fees and training fees We may impose in connection with attending or participating in periodic local and regional meetings and training other than the Initial Franchisee Training Program. You will bear the travel, meals, lodging and related expenses in connection with attending or participating in the meetings and training.

(f) You will pay us, upon invoice, any Proprietary Software maintenance fees we may impose in connection with maintaining, repairing, upgrading, accessing and/or updating the Proprietary Software.

(g) You will pay us, on the Payment Days, your portion of any website update fee generated by our web staff with respect to updating or modifying the Marketing Area Webpage invoiced to you during the preceding Payment Period. Those fees will be based upon our cost (from time-to-time), on an hourly basis, for the web staff's time, plus 5%.

(h) You will pay us, on the first day of each month, any customer survey, e-mail, cloud data storage and payroll software and service fees that we may impose.

(i) If we or Your Master Franchisee provide more than our average amount of on-site assistance at your request, you will pay us, upon invoice, our then-current on-site assistance fee, and pay or reimburse us for our travel, meals, lodging and related expenses.

(j) If you use unapproved advertising or marketing materials, you will pay us, on demand, an unauthorized advertising fee in the amount of \$1,000 per occurrence.

(k) If you use unauthorized products or services, you will pay us, on demand, an unauthorized product usage fee in the amount of \$500 per day, from the day that you begin such unauthorized use until the day that you permanently discontinue such unauthorized use.

(l) (i) If We do something that You are required to do, but do not do (for example, if We de-identify the Premises upon relocation, expiration or termination after You failed to do so or if We pay insurance premiums that You failed to pay), You will pay Us, upon invoice, an amount equal to 105% of our costs and expenses in connection with that action plus the then-current fees in connection with that action, plus interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the date paid by Us until repaid in full by You.

(ii) If our legal team spends time reviewing your documents, transactions or matters (for example, if You request a change to our standard construction agreements), You will pay Us, upon invoice, the then-current fees and expenses of our in-house legal assistance and/or the fees and expenses of our outside legal counsel.

(m) If We pay any state taxing authority any sales taxes, use taxes, personal property taxes or similar taxes with respect to your Gross Revenue or any taxes with respect to the franchise fee, Royalties or other payments collected by Us with respect to the conduct of your Alair Homes Franchise (except for taxes that We pay to your state that are offset by a reduction in payments to another state), You will pay Us, upon invoice, an amount equal to the amount that We paid to such state taxing authority, plus interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the date paid by Us until repaid in full by You.

(n) If We assume management of your Alair Homes Franchise, You will pay to Us, upon invoice, 10% of the Gross Revenue generated by your Alair Homes Franchise during the period during which We managed your Alair Homes Franchise plus our costs and expenses in connection with that management activity.

(o) You will pay Us, upon invoice, a fee in the amount of \$250,000 if You or your Representatives breach Sections 6(e)(ii), 6(t) or 6(u) of this Agreement, regardless of whether We exercise our right to terminate this Agreement.

(p) (i) If a payment to Us or our Affiliates is late, if You submit any required reports late or if You do not perform any other obligation on a timely basis, You will pay Us, on demand, a late fee in the amount of \$100 per occurrence.

(ii) If You have failed to pay, when due, any amounts payable to Us or our Affiliates pursuant to this Agreement, that delinquent amount will bear interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the due date until the delinquent amount has been paid in full.

(iii) You acknowledge and agree that this Section 8(q) does not reflect our agreement to accept any payments after the due date or to extend credit to, or otherwise finance the operation of, your Alair Homes Franchise, and that our acceptance of delinquent payments does not constitute a waiver of our right to terminate this Agreement, or any other right pursuant to this Agreement.

(iv) Despite any designation You make, We may apply any of your payments to Us or our Affiliates to any amount payable to Us or our Affiliates pursuant to this Agreement or any other agreement or in connection with the operation of your Alair Homes Franchise. In addition, We may set-off any amounts that You owe Us or our Affiliates against any amounts that We or our Affiliates might owe You.

(q) All of the above fees and all other payments contained or referenced in this Agreement other than the Royalty rate may be modified by Us from time to time without your approval. Those fees or other payments will be no greater than the fees and payments then being charged to new Alair Homes franchisees.

(r) Simultaneously with the execution and delivery of this Agreement, You must sign and deliver to us an electronic funds transfer (EFT) authorization form, in the form attached hereto as Exhibit B, authorizing Us to automatically electronically debit the Account for all fees (other than the franchise fee) and other amounts payable to Us or our Affiliates (including amounts that We or our Affiliates collect for third parties) pursuant to this Agreement and otherwise in connection with the operation of your Alair Homes Franchise, as well as any other documents that We or your bank may require from time to time in connection therewith. We will debit the Account for all amounts (or estimated amounts equal to 120% of the last payment We debited, if You fail to timely deliver to Us an Operating Statement with respect to the subject Payment Period) payable to Us or our Affiliates (including amounts that we or our Affiliates collect for third parties) pursuant to this Agreement and/or in connection with the operation of your Alair Homes Franchise. If that debit exceeds the

amount actually due, we will credit You for the overpayment; if that debit is less than the amount actually due, We will debit You the additional amount, plus interest and late fees. We reserve the right to require You to pay any amounts payable to Us or our Affiliates by such other means as We may specify from time to time. At least 10 days prior to opening your Alair Homes Franchise Business, You must provide Us with: (i) your bank's name, address and account number; and (ii) a voided check from the Account. You must immediately notify Us of any change in your banking relationship, including changes in Account numbers.

(s) Your obligations under this Agreement and the other documents executed in connection herewith (as well as other franchise agreements that You and your Affiliates enter into with Us or our Affiliates), including your obligations under this Section 8, will be secured by all of your assets, including, without limitation, your furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, pursuant to a Security Agreement, in the form requested by Us (the "Security Agreement").

## **9. Intellectual Property.**

(a) Your right to use the Marks, the Systems, the Copyrights, the Innovations and the Confidential Information (as such terms are defined below) (collectively, the "Intellectual Property") is derived solely from this Agreement and is limited to the operation of your Alair Homes Franchise in accordance with this Agreement and the System Standards. You acknowledge and agree that We maintain and reserve all rights to the Intellectual Property except as expressly stated in this Agreement. You will not have the exclusive right to use the Intellectual Property. You may not offer or grant any sublicense or other rights to use the Intellectual Property to any person. You must use the Intellectual Property only in the manner prescribed by Us. In connection with your advertising, promotional and/or marketing activities, You may use your own advertising, promotional and/or marketing materials provided that those materials have been prepared, and will be published or distributed, in accordance with this Agreement and the System Standards and have been approved by Us prior to publication or distribution. Your advertising, promotional and/or marketing activities must be conducted within the Marketing Area. You must include the Marks in advertising, promotional and/or marketing materials with respect to your Alair Homes Master Franchise, but those materials must be prepared, published and distributed, in accordance with the System Standards and must be approved by Us prior to publication or distribution. Your unauthorized use of the Intellectual Property is a breach of this Agreement and infringes upon our rights in the Intellectual Property. You acknowledge and agree that your use of the Intellectual Property and any goodwill established by that use will automatically vest in Us and inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Intellectual Property upon You (other than the right to operate your Alair Homes Franchise in accordance with this Agreement and the System Standards). Upon the expiration or termination of this Agreement, You may not, directly or indirectly, use the Intellectual Property in any manner or for any purpose whatsoever. You agree that You will not in any way infringe upon, harm or contest our rights or our Affiliates' rights to use of the Intellectual Property.

(b) (i) You must use the Marks as the sole identification of your Alair Homes Franchise (subject to the notices of independent ownership We designate). You may not use any Mark, or any part thereof, (a) as part of any corporate or legal business name, (b) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos We have licensed to You), (c) in

selling any unauthorized services or products; or (d) in any other manner We have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale or other disposition of your Alair Homes Franchise, its assets or any ownership interest in You (if You are a corporation, partnership, limited liability company or other business entity) without our approval. You must prominently and conspicuously display the Marks at the Premises in the manner We prescribe and on forms, advertising, supplies and other materials We designate. Use of any Marks must be accompanied by the registration, service mark, trademark or other symbol, as designated by Us, in close proximity to the Marks. You must give the notices of trademark and service mark registrations that We specify and obtain any fictitious or assumed name registrations required under applicable law.

(ii) For purposes of this Agreement, the term “Marks” means (a) all trade names, trademarks, service marks, logos, product identifiers, symbols, selections and/or designations, including all registrations and applications for the same, owned by Us or used in connection with Alair Homes Franchises and (b) the trade dress used in connection with Alair Homes Franchises and/or the System, including the characteristics of the visual appearance and/or design of products and packaging that signify Alair Homes and its franchisees as the source of the products and services to consumers, including the total appearance and image of the Premises, Alair Homes home designs (if any), Alair Homes products and packaging, all related features such as design, size, texture, shape, color or color combinations, and graphics of Alair Homes and Alair Homes Franchises and/or their products and services and their packaging, and all advertising and marketing techniques used to promote Alair Homes and Alair Homes Franchises, as well as specifically including all signage, product and service displays, all product and service configurations (collectively, “Trade Dress”). The term “Marks” includes any modified, additional and/or substitute Marks.

(c) (i) Any reproduction of any items or materials suitable for copyright protection by Us (the “Copyrights”), including the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by Us. All advertising, promotional and/or marketing materials generated by or for You or your Principals (as defined below), directors, officers, managers or employees will be deemed a work for hire, and all ownership rights, including any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by You to Us. In addition, You will require all of your Representatives to sign the Confidentiality and Restrictive Covenant Agreements obligating them to assign all of their right, title and interest in and to the Copyrights to Us and to sign such other and further documents as We may request to effectuate this provision.

(ii) For purposes of this Agreement, the term “Copyrighted Materials” means all versions, variations and adaptations of the following materials in tangible form, either produced by Us, produced on our behalf as works for hire or derived from works produced by or on behalf of Us: (a) the Operations Manual and the other documents and materials containing the System Standards; (b) training materials (including printed, audio, video or electronic materials); (c) plans and specifications for Alair Homes Franchises; (d) product identification posters, photographs and graphics; (e) advertising, promotional and/or marketing materials; (f) labels, forms and reports provided by Us; (g) any computer software developed or modified for use in the operation of Alair Homes Franchises; (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by Us as protected by copyright.

(d) We will be entitled to use the name, likeness and voice of You and your Representatives for purposes of promoting the Alair Homes franchise system, Us and our products and services, including all photos and audio and video recordings of You and your Representatives, and You hereby irrevocably consent thereto. You acknowledge that We will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as “moral rights,” “artist’s rights,” “publicity rights” or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto Us the full and exclusive right, title, and interest in and to such publicity rights. At our request, You will obtain from any or all of your Representatives written consent, in such form as We may request.

(e) During the Term, You and your Representatives may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to your Alair Homes Franchise and related goods and services (the "Innovations"). You hereby assign any and all of your right, title and interest in and to the Innovations, including any intellectual property rights, to Us, and agree to cooperate with Us and our counsel in the protection of the Innovations, including the perfecting of title thereto, and agree to sign such other and further documents as We may request to effectuate this provision.

(f) You agree to notify Us immediately of any apparent infringement of, or challenge to, the Intellectual Property, your use of any Intellectual Property or any person's claim of any rights in any Intellectual Property, and not to communicate with any person other than Us and our attorneys and your attorneys, regarding any such infringement, challenge or claim. We may take the action We deem appropriate (including no action) and exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other proceeding arising from any infringement, challenge or claim, or otherwise concerning any Intellectual Property. You must sign any documents and take any actions that We, in our discretion, deem necessary, appropriate and/or desirable, to protect and maintain our interests in the Intellectual Property. We are not required to protect your right to use the Intellectual Property or protect you against claims of infringement or unfair competition arising out of your use of the Marks. However, We will indemnify You for all damages for which You are held liable in any lawsuit arising out of your use of the Marks in compliance with this Agreement, provided that You notify Us immediately when You learn about any related claim, proceeding or lawsuit, We have had the opportunity to defend such lawsuit, You have cooperated with Us in connection with such defense and You have discontinued the use of the infringing Marks promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

(g) If We, in our discretion, at any time or from time to time, determine that it is advisable for Us and/or You to modify or discontinue using any Intellectual Property and/or use one or more additional or substitute items of Intellectual Property, You must comply with our directions in connection therewith. We need not reimburse You for your costs and expenses in connection with complying with these directions, for any loss of revenue due to any modified or discontinued Intellectual Property or for your expenses of promoting a modified, additional or substitute item of Intellectual Property.

(h) You may not solicit other franchisees, or use the lists of franchisees, for any

commercial or other purpose, other than purposes directly related to the operation of your Alair Homes Franchise, without our approval. You will cause your Representatives to comply with those restrictions.

## 10. **Confidential Information.**

(a) You acknowledge that (i) We are engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) You and some or all of your Representatives will be in a position of confidence and trust with Us in which You and some or all of your Representatives will have access to certain Confidential Information, (iii) the Confidential Information constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of our competitors and (iv) disclosure of the Confidential Information would irreparably damage Us and our Affiliates, our respective franchisees and our and their respective businesses and goodwill and that You would be liable for that damage. All Confidential Information is and will be and remain our property. You must take reasonable steps (including complying with all security measures adopted by Us) to prevent unauthorized disclosure of the Confidential Information.

(b) You agree, on your own behalf and on behalf of your Representatives, to maintain in strict secrecy and confidence all Confidential Information You or they receive, whether from Us, our Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including any purpose detrimental to Us or our Affiliates, our respective franchisees and our and their respective businesses and goodwill; provided, however, that You and your Representatives may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of your Alair Homes Franchise strictly in accordance with this Agreement;

(ii) Disclose the Confidential Information to your Representatives as strictly necessary in connection with the performance of your or Representative's duties in connection with the operation of your Alair Homes Franchise strictly in accordance with this Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that You (x) disclose only the minimum Confidential Information so required to be disclosed and (y) provide to Us reasonable notice (but in any case not less than three days) that You or your Representative intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that We can object thereto.

(c) You must at all times take all steps reasonably necessary and/or requested by Us to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that We have established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media)

must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) our written request and (ii) the date of Transfer, expiration or termination of this Agreement. We may communicate your obligations pursuant to this Agreement to any customer or other individual or entity with whom You or your Representatives have a relationship, to the extent deemed necessary by Us for the protection of our rights under this Agreement.

(e) For purposes of this Agreement, the term “Confidential Information” means any and all trade secrets and any and all proprietary or other information of or concerning Us and our Affiliates and our respective businesses, activities, assets and prospects, including the systems, home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to your Alair Homes Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media, electronic or other means), without regard to whether such information is provided directly by Us or our Affiliates or our respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that We and/or our Affiliates has received from a third party that We and/or our Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term “Derivative Materials” means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of You, your Affiliates or your respective Representatives that contain, reflect or are based upon, in whole or in part, any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of “Confidential Information:”

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by Us or on our behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of You, your Affiliates or your respective Representatives subsequent to the time of communication thereof by Us or on our behalf;

(iii) Information that You can demonstrate was in the possession of You, your Affiliate or your respective Representatives at the time of communication thereof by Us or on our behalf, or is received by You, your Affiliates or your respective Representatives free of any obligation of confidence to Us or our Affiliates; and

(iv) Information that You can demonstrate is, after the Effective Date but prior to the time of communication thereof by Us or on our behalf, independently developed by You, your Affiliate or your respective Representatives without the use of or recourse to Confidential Information or a breach or violation of this Agreement.



(f) Upon your breach of any of the terms of this Section 10, We may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which We may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 10, without the necessity of posting bond therefor or proof of actual damages.

(g) You will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If You file a lawsuit for retaliation by Us for your reporting a suspected violation of law, You may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if You file any document containing the trade secret under seal and do not disclose the trade secret except pursuant to a court order.

## **11. Restrictive Covenants.**

(a) You may not, during the term of this Agreement, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business (as defined below). For purposes of this Agreement, the term “Competitive Business” means a business that, directly or indirectly, offers or provides home building services, home renovation services and/or commercial contracting services.

(b) You may not, during the Restrictive Period (as defined below), directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that You may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) You have no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (iii) You are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term “Restrictive Period” means the two- year period after the Transfer, expiration or termination of this Agreement; provided, however, that if a court of competent jurisdiction determines that such period is unenforceable, the term “Restrictive Period” means the one-year period after the Transfer, expiration or termination of this Agreement. For purposes of this Agreement, the term “Restrictive Area” means the Operating Area plus a 25-mile radius around the

Operating Area; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term “Restrictive Area” means the Operating Area.

(c) You may not, during the Restrictive Period, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), solicit, provide any services to or attempt to influence in a manner adverse to Us, any customer or client to which You provided services during the term of this Agreement.

(d) You acknowledge that the provisions of this Section 11 (including the time restraints and geographic scope) are reasonable and necessary and agree that your failure to adhere strictly to the restrictions contained in this Section 11 will cause substantial and irreparable damage to Us, our Affiliates and our respective franchisees. Upon your breach of any of the terms of this Section 11, We may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which We may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 11, without the necessity of posting bond therefor or proof of actual damages. You acknowledge that You possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 11 will not deprive You of your personal goodwill or ability to earn a living.

(e) The parties understand and agree that We may reduce the scope of any provision of this Section 11 without obtaining your consent or approval and You agree that You will thereafter comply with that provision as so modified. If the scope of any restriction contained in this Section 11 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and both You and We agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 11 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

## **12. Transfers.**

(a) You may not offer or grant any subfranchise of the license, franchise or other rights granted pursuant to this Agreement without our express consent, which consent may be withheld by Us, in our discretion.

(b) (i) You acknowledge and agree that your rights and obligations pursuant to this Agreement are personal to You and that We have granted such rights to You in reliance upon the business skill, financial capacity and personal character of You and your Principals. Accordingly, You may not sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber, by operation of law or otherwise (“Transfer”), (a) the license, franchise or other rights granted pursuant to this Agreement, your Alair Homes Franchise or any of your rights and/or obligations pursuant to this Agreement and/or any direct or indirect interest in this Agreement, or

(b) any equipment, real property or other assets used in connection with your Alair Homes Franchise (other than in the ordinary course of business) (collectively, "Your Rights"), without our prior consent, which will not be unreasonably withheld. The Transfer or issuance of stock or any other equity interest in You (if a corporation, partnership, limited liability company, partnership, trust or other entity) and any merger, consolidation or other reorganization of You (if a corporation, partnership, limited liability company, partnership, trust or other entity) will be deemed to be a Transfer subject to the provisions of this Section 12. Any Transfer not authorized pursuant to this Section 12 is void and of no force or effect. You represent and warrant that, as of the Effective Date, the stock or other equity interests in You are directly and indirectly owned as stated in Exhibit A hereto.

(ii) It is agreed that our withholding of consent (a) because the prospective transferee (the "Transferee") would not satisfy our then-current qualifications for franchisees, (b) because the financial or other terms of the Transfer may, in our judgment, have an adverse impact upon the Transferee's potential ability to operate, or potential success in operating, your Alair Homes Franchise, (c) because the transaction does not require You to subordinate your right to receive any post-closing payments from the Transferee to the Transferee's obligations to Us or (d) at a time when You (or your Affiliates or your or their Representatives) or the Transferee (if he is an existing franchisee of ours) is in breach of, or default under, this Agreement or any other agreement with Us or our Affiliates is reasonable.

(iii) You expressly authorize Us to evaluate and investigate the potential Transferee and/or transaction and acknowledge that our contact with the potential Transferee will not constitute improper or unlawful conduct. We are not obligated, however, to evaluate and/or investigate the potential Transferee and/or transaction. You waive any claim with respect to or based upon tortious interference with contractual or business relationship in connection with or arising out of any action that We take in connection with the potential Transferee or the Transfer, including the withholding of approval of any potential Transferee and/or Transfer.

(c) (i) If You desire to Transfer Your Rights, You must provide Us with a request for Transfer, accompanied by financial and other information regarding the potential Transferee as We may require, all pertinent terms of the transaction (which transaction must be for cash and no other consideration and must not grant You a security interest in this Agreement (or the Transferee's franchise agreement)) (collectively, the "Required Materials") plus 50% of the Fixed Transfer Fee Amount (the "Transfer Deposit"), payable in cash or by check.

(ii) Within 30 days after our receipt of all of the Required Materials (the "Response Period"), We will notify You that (a) We desire to acquire Your Rights (or have our designee acquire Your Rights) on the same terms and conditions as contained in the Required Materials, (b) the Transfer is approved or (c) the Transfer is not approved.

(iii) If We notify You that We desire to acquire Your Rights (or have our designee acquire Your Rights), that transaction will be closed within 60 days after the end of the Response Period upon the same terms and conditions contained in the Required Materials. You must pay Us the balance of the Transfer Fee, in cash or by check, at the time of the closing.

(iv) If We notify You that the Transfer is approved, You may Transfer Your Rights to the Transferee upon the same terms and conditions contained in the Required Materials within 60 days after the end of the Response Period, provided that prior to Transferring Your Rights:

(a) If We so require, the Transferee signs the franchise agreement in the form then generally being offered to prospective Alair Homes franchisees; provided, however, that the territory in that franchise agreement will be the Territory, the term of the franchise agreement will be the term remaining under this Agreement, the Royalty rate will be the rate contained in this Agreement, the Transferee will not be obligated to pay the initial franchise fee and, if the Transfer Fee does not include the then-current Initial Franchisee Training Program fee, the Transferee will not be entitled to attend the Initial Franchisee Training Program.

(b) Each Principal and Representative of the Transferee signs an agreement in the forms then being signed by Principals and Representatives of new franchisees, except that the Transferee will not receive any training at our expenses, but must pay our then-current training fees;

(c) The Transferee or its Managing Principal and the Person who will supervise or have primary responsibility for business operations or business development must attend and successfully complete, to our satisfaction, the Initial Franchisee Training Program, if they have not previously attended Initial Franchisee Training Program and the Transferee's project managers must attend and successfully complete, to our satisfaction, the Alair University<sup>SM</sup> Project Management Academy Training Program, if they have not previously attended the Alair University<sup>SM</sup> Project Management Academy Training Program; the fees charged in connection with attending such programs will be the then-current fees charged by Us for such programs;

(d) You and your Principals sign an acknowledgement that certain provisions of this Agreement (including the confidentiality, non-hiring and non-competition provisions) will continue to be binding upon You and your Principals, in the form that We may require;

(e) You and your Affiliates, and your respective Principals, sign a general release of Us and our Affiliates, in the form that We may require;

(f) You pay Us the balance of the Transfer Fee, in cash or by check;

(g) You return to Us any tangible copies, in form or media, of the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property);

(h) The Transfer documents clearly effectuate the Transfer, contain an acknowledgement by the Transferee that We make no representation or warranty with respect to the rights and/or assets being Transferred and/or the viability or value of your Alair Homes Franchise; and

(i) All amounts outstanding by You or your Affiliates to Us or our

Affiliates as of the date of the closing are paid at the closing and all breaches of or defaults under this Agreement or any other agreement with Us or our Affiliates are cured as of the closing.

(v) If the Transfer is not approved, the Transfer Deposit, less our out-of-pocket expenses in connection with the proposed Transfer, will be refunded to You.

(vi) For purposes of this Agreement, the term “Transfer Fee” means an amount equal to the sum of the Fixed Transfer Fee Amount (as stated in the following table), the Administrative Transfer Fee Amount (as defined below) and the Legal Transfer Fee Amount (as defined below).

<b>Transfer Type</b>	<b>Fixed Transfer Fee Amount</b>
Full or Partial Transfer to Person who is an existing stockholder or other existing equity owner of Franchisee	\$0
Full or partial Transfer to Person who is a current employee of Alair Homes or is a current Alair Homes Franchisee	8% of then-current initial franchise fee
Partial Transfer to Person who is not an existing stockholder or other existing equity owner of Franchisee, and who is not a current employee of Alair Homes or current Alair Homes Franchisee	8% of then-current initial franchise fee

<b>Transfer Type</b>	<b>Fixed Transfer Fee Amount</b>
Full Transfer to Person who is not an existing stockholder or other existing equity owner of Franchisee, and who is not a current employee of Alair Homes or current Alair Homes Franchisee Project Management	15% of then-current initial franchise fee

For purposes of this Agreement, the term “Administrative Transfer Fee Amount” means the product of the then-current hourly fee charged by Us for administrative services in connection with a Transfer multiplied by the number of administrative hours expended in connection with the Transfer. For purposes of this Agreement, the term “Legal Transfer Fee Amount” means the product of the then-current hourly fee charged by Us for legal services in connection with a Transfer multiplied by the number of legal hours expended in connection with the Transfer.

(d) Notwithstanding the foregoing, any Closely-held Transfer (as defined below) will be subject to the other provisions of this Section 12; provided, however, that (i) the Transfer Fee will be an amount equal to the sum of the Administrative Transfer Fee Amount and the Legal Transfer Fee Amount and (ii) We will not have the right of first refusal contemplated by Section 12(c). In addition, in connection with a Closely-held Transfer, no one will be entitled to attend any portion of the Initial Franchisee Training Program at our expense. For purposes of this Agreement, the term “Closely-held Transfer” means a Transfer to an individual or entity that controls, is controlled by or is under common control with You (Franchisee).

(e) Notwithstanding the foregoing, any attempt to directly or indirectly Transfer your Alair Homes Franchise or Your Rights upon your death, your Disability (as defined below) or the

dissolution of your marriage (if your rights and/or obligations pursuant to this Agreement and/or any direct or indirect interest in this Agreement, or an interest therein, will be Transferred to your spouse or a Principal's spouse upon dissolution of marriage) (or, if You are a corporation, limited liability, partnership, trust or other entity, a Principal's death, a Principal's Disability or the dissolution of a Principals marriage) will be subject to the restrictions on Transfer contained in this Section 12; provided, however, that the Transfer Fee will be an amount equal to our expenses (including reasonable attorneys' fees) in connection with that Transfer plus the then-current Initial Franchisee Training Program fee for each individual who will attend the Initial Franchisee Training Program (unless the Transferee or its Managing Principal have already attended the Initial Franchisee Training Program) plus the then-current Project Manager and Franchisee Training Program fee for each individual who will attend the Project Manager and Franchisee Training Program (unless the Transferee and the Transferee's project managers have already attended the Project Manager and Franchisee Training Program) and We will not have the right of first refusal contemplated by Section 12(c). However, if a Transfer in accordance with this Section 12(e) is not effectuated within 90 days after death, Disability or dissolution of marriage in accordance with the provisions of this Section 12, We may terminate this Agreement. For purposes of this Agreement, the term "Disability" means the inability, due to a mental or physical impairment, to operate your Alair Homes Franchise, if such inability has continued or is expected to continue for a period of more than 90 days during any 12-month period. The determination of "Disability" will be made by Us in good faith.

### **13. Term.**

(a) The term of this Agreement (the "Term") will commence on the Effective Date (as defined on the signature page of this Agreement) and will expire 10 years from the Effective Date, unless sooner terminated or extended pursuant hereto.

(b) (i) You will not have the right to renew this Agreement. However, subject to the other provisions of this Section 13(b), and provided that We are then offering Alair Homes Franchises in the state(s) in which your Alair Homes Franchise conducts business, at the expiration of the Term, You will have the right (the "Successor Franchise Right") to enter into a new franchise agreement in the form then generally being offered to prospective Alair Homes franchisees (together with the documents to be executed in connection therewith, the "First Successor Franchise Agreement") for a 10-year period (the "First Successor Term"), which Successor Franchise Agreement will grant You the right to enter into one additional franchise agreement at the end of the First Successor Term, in the form then generally being offered to prospective Alair Homes franchisees (together with the documents to be executed in connection therewith, the "Second Successor Franchise Agreement") for a 10-year period (the "Second Successor Term"). You acknowledge that the terms of the First Successor Franchise Agreement and the Second Successor Franchise Agreement will be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement, except that You will not be obligated to pay the initial franchise fee and You will not be entitled to attend the Initial Franchisee Training Program.

(ii) Subject to the other provisions of this Section 13(b), You may exercise the Successor Franchise Right by notifying Us in writing (the "Notice of Election"), no later than the Notice Deadline (as defined below), that You intend to exercise the Successor Franchise Right and then, no later than the Execution Deadline (as defined below) executing and returning to Us the First

Successor Franchise Agreement or the Second Successor Franchise Agreement, as applicable. For purposes of this Agreement, the term “Notice Deadline” means the date 180 days before the expiration of the Term or the First Successor Term, as applicable and the term “Execution Deadline” means the date 30 days after You receive our then-current Franchise Disclosure Document, if applicable, and execution copies of the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as applicable; provided, however, that if the Execution Deadline is prior to the expiration of any waiting period required by applicable law, such 30-day period will be extended by the minimum number of days necessary to comply with applicable law.

(iii) Your Successor Franchise Right is conditioned upon your fulfillment of each and all of the following conditions precedent:

(a) At the time You deliver the Notice of Election to Us and at all times thereafter until the commencement of the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as applicable, You and your Representatives must have fully performed, in all material respects, all obligations under this Agreement and the documents executed in connection with this Agreement, the Operations Manual and all other agreements then in effect between You (or your Affiliates) or your Representatives (or your Affiliates’ Representatives) and Us (or our Affiliates).

(b) You and your Representatives must not have a history of Repeated Breaches (as defined below) during the Term or the First Successor Term, as applicable. For purposes of this Agreement, the term “Repeated Breaches” means that You or your Representatives have been in breach of any obligation under this Agreement, the Operations Manual and all other agreements then in effect between You (or your Affiliates) or your Representatives (or your Affiliates’ Representatives) and Us (or our Affiliates) three or more times during any rolling 24-month period.

(c) The Manager and your project managers must attend such training programs and refresher courses as We may request.

(d) Simultaneously with the execution of the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as applicable, You must, pay a fee in an amount equal to the then current actual legal and administration expenses in connection with the First Successor Franchise Agreement or the Second Successor Franchise Agreement, respectively.

(e) Simultaneously with the execution of the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as applicable, You must, and must cause each of your Affiliates and your respective Principals to, execute and deliver to Us a general release, on a form prescribed by Us of any and all known and unknown claims against Us, our Affiliates, our Representatives and our Affiliates’ Representatives. The release may cover future consequences of acts, omissions events, and circumstances predating the date of the release, but will not release, in advance, future acts, omissions or events that have no occurred at the time the release is executed.

(iv) If We are offering new franchises, are in the process of revising, amending or renewing our form of franchise agreement and/or Franchise Disclosure Document, or are not lawfully able to offer You our then-current form of franchise agreement, at the time You deliver the Notice of Election, We may, in our discretion, (i) offer to renew this Agreement upon the same terms

contained herein or (ii) offered to extend the then-current on a week-to-week basis following the expiration of the then-current hereof for as long as deem necessary or appropriate so that We may lawfully deliver our then-current form of franchise agreement and/or Franchise Disclosure Document.

(v) If applicable law requires that We give notice to You prior to the expiration of the then-current term, this Agreement will remain in effect on a week-to-week basis until We have given the notice required by such applicable law.

#### **14. Principals, Managing Principals and Representatives.**

(a) If You (Franchisee) are an entity, You hereby designate the individual identified in Exhibit A, who owns at least a 25% equity interest in You (Franchisee) as the managing Principal (the “Managing Principal”). The Managing Principal will be the individual with whom We may deal for purposes of administering and coordinating this Agreement and our relationship with You (Franchisee) and (ii) treat as the sole owner of an equity interest in You (Franchisee) in the event of a dispute among your Principals. You (Franchisee) hereby irrevocably authorize the Managing Principal to act on behalf of, and to bind, You. The Managing Principal may be changed from time to time upon our mutual agreement. For purposes of this Agreement, the term “Principal” means each individual (and his/her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a 5% or greater equity interest in an entity.

(b) Simultaneously with signing this Agreement, You must deliver to Us a signed Agreement to be Bound and to Guarantee, in the form requested by Us, pursuant to which each of the Principals agrees to perform, and guarantees, your obligations to Us and our Affiliates, including agreeing to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11) and by the Promissory Note and the Security Agreement. At any time after the signing of this Agreement a person becomes a Principal, You must promptly (on the date that a person becomes a Principal) deliver to Us a signed Agreement to be Bound and to Guarantee, in the form requested by Us, pursuant to which each such new Principal agrees to perform, and guarantees, your obligations to Us and our Affiliates, including agreeing to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11) and by the Promissory Note and the Security Agreement.

(c) Simultaneously with signing this Agreement, You must deliver to Us a signed Confidentiality and Restrictive Covenant Agreement, in the form requested by Us, pursuant to which each of the Representatives other than the Principals agrees to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11). At any time after the signing of this Agreement a person becomes a Representative other than a Principal, You must promptly (within five days after such person becomes a Representative) deliver to Us a signed Confidentiality and Restrictive Covenant Agreement, in the form requested by Us, pursuant to which each of such new Representatives agrees to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11). For purposes of this Agreement, the term “Representative” means your Principals, directors, officers, managers, employees and independent contractors.

(d) Your failure to comply with the provisions of this Section 14 will entitle Us to terminate this Agreement. A breach of any provision of an Agreement to be Bound and to Guarantee by any



Principal and a breach of any provision of a Confidentiality and Restrictive Covenant Agreement by a Representative will entitle Us to terminate this Agreement.

(e) If You (Franchisee) are an entity, on or prior to the Effective Date, You must provide to Us true, correct and complete copies of your governing documents (for example, if You are a corporation, You must provide to Us your Articles or Certificate of Incorporation, your Bylaws and any Shareholders' Agreements), the governing documents of any equity owners that are entities and any other documents that reflect equity ownership and/or the right to control You. By delivering those documents to Us, You represent and warrant that they are true, correct and complete.

## **15. Indemnification.**

You must protect, defend and indemnify Us, our Affiliates and our respective Representatives and their respective successors and assigns (collectively, the "Indemnified People") and must hold the Indemnified People harmless (with counsel acceptable to Us) for, from and against any and all damages, claims, demands, liabilities, losses, costs and expenses (including reasonable attorneys' fees), of every kind and nature, suffered or incurred by any of the Indemnified People in connection with any lawsuit, action, proceeding or claim arising out of (a) your or your Representatives' actions or omissions, (b) the operation of your Alair Homes Franchise, including all safety and employee matters, and/or (c) your failure or your Representatives' failure to perform and comply with your obligations under this Agreement or any of the agreements or documents executed in connection herewith, including the failure to obtain or comply with the agreements contemplated by Section 14. At our election, We may (but are not obligated to) undertake or assume, at your expense, the defense of any lawsuit, action, proceeding or claim and conduct and supervise all settlement negotiations related to any such lawsuit, action, proceeding or claim. Such undertaking or assumption will not extinguish, diminish or otherwise affect your indemnification obligations pursuant to this Section 15.

## **16. Termination.**

(a) You will be in material default under this Agreement and this Agreement and all rights granted to You pursuant to this Agreement will automatically terminate without notice to You upon the occurrence of an Insolvency Event (as defined below).

(b) You will be in material default under this Agreement and We may, at our option, terminate this Agreement and all rights granted to You pursuant to this Agreement without affording You an opportunity to cure the default, effective immediately upon notice to You, upon the occurrence of any of the following events of default:

(i) If You (or the Manager) fails to successfully complete, to our satisfaction, both the Initial Franchisee Training Program and the Project Manager and Franchisee Training Program or any project manager fails to successfully complete, to our satisfaction, the Project Manager and Franchisee Training Program;

(ii) If your Earned Revenue (as defined below) during any contract year (beginning on the date that You open your Alair Homes Franchise for business (but no later than the 45<sup>th</sup> day after the Effective Date) and ending on the first anniversary thereof) or any subsequent contract year (beginning on the first day of your fiscal year beginning after the Effective Date and ending on the first anniversary

thereof, and each successive year) is less than \$2,000,000; “Earned Revenue” is based on work completed to date and is calculated as actual costs incurred for construction projects (construction; materials and labor invoiced to date) plus the entitled mark up in accordance with the franchise client agreements. Total Earned Revenue to Date is published monthly on the Alair Project Management Software as part of the Accounting Systems and Services;

(iii) If You or any of your Principals is convicted of, or enters a plea of no contest to, a felony, a crime involving moral turpitude or any other crime or offense that We believe may have an adverse effect on Us, the Alair Homes franchise system, the Marks or the good will associated therewith;

(iv) If a threat or danger to public health or safety results from the operation of your Alair Homes Franchise;

(v) If any of your representations or warranties contained in this Agreement or any statement made or materials given in connection with acquiring the franchise contemplated by this Agreement was not true, correct and complete upon the signing of this Agreement by You or Us, becomes untrue, incorrect or incomplete in any material respect at any time or if any misrepresentation or fraud was or is committed in connection with this Agreement;

(vi) If You or your Representatives fail to perform any obligation (other than the payment of monies owed to Us or any of our Affiliates) under this Agreement or any other agreement with Us or our Affiliates and that failure is, in our discretion, not curable;

(vii) If your or your Representatives repeatedly (three or more times) fails to pay any monies owed to Us or any of our Affiliates or perform any obligation, or repeated Events of Default (as defined below) occur (either one obligation and/or Event of Default three times, three obligations and/or Events of Default one time each or any combination thereof) under this Agreement, or any other agreement with Us or our Affiliates;

(viii) If You operate your Alair Homes Franchise in a manner, or engage in any other conduct (including any acts or offenses contained in Section 6(c)(iii)), whether in the operation of your Alair Homes Franchise or in your personal capacity, that may have an adverse effect on Us, the Alair Homes franchise system, the Marks or the good will associated therewith; provided, further, that You understand and acknowledge that such conduct is incurable;

(ix) If You Transfer (or attempt to Transfer) this Agreement or Your Rights in a manner not permitted pursuant to Section 12 or if your rights under this Agreement are not Transferred within the 90-day period referenced in Section 12(e);

(x) If any other franchise agreement or any other agreement between Us or any of our Affiliates and You or any of your Affiliates (other than a Master Franchise agreement for failure to meet the development schedule) is terminated;

(xi) If You or any of your Affiliates engages in any conduct that violates any law, regulation or ordinance with respect to the operation of your Alair Homes Franchise;

(xii) If You underreport your Gross Revenue by 1% or more during any calendar year;

(xiii) If You do not locate and lease (or otherwise obtain the right to use) the Premises (that We have approved) within 45 days after the Effective Date or if You have not opened your Alair Homes Franchise for business within 45 days after the Effective Date;

(xiv) If You cease to operate or otherwise abandon your Alair Homes Franchise, as evidenced by your Alair Homes Franchise being closed for business for more than seven consecutive days or some other affirmative act, such as the authorization or auction or sale of equipment);

(xv) If You lose, or fail to obtain or maintain, any permit or license necessary to operate your Alair Homes Franchise;

(xvi) If You fail to perform or otherwise breach any of your obligations under the Security Agreement;

(xvii) If the Manager or any of your project managers do not attend and actively participate in 90% of the Mandatory Continuing Training, the monthly regional training programs within Your Master Franchisee's area and/or the weekly system-wide conference calls;

(xviii) If You fail to pay any installment under the Promissory Note in full when due or otherwise breach your obligations under the Promissory Note or the Security Agreement and that failure or breach has not been cured within the cure period provided therein;

(xix) If You fail to comply with the provisions of Sections 9, 10, 11 or 14, any of your Principals breach any provision of an Agreement to be Bound and to Guarantee or any of your Representatives breaches of any provision of a Confidentiality and Restrictive Covenant Agreement;

(xx) If You or any of your Representatives fail to comply with the provisions of Section 6(e)(ii), 6(t) or 6(u);

(xxi) If You fail to comply with our quality control and customer service requirements, including the System Standards (including our construction and other operational guidelines), requirements for resolving customer issues in a manner consistent with the System Standards (including our construction and other operational guidelines) or as We may otherwise require and/or You fail to score satisfactorily on our periodic quality and operations control inspections; or

(xxii) If You (a) fail, in our sole discretion, to retain funds adequate to meet your financial obligations to Us, our affiliates, your customers, vendors, suppliers and other creditors, (b) fail, in our sole discretion, to pay your debts and obligations when due in the ordinary course of business, (c) fail to comply with your obligations under Section 6(g) and/or (d) if You are a corporation, limited liability company or other entity, if You, directly or indirectly, pay to one or more individuals (and his/her/their spouses), corporation, partnership, limited liability company or

other entity that owns, directly or indirectly, an equity interest in the franchised entity, an aggregate amount greater than the cumulative year-to-date earnings (as defined for purposes of the Accounting Systems and Services, as modified by Us from time to time, in our sole discretion), whether such payment is as compensation for services rendered, as dividends or other distributions, as loan payments or characterized otherwise.

(c) You will be in material default under this Agreement and We may, at our option, terminate this Agreement and all rights granted to You pursuant to this Agreement, upon the occurrence of any of the following Events of Default, if You have not cured such defaults within the stated cure period:

(i) If You fail to pay any monies owed to Us or any of our Affiliates under this Agreement or any other agreement with Us or our Affiliates, or any monies owed to any third party (including any government agency), and that failure has not been cured within 15 days after We have provided notice of that failure to You;

(ii) If You fail to comply with any of our Cash-on-Hand Policies; or

(iii) If You or your Representatives fail to perform any obligation (other than the payment of monies owed to Us or any of our Affiliates) under this Agreement or any other agreement with Us or our Affiliates and that failure is, in our discretion, curable, and that failure has not been cured within 15 days after We have provided notice of that failure to You; provided, however, that if that failure cannot be cured within that 15-day period, such failure may be cured within the time necessary to effect that cure (but not longer than 90 days), provided that that cure has been commenced immediately and pursued diligently and continuously thereafter.

(d) (i) Any of the above events or occurrences pursuant to which We have the right to terminate this Agreement or pursuant to which this Agreement will be automatically terminated is referred to as an “Event of Default.” You acknowledge and agree that all of the Events of Default, and each of them individually, constitutes “good cause” for termination of this Agreement.

(ii) Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

(e) For purposes of this Agreement, the term “Insolvency Event” means any of the following: (i) You become insolvent (defined as the inability to pay your debts in the ordinary course of business or an excess of liabilities over assets, as the case may be), (ii) You make a general assignment for the benefit of creditors, (iii) You file a voluntary petition under any section or chapter of federal bankruptcy laws or any similar law of the United States or any state, (iv) You admit in writing your inability to pay your debts in the ordinary course of business, (v) You are adjudicated bankrupt or insolvent in proceedings filed against You under any section or chapter of federal bankruptcy laws or any similar law of the United States or any state, (vi) a bill in equity or other proceeding for the appointment of a receiver of You (or other custodian, either permanent or temporary, for your business or assets, or any part thereof) is filed and consented to by You, (vii) a receiver (or other custodian, either permanent or temporary, for your business or assets, or any part thereof) is appointed by any court of competent jurisdiction, (viii) proceedings for a composition

with creditors under any state or federal law are instituted by or against You, (ix) a final judgment against You remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed), (x) You are dissolved, (xi) execution is levied against your business or assets, (xii) suit to foreclose upon any lien or mortgage against the Premises or your assets or under this Agreement or any other franchise agreement is instituted and not dismissed within 30 days, (xiii) any involuntary lien exceeding \$10,000 is placed on your Alair Homes Franchise or your assets and is not promptly (but in any event within 30 days) removed or bonded against; (xiv) the real or personal property of your Alair Homes Franchise or any other franchise agreement will be sold after levy by a sheriff, marshal or constable or (xv) any of the foregoing occurs with respect to one or more of your Principals.

**17. Post-termination Obligations.**

(a) Upon the expiration or termination of this Agreement for any reason:

(i) You will forfeit all fees paid.

(ii) All goodwill associated with your Alair Homes Franchise, and your use of the Marks and the other Intellectual Property, is, and will be, our property, and You will receive no payment therefor or rights therein.

(iii) You must immediately cease operating your Alair Homes Franchise and using the Intellectual Property. If You fail to do so, You must pay Us, upon demand, a fee in the amount of \$25,000 plus our costs and expenses in connection with ceasing the operation of your Alair Homes Franchise and/or your use of the Intellectual Property.

(iv) You must immediately (a) return to Us the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property), (b) cancel all assumed names or equivalent business registrations relating to the use of the Marks, (c) notify the telephone company and all listing agencies of the termination of your right to use the Marks and, of your assignment of your telephone numbers (including all cell and mobile telephone numbers) to Us, (d) not, directly, or indirectly, identify yourself with Us or the Marks or the other Intellectual Property and (e) if requested by Us, renovate the Premises to eliminate the Marks and de-identify the Premises to remove all Trade Dress, returning it to a “vanilla shell,” at your expense. We may enter the Premises and recover the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property). You hereby irrevocably appoint and constitute Us and our representatives and agents, with full power of substitution, as your agent and attorney-in- fact for and on behalf of, and in your name, and at your expense, to take any or all of the above actions, without liability for trespass. This special power of attorney will be deemed to be coupled with an interest and irrevocable.

(v) You must pay to Us, within 10 days of the expiration or termination of this Agreement, all amounts outstanding to Us or our Affiliates from You or your Affiliates.

(vi) You must refrain from, directly or indirectly at any time or in any manner (except with respect to Alair Homes Master Franchises and Alair Homes Unit Franchises then owned and operated by You) identifying yourself or any business as a current or former Alair Homes Master Franchisee or Alair Homes Unit Franchisee or authorized agent of Us or our Affiliates.

(vii) Pursuant to Section 7(g), You must transfer any such social media accounts operated by You regarding your Alair Homes Franchise, the Marks, and/or the System or any other account used for the purpose of promoting your Alair Homes Franchise.

(b) In addition, upon the expiration or termination of this Agreement, We may, but will not be obligated to, purchase, or have our designee purchase all, or any portion of, the signage, equipment and other tangible assets of your Alair Homes Franchise for an amount equal to the Value (as defined below). If We are required, by law, regulation or court order, to purchase the signage, equipment and/or other tangible assets used in connection with your Alair Homes Franchise, the purchase price will be equal to the Value, which You acknowledge is fair market value. For purposes of this Agreement, the term "Value" means, subject to applicable law, (i) with respect to signage, \$1.00 and (ii) with respect to all other assets, an amount equal to your cost for those assets, less depreciation and amortization using a 200% declining balance method over a five-year period. If all, or any portion of, your assets that are being purchased by Us or our designee are subject to liens, We or our designee may pay, on your behalf, the lienholders that portion of the purchase price for your assets (which may be the entire purchase price) that is necessary to obtain the release of those assets from the liens, in lieu of paying you those funds. Prior to receiving any amounts pursuant to this Section 17(b), You must otherwise comply with your obligations under this Section 17 and You and your Affiliates, and your respective Principals, must sign and deliver to Us a general release of Us and our Affiliates, in the form that We, in our discretion, may require. Further, We may apply any amounts payable to You pursuant to this Section 17(b), or otherwise pursuant to this Agreement, against any unpaid amounts payable to Us or our Affiliates pursuant to this Agreement or any agreement between Us or our Affiliates and You and your Affiliates.

(c) If this Agreement is terminated by You for any reason other than our material breach of our material obligations under this Agreement or is terminated by Us due to an Event of Default, You must pay to Us, on demand, as liquidated damages for the early termination of this Agreement and the resulting loss of Royalties for remaining years of the Term, and not as a penalty, \$50,000. You acknowledge and agree that our time, efforts and expenditures in connection with your becoming a Alair Homes Franchisee and your operation of your Alair Homes Franchise would not be adequately compensated unless and until the full term of this Agreement has been completed. Such liquidated damages relate only to the resulting loss of Royalties for remaining years of the Term and will not preclude our entitlement to damages that We may suffer resulting from your breach and/or your actions or omissions.

## **18. Miscellaneous.**

(a) You must not represent or imply that your Alair Homes Franchise is owned by Us. Upon our request, You must post a sign in the Premises and/or indicate in your materials to the effect that You are an independent contractor and that your Alair Homes Franchise is not owned or operated by Us. You will be an independent contractor, and nothing contained in this Agreement will be construed to create or imply a fiduciary relationship between the parties, nor to make either party a

general or specific agent, legal representative, employee, joint venturer, partner or servant of the other. You are in no way authorized to sign any contract or agreement, to make any representation or warranty or to create any obligation (express or implied) on our behalf. You will be responsible for your own taxes (including any taxes levied upon your Alair Homes Franchise with respect to compensation or otherwise).

(b) Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

(c) All communications or notices (including approvals and consents) required or permitted to be given or served under this Agreement must be in the English language and must be in writing and will be deemed to have been duly given or made if (i) delivered in person or by courier (including by Federal Express or other courier), (ii) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, (iii) faxed or (iv) delivered by e-mail, and addressed to the address, fax number or e-mail address stated on the signature page of this Agreement). All communications and notices will be effective upon delivery in person or by courier to the address stated in this Agreement, upon being deposited in the United States mail in the manner stated above, upon being faxed in the manner stated above or delivered by e-mail in the manner stated above. Any party may change its address, fax number or e-mail address by giving notice, stating its new address, fax number or e-mail address to the other party to this Agreement as provided in the foregoing manner.

(d) Subject to Section 12, which restricts your rights to assign this Agreement and your rights hereunder, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors. Any attempt by You to assign this Agreement, or any of your rights hereunder, or to delegate your obligations hereunder, without compliance with the terms of Section 12 will be void. Notwithstanding anything contained in this Agreement to the contrary, We may assign this Agreement, or any of our rights hereunder, or delegate any of our obligations hereunder without your consent or the consent of any other person. You expressly agree that We have the right to delegate the performance of any or all of our obligations pursuant to this Agreement to our Affiliates or third parties without obtaining your consent or approval.

(e) (i) Notwithstanding anything contained in this Agreement to the contrary, We retain the right to modify and amend the Systems, the System Standards and the Operations Manual and to issue rules, regulations, instructions, policies and procedures for the conduct of the Franchised Business from time to time, in our discretion, without obtaining your consent.

(ii) Except as otherwise contemplated by this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in a writing specifying with particularity the nature and extent of the amendment, modification or waiver and signed by both parties to this Agreement.

(f) No waiver by Us of any default or series of defaults in performance by You, and no failure, refusal or neglect of Us to exercise any right, power or option given to Us hereunder or under any other franchise or license agreement between Us (or our Affiliates) and You (or your Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or

not related to the Alair Homes Franchise that is the subject of this Agreement) or to insist upon strict compliance with or performance of your or your Affiliates' obligations under this Agreement, any other franchise or license agreement between Us (or our Affiliates) and You (or your Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Alair Homes Franchise that is the subject of this Agreement), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent default thereof or a waiver by Us (or our Affiliates) of our or its right at any time thereafter to require exact and strict compliance with the provisions hereof or thereof. We will consider written requests by You for our consent to a waiver of any obligation imposed by this Agreement. You agree, however, that We are not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis, and nothing shall be construed to require Us to grant any such request. Any waiver granted by Us will be without prejudice to any other rights We may have, will be subject to continuing review by Us and may be revoked, in our discretion, at any time and for any reason, effective upon 10 days prior written notice to You. We make no representations or warranties upon which You may rely, and assumes no liability or obligation to You by providing any waiver, approval, acceptance, consent, assistance or suggestion to You in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

(g) Notwithstanding anything contained in this Agreement to the contrary, at any time that You are in breach of your obligations under this Agreement, or any other agreement between Us or our Affiliates and You or your Affiliates, or an Event of Default (as defined below) has occurred, We may, in addition to all other remedies available to Us, (i) defer the performance of our obligations under this Agreement or such other agreement, (ii) defer the opening of your Alair Homes Franchise until your or your Affiliate's breach has been cured and/or (iii) remove or suspend access to information about your Alair Homes Franchise from the Company Website, the Marketing Area Webpage and/or your access to our training, the Alair Homes Community, our support, sessions, conference calls, online forums and focus groups until your or your Affiliate's breach has been cured. Our exercise of any of such rights will not constitute a waiver of our rights under this Agreement or such other agreement, including the right to terminate this Agreement or such other agreement, or serve as a basis for any claim by You or your Affiliate that We did not perform our obligations in a timely manner.

(h) This Agreement, including the other agreements and documents contained as exhibits hereto or referred to herein, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Notwithstanding the foregoing, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to You.

(i) Unless expressly provided to the contrary, all references in this Agreement to:

(i) The term "Affiliate" means a person directly or indirectly controlling, controlled by or under common control with another person;

(ii) The term "Majority-owned Affiliate" means an Affiliate (a) of which more than 50% of the voting power is owned directly or indirectly by You, (b) that directly or indirectly owns more than 50% of the voting power of You or (c) of which more than 50% of the voting power



is owned by a person that owns more than 50% of the voting power You, as determined by Us.

(iii) The term "including" means "including, without limitation;"

(iv) The term "person" means an individual, a corporation, a limited liability company, a partnership, a trust and/or another entity;

(v) The term "termination" includes termination and expiration;

(vi) Our discretion or judgment means our sole and absolute discretion or judgment, and any determination (such as approval or consent), decision or judgment required or permitted to be taken or given by Us will be subject to our sole and absolute discretion;

(vii) All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa; and

(viii) Neither this Agreement nor any uncertainty or ambiguity herein will be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and will be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. You and We intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

(j) If You (Franchisee) consist of more than one individual or entity, or a combination thereof, the obligations and liabilities of each such individual or entity to Us are joint and several, and such individuals and/or entities will be deemed to be a general partnership.

(k) All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

(l) This Agreement may be signed in two or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The signature of a party on a faxed or electronically transmitted document will be considered, for all purposes, an original signature, and the delivery of a document by fax or electronic transmission will have the same effect as delivery of the original document.

**(m) Subject to applicable law, except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary.**

(n) The parties acknowledge and agree that all disputes and claims relating to or arising

out of this Agreement or any other agreement entered into between the parties, the rights and obligations of the parties, or any other claims or causes of action relating to the making, interpretation or performance of either party under this Agreement or any other agreement between the parties, other than Excepted Disputes (as defined below), shall be settled by arbitration in Maricopa County, Arizona in accordance with the Federal Arbitration Act and Commercial Arbitration Rules of the American Arbitration Association (“AAA”). The rights and duties of the parties to this Agreement to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended. The following shall supplement and, in event of a conflict, shall govern any arbitration: If the claim is for less than \$50,000 then the matter shall be heard before a single arbitrator, selected by mutual agreement of the parties; if the parties cannot agree upon a single arbitrator, the arbitrator shall be selected in accordance with the Federal Arbitration Act and Commercial Arbitration Rules of the AAA. If the claim or a counterclaim is for \$50,000 or more, the matter shall be heard before a panel of three arbitrators and each party shall appoint an arbitrator, and the appointed arbitrators shall appoint a neutral arbitrator from the AAA’s list of arbitrators. Subject to Section 18(q), each party must bear its own costs of arbitration including the fee for the arbitrator they appointed; provided, however, that the neutral or the single arbitrator’s fee shall be shared equally by Us and You. The arbitrator’s or arbitrators’ award shall be rendered within 7 days of the close of the hearing and may include an award of reasonable attorneys’ fees and costs to the prevailing party. The arbitrator(s) shall have no authority to amend or modify the terms of this Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the District of Arizona and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement. For purposes of this Agreement, the term “Excepted Disputes” means disputes and claims (i) arising out of the Promissory Note or the Security Agreement or (ii) pursuant to which We are seeking injunctive relief (with respect to the Marks, Confidential Information, other Intellectual Property, our rights under Section 11 or otherwise).

**(o) Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.**

**(p) The parties hereby waive the right to (i) a jury trial and (ii) initiate or participate in a class action in any form. In addition, You hereby waive the right to seek or collect punitive, consequential and special damages in any forum.**

(q) In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys’ fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, You will be obligated to pay our reasonable attorneys’ fees and costs in connection with your breach of any provision of this Agreement and/or our enforcing our rights under this Agreement.

(r) Notwithstanding anything contained in this Agreement to the contrary, upon any breach by You of any of the terms of this Agreement, We may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which We may be entitled. You

agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Agreement, without the necessity of posting bond therefor or proof of actual damages.

(s) The remedies of the parties under this Agreement are cumulative and will not exclude any other remedies to which any party may be lawfully entitled. Expiration or termination of this Agreement shall be without prejudice to any other rights or remedies that We or You may have in law or in equity, including the right to recover benefit of the bargain damages.

(t) The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement.

(u) Any individual signing below on behalf of a corporation, partnership, limited liability company or other entity personally represents that he or she has full authority to bind the party or parties on whose behalf he or she is signing.

(v) Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination of this Agreement will survive the termination of this Agreement, including our right to receive any accrued fee or other amounts payable and Sections 9, 10, 11, 14 through 19.

(w) Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

(x) Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

(y) Unless otherwise directed by Us, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid that require conversion between currencies will be made at the selling rate for United States Dollars quoted by our United States bank on the date on which payment is made. You will pay all costs of currency exchange.

[Signatures on following page]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement effective as of \_\_\_\_\_ (the “Effective Date”).

Name of Franchisee: \_\_\_\_\_

Check One: Individual \_\_\_ Corporation \_\_\_ Limited Liability Company \_\_\_ Trust \_\_\_

State of Organization: \_\_\_\_\_

Signature of Franchisee: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_

Fax Number of Franchisee: \_\_\_\_\_ E-mail of Franchisee: \_\_\_\_\_

**Alair Enterprises USA, Inc.**

By: \_\_\_\_\_  
Rob Cecil, President

Address: Attention: Mr. Rob Cecil  
96 Wallace Street  
Nanaimo, BC V9R 0E2, Canada

Fax #: 855-882-1649

E-mail: [rob.cecil@alairhomes.com](mailto:rob.cecil@alairhomes.com)

**Spousal Consent**

(to be executed if Franchisee is a married individual)

The undersigned is the spouse of the Franchisee identified in the Franchise Agreement, dated as of \_\_\_\_\_ between his or her spouse and Alair Enterprises USA, Inc., an Arizona corporation (together with any state Rider, the "Agreement"), to which this Spousal Consent is attached.

The undersigned hereby declares that he/she has read the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, in its entirety and, being fully convinced of the wisdom and equity of the terms of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, and in consideration of the premises and of the provisions of the Agreement, the undersigned hereby expresses his or her understanding and acceptance of the same and does agree its provisions may have a financial impact on him/her to the extent the undersigned spouse and party to the foregoing Agreement have shared or jointly held assets.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Agreement, including each of the documents that are exhibits to or referenced in the Agreement, will be binding upon him/her.

The undersigned further agrees that he/she will at any time make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement.

This instrument is not a present transfer or release of any rights that the undersigned may have in any of the community property of his or her marriage.

DATED \_\_\_\_\_

\_\_\_\_\_  
[Signature of Spouse]

\_\_\_\_\_  
[Print Name of Spouse]

**Exhibit A to Franchise Agreement  
Key Terms**

a. Operating Area:

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b. Marketing Area:

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c. Premises:

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d. Stock or other equity ownership of Franchisee:

Name* (if a married individual, list spouse also)	Stock or other Equity Ownership
Total	100%

\*If a married individual, list spouse also. If an unmarried individual, state “an unmarried person.” If a corporation, limited liability company or other entity, list the entity, the type of entity, its state of organization and the names of its stockholders or other equity owners and their respective percentage interests.

e. Name of Managing Principal: \_\_\_\_\_

**Exhibit B to Franchise Agreement  
Electronic Funds Transfer Authorization**

The undersigned hereby authorizes Alair Enterprises USA, Inc., an Arizona corporation (“Franchisor”) to initiate variable data entries to my account identified below for royalties, brand fund payments, accounting systems and services payments and other authorized amounts. The undersigned authorizes the financial institution indicated below to debit the undersigned’s account. The undersigned acknowledges that he, she or it is in full control of his, her or its payment, that he, she or it has the right to hold or stop this electronic payment by giving Franchisor notice of revocation, which shall be effective 30 days after Franchisor receives such notice of revocation.

<b>Section 1</b>		<b>Financial Institution Information</b>	
Bank Name	Phone #	ABA Routing #	
Type of Account	Account #		
<b>Section 2</b>		<b>Authorization</b>	
Name of Franchisee/Account Holder:			
Signature:		Date:	
Print Name:		Phone #:	

Attach Pre-printed Voided Check Here.

Pre-printed check must include Account Holder’s name or business name, address and bank account number and the Bank’s name, phone number and routing number.

**Exhibit C**  
**Payment Wire Instructions**

Upon Receipt of the Invoice for the franchise license fee and initial Brand Fund contribution, please complete payment via wire transfer using the bank information below for Alair Enterprises USA, Inc.

Alair Enterprises USA, Inc. will never, under any circumstances, email updated or alternate wire instructions. Should you receive such correspondence from any Alair Homes representative, please immediately contact Katrina McLaughlin at 250-824-0279 ext. 107.

**Wire Instructions:**

CIBC Bank USA  
120 S. LaSelle Street  
Chicago, IL 60603

Beneficiary Name: Alair Enterprises USA, Inc.

Acct Type: Checking

Routing/ABA: 071006486

Swift: PVTBUS44

Account: 0002966441



**ADDENDUM "A"**  
**TO THE ALAIR HOMES UNIT FRANCHISE AGREEMENT**

OPERATING TERRITORY MAPPING

**ADDENDUM "B"**  
**TO THE ALAIR HOMES UNIT FRANCHISE AGREEMENT**

MARKETING TERRITORY MAPPING

**ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT**

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchise 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

Name of Franchisee: \_\_\_\_\_

Signature of Franchisee: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

**Alair Enterprises USA, Inc.**

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

Rob Cecil, President

**MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

The Franchise Agreement shall be amended to provide the following:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. The franchise agreement gives the franchisor a unilateral right to buy your business assets of your entire business for any reason or no reason. As a result, the franchisor may force you to sell your business or the business assets to the franchisor against your will at a predetermined price which might be below the value of the business if sold to a third party.

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

Name of Franchisee: \_\_\_\_\_

Signature of Franchisee: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

**Alair Enterprises USA, Inc.**

By: \_\_\_\_\_  
Rob Cecil, President

MARYLAND ADDENDUM

**MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT**

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MINNESOTA FRANCHISE ACT**

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, waiver of jury trial or the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subdivisions 3, 4 and 5, which require (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
3. We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect your right to use the trademarks. See Minnesota Statutes, Section 80C.12, Subdivision 1(g).
4. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release.
5. You cannot consent to our obtaining injunctive relieve. We may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.
6. The Franchise Agreement requires that litigation be held in Arizona. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, we cannot require that you consent to our obtaining injunctive relief, although we may seek injunctive relief. Any requirement(s) for a bond will be determined by the court. We may not require that you waive your rights to a jury trial.

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

Name of Franchisee: \_\_\_\_\_

Signature of Franchisee: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

**Alair Enterprises USA, Inc.**

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

Rob Cecil, President

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT**

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT**

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

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

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

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

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

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

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

The undersigned does hereby acknowledge receipt of this Addendum.

Date: \_\_\_\_\_  
Name of Franchisee: \_\_\_\_\_  
Signature of Franchisee: \_\_\_\_\_  
Title of Signatory: \_\_\_\_\_

**Alair Enterprises USA, Inc.**  
By: \_\_\_\_\_  
Rob Cecil, President

**CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT**

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE CALIFORNIA FRANCHISE RELATIONS ACT**

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

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

Name of Franchisee: \_\_\_\_\_

Signature of Franchisee: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

**Alair Enterprises USA, Inc.**

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

Rob Cecil, President



**Exhibit C**  
**Agreement to be Bound and to Guarantee**

AGREEMENT, dated as of the date stated at the end of this Agreement (the "Effective Date"), executed by the guarantors identified in Section 26 of this Agreement (each a "Guarantor") in favor of Alair Enterprises USA, Inc., an Arizona corporation ("Alair Homes").

RECITALS

WHEREAS, as an inducement for Alair Homes to execute and deliver, and to perform its obligations under, that certain franchise agreement (the "Franchise Agreement"), dated as of the date set forth in Section 26 of this Agreement, by and between Alair Homes and the franchisee identified in Section 26 of this Agreement ("Franchisee"), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Alair Homes and its Affiliates (including, without limitation, obligations under the Franchise Agreement, the Security Agreement and, if applicable, the Promissory Note) and to be bound by certain of the provisions contained in the Franchise Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Alair Homes will materially rely upon Guarantor's obligations under this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the execution and delivery of the Franchise Agreement by Alair Homes, and the performance of Alair Homes' obligations thereunder, Guarantor agrees, for the benefit of Alair Homes and its Affiliates, as follows:

1. Defined Terms. All capitalized terms used, but not defined, herein have the meanings given them in the Franchise Agreement.
2. Guaranty. Guarantor unconditionally guarantees and promises to pay to Alair Homes and/or its Affiliates and to perform, for the benefit of Alair Homes and/or its Affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchise Agreement and and/or any other agreement with Alair Homes or its Affiliates, including, without limitation, the Security Agreement and, if Franchisee has signed same, the Promissory Note. This is a guaranty of payment and not of collection. This Agreement will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally and irrevocably performed in full.
3. Confidentiality.
  - (a) Guarantor acknowledges that (i) Alair Homes is engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) Guarantor, Franchisee and some or all of their Representatives will be in a position of confidence and trust with Alair Homes in which Guarantor, Franchisee and some or all of their Representatives will have access to certain Confidential Information, (iii) the Confidential Information

constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of Alair Homes' competitors and (iv) disclosure of the Confidential Information would irreparably damage Alair Homes and its Affiliates, its respective franchisees and their respective businesses and goodwill and that Guarantor would be liable for that damage. All Confidential Information is and will be and remain Alair Homes' property. Guarantor must take reasonable steps (including, without limitation, complying with all security measures adopted by Alair Homes) to prevent unauthorized disclosure of the Confidential Information.

(b) Guarantor agrees to maintain in strict secrecy and confidence all Confidential Information Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives receive, whether from Alair Homes, its Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including, without limitation, any purpose detrimental to Alair Homes or its Affiliates, their respective franchisees and their respective businesses and goodwill; provided, however, that Guarantor may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Franchise Agreement;

(ii) Disclose the Confidential Information to Franchisee's Representatives as strictly necessary in connection with the performance of Guarantor's duties in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Franchise Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that Guarantor (x) discloses only the minimum Confidential Information so required to be disclosed and (y) provide to Alair Homes reasonable notice (but in any case not less than three days) that Guarantor intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that Alair Homes can object thereto.

(c) Guarantor must at all times take all steps reasonably necessary and/or requested by Alair Homes to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that Alair Homes has established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including, without limitation, all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media) must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) Alair Homes' written request and (ii) the date of Transfer, expiration or termination of the Franchise Agreement. Alair Homes may communicate Guarantor's obligations pursuant to this Agreement to any customer or other individual or entity with whom Guarantor, Franchisee, any of its Affiliates or any of their respective Representatives have a relationship, to the extent deemed necessary by Alair Homes for the protection of Alair Homes' rights under this Agreement or the Franchise Agreement.

(e) For purposes of this Agreement, the term "Confidential Information" means any and all trade secrets and any and all proprietary or other information of or concerning Alair Homes and its Affiliates and their respective businesses, activities, assets and prospects, including, without limitation, the systems, home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes,

techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to Franchisee's Alair Homes Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media, electronic or other means), without regard to whether such information is provided directly by Alair Homes or its Affiliates or their respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that Alair Homes and/or its Affiliates has received from a third party that Alair Homes and/or its Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term "Derivative Materials" means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of Guarantor, Franchisee, its Affiliates or their respective Representatives that contain, reflect or are based upon, in whole or in part, any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of "Confidential Information:"

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by Alair Homes or on its behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives subsequent to the time of communication thereof by Alair Homes or on its behalf;

(iii) Information that Guarantor can demonstrate was in the possession of Guarantor, Franchisee, Franchisee's Affiliate or their respective Representatives at the time of communication thereof by Alair Homes or on its behalf, or is received by Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives free of any obligation of confidence to Alair Homes or its Affiliates; and

(iv) Information that Guarantor can demonstrate is, after the Effective Date but prior to the time of communication thereof by Alair Homes or on its behalf, independently developed by Guarantor, Franchisee, Franchisee's Affiliate or their respective Representatives without the use of or recourse to Confidential Information or a breach or violation of the Franchise Agreement, this Agreement or a similar agreement.

(f) Upon Guarantor's breach of any of the terms of this Section 3, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 3, without the necessity of posting bond therefor or proof of actual damages.

(g) Guarantor will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If Guarantor files a lawsuit for retaliation by Alair Homes for Guarantor's reporting a suspected violation of law, Guarantor may disclose the trade secret to Guarantor's attorney and use the trade secret information in the court proceeding, if Guarantor files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to a court order.

#### 4. Restrictive Covenants.

(a) Guarantor may not, during the term of the Franchise Agreement, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business (as defined below). For purposes of this Agreement, the term "Competitive Business" means a business that, directly or indirectly, offers or provides home building services, home renovation services and/or commercial contracting services.

(b) Guarantor may not, during the Restrictive Period (as defined below) , directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that Guarantor may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) Guarantor has no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (iii) Guarantor is are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term "Restrictive Period" means the two-year period after the Transfer, expiration or termination of the Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that such period is unenforceable, the term "Restrictive Period" means the one-year period after the Transfer, expiration or termination of the Franchise Agreement. For purposes of this Agreement, the term "Restrictive Area" means the Operating Area plus a 25-mile radius around the Operating Area; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term "Restrictive Area" means the Operating Area.

(c) Guarantor may not, during the Restrictive Period, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), solicit, provide any services to or attempt to influence in a manner adverse to Alair Homes, any customer or client to which Franchisee provided services during the term of the Franchise Agreement.

(d) Guarantor acknowledges that the provisions of this Section 4 (including, without limitation, the time restraints and geographic scope) are reasonable and necessary and agree that

Guarantor's failure to adhere strictly to the restrictions contained in this Section 4 will cause substantial and irreparable damage to Alair Homes, its Affiliates and their respective franchisees. Upon Guarantor's breach of any of the terms of this Section 4, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 4, without the necessity of posting bond therefor or proof of actual damages. Guarantor acknowledges that Guarantor possesses skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 4 will not deprive Guarantor of Guarantor's personal goodwill or ability to earn a living.

(e) The parties understand and agree that Alair Homes may reduce the scope of any provision of this Section 4 without obtaining Guarantor's consent or approval and Guarantor agrees that it will thereafter comply with that provision as so modified. If the scope of any restriction contained in this Section 4 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Guarantor and Alair Homes agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 4 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

5. Privacy Rights. Alair Homes will be entitled to use the name, likeness and voice of Guarantor for purposes of promoting the Alair Homes franchise system, Alair Homes and its products and services, including, without limitation, all photos and audio and video recordings of Guarantor, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Alair Homes will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto Alair Homes the full and exclusive right, title, and interest in and to such publicity rights. At Alair Homes' request, Guarantor will obtain from any or all of Franchisee's Representatives written consent, in such form as Alair Homes may request.

6. Copyrights. Any reproduction of any items or materials suitable for copyright protection by Alair Homes (the "Copyrights"), including, without limitation, the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by us. All advertising, promotional and/or marketing materials generated by or for Franchisee, Guarantor or Franchisee's Representatives will be deemed a work for hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by Guarantor to Alair Homes. In addition, Guarantor hereby assigns and transfers to Alair Homes any and all rights it may have in or to the Copyrights, including, without limitation, the Copyrighted Material, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 6. For purposes of this Agreement, the term "Copyrighted Materials" means all versions, variations and adaptations of the following materials in tangible form, either produced by us, produced on our behalf

as works for hire or derived from works produced by or on behalf of us: (a) the Operations Manual and the other documents and materials containing the System Standards, (b) training materials (including, without limitation, printed, audio, video or electronic materials), (c) plans and specifications for Alair Homes Franchises, (d) product identification posters, photographs and graphics, (e) advertising, promotional and/or marketing materials, (f) labels, forms and reports provided by Alair Homes, (g) any computer software developed or modified for use in the operation of Alair Homes Franchises, (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by Alair Homes as protected by copyright.

7. Innovations. During the term of the Franchise Agreement, Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to Franchisee's Alair Homes Franchise and related goods and services (the "Innovations"). Guarantor hereby assigns any and all of its right, title and interest in and to the Innovations, including, without limitation, any intellectual property rights, to us, and agree to cooperate with us and our counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 7.

8. Franchise List. Guarantor may not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose, other than purposes directly related to the operation of Franchisee's Alair Homes Franchise, without Alair Homes' prior written consent.

9. Other Activities. Guarantor may not, without Alair Homes' prior written consent, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be involved in, or engage in any conduct in connection with future involvement in, (a) any commercial or other venture (a "Related Business") that relates to the home building, home renovation and/or commercial contracting industry, including, without limitation, a Related Business that may offer, sell or provide goods or services to Franchisee or its customers, or (b) purchase, lease or otherwise have an interest in real property (other than your personal residence) with respect to which Guarantor, Franchisee or any other individual or entity may build on, renovate or otherwise develop for purposes of resale within five years, including, without limitation, renovating and/or flipping (reselling), (c) purchase, lease or otherwise have an interest in real property that Alair Homes prohibits Guarantor from purchasing, leasing or otherwise have an interest in, or (d) fixed-price contracting. Prior to purchasing, leasing or otherwise acquiring an interest in any real property, Guarantor shall provide to Alair Homes at least 30 days' prior written notice of Guarantor's intent to do so and promptly provide to Alair Homes us such information regarding such real property, such acquisition and such other information as Alair Homes may require; Alair Homes may, in its sole discretion, have the right to prohibit Guarantor purchasing, leasing or otherwise acquiring an interest in such real property if Alair Homes, in the exercise of its sole discretion, believes it to be a risk to Franchisee's Alair Homes Franchise or the Alair Homes franchise system. In addition, Guarantor may not may not, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), provide home building services, home renovation services and/or commercial contracting services other than through Franchisee's Alair Homes Franchise. Further, Guarantor may not, directly or indirectly, receive or realize a commission, rebate, kickback, fee, other payment or other consideration (in cash or in property, or as a credit or reduction of any amount payable), or otherwise derive revenue, from or with respect to any vendor, supplier or other person in connection with goods and/or services purchased, leased or otherwise obtained by Franchisee or its customers.

10. Waiver. Guarantor hereby waives all requirements as to presentment for payment, protest, diligence and demand and notice of acceptance, default, protest, demand, dishonor and nonpayment, and all benefits and requirements of Arizona Revised Statutes Section 12-1641, et seq., and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which set forth certain rights and obligations among guarantors, debtors and creditors, if applicable. This Agreement will not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise or release of any or all of the obligations of Franchisee or any guarantor.

11. Subrogation. Guarantor hereby agrees that it will not exercise any rights of subrogation that it may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Agreement unless and until all amounts payable to Alair Homes or its Affiliates, and all obligations for the benefit of Alair Homes or its Affiliates, shall have been validly, finally and irrevocably paid and performed in full.

12. Enforceability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

13. Joint and Several. If more than one person signs this Agreement as a Guarantor, his, her or its obligation will be joint and several.

14. Waiver. No delay or omission on the part of Alair Homes Party in exercising any of its rights hereunder, nor the acquiescence in or waiver by Alair Homes Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Alair Homes. Any waiver that fails to meet such requirements shall be invalid and void.

15. Notices. All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

**16. Governing Law; Jurisdiction and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.**

17. **Jurisdiction.** Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

18. **Waiver of Rights.** The parties hereby waive the right to (a) a jury trial, and (b) initiate or participate in a class action in any form. In addition, Guarantor hereby waives the right to seek or collect punitive, consequential, and special damages in any forum.

19. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, Guarantor will be obligated to pay Alair Homes' reasonable attorneys' fees and costs in connection with Guarantor's failure to perform its obligations under this Agreement and/or Alair Homes' enforcing its rights under this Agreement.

20. **Entire Agreement.** This Agreement and the Franchise Agreement contain the entire understanding and agreement of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings between the parties with respect to that subject matter. Notwithstanding the foregoing, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Alair Homes.

21. **Terminology; Captions.** All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa. All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

22. **Rule of Construction.** Neither this Agreement nor any uncertainty or ambiguity herein will be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and will be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. The parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

23. **Authority.** Any individual signing below on behalf of a corporation, partnership, limited liability company or other entity personally represents that he or she has full authority to bind the party or parties on whose behalf he or she is signing.

24. **Survival.** Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination of the Franchise Agreement will survive the termination of the Franchise Agreement.



25. Further Assurances. Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

26. Date of Franchise Agreement: \_\_\_\_\_  
Name(s) of Guarantor(s): \_\_\_\_\_  
Name of Franchisee: \_\_\_\_\_

**EXECUTED** as of \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Name: \_\_\_\_\_  
(Print Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Address: \_\_\_\_\_  
\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**CONSENT OF SPOUSE**

The undersigned spouse of a party to the foregoing Agreement to be Bound and to Guarantee (the "Agreement") confirms that he/she has read the Agreement, consents to the terms of the Agreement, and understands and agrees the terms of the Agreement may have financial impact on him/her to the extent the undersigned and party to the foregoing Agreement have shared or jointly held assets.

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

\_\_\_\_\_  
(Sign Name)

\_\_\_\_\_  
(Sign Name)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

**Exhibit D**  
**Confidentiality and Restrictive Covenant Agreement**

AGREEMENT, dated as of the date stated at the end of this Agreement (the "Effective Date"), executed by the directors, officers, managers, employees and independent contractors ("Party") of the franchisee identified in Section 20 of this Agreement ("Franchisee") in favor of Alair Enterprises USA, Inc., an Arizona corporation ("Alair Homes").

RECITALS

WHEREAS, as an inducement for Alair Homes to execute and deliver, and to perform its obligations under, that certain franchise agreement (the "Franchise Agreement"), dated as of the date set forth in Section 20 of this Agreement, by and between Alair Homes and Franchisee, Alair Homes requires that Party agree to be bound by certain of the provisions contained in the Franchise Agreement.

WHEREAS, Party acknowledges and agrees that Alair Homes will materially rely upon Party's obligations under this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the execution and delivery of the Franchise Agreement by Alair Homes, and the performance of Alair Homes' obligations thereunder, Party agrees, for the benefit of Alair Homes and its Affiliates, as follows:

1. Confidentiality.

(a) Party acknowledges that (i) Alair Homes is engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) Party and Franchisee will be in a position of confidence and trust with Alair Homes in which Party and Franchisee will have access to certain Confidential Information, (iii) the Confidential Information constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of Alair Homes' competitors and (iv) disclosure of the Confidential Information would irreparably damage Alair Homes and its Affiliates (as defined below), its respective franchisees and their respective businesses and goodwill and that Party would be liable for that damage. All Confidential Information is and will be and remain Alair Homes' property. Party must take reasonable steps (including, without limitation, complying with all security measures adopted by Alair Homes) to prevent unauthorized disclosure of the Confidential Information. For purposes of this Agreement, the term "Affiliates" means an individual or entity controlling, controlled by or under common control with another individual or entity.

(b) Party agrees to maintain in strict secrecy and confidence all Confidential Information Party or Franchisee receives, whether from Alair Homes, its Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including, without limitation, any purpose detrimental to Alair Homes or its Affiliates, their respective franchisees and their respective businesses and goodwill; provided, however, that Party may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Franchise Agreement;

(ii) Disclose the Confidential Information to Franchisee's directors, officers, managers, employees and independent contractors as strictly necessary in connection with the performance of Party's duties in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with this Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that Party (x) discloses only the minimum Confidential Information so required to be disclosed and (y) provide to Alair Homes reasonable notice (but in any case not less than three days) that Party intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that Alair Homes can object thereto.

(c) Party must at all times take all steps reasonably necessary and/or requested by Alair Homes to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that Alair Homes has established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including, without limitation, all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media) must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) Alair Homes' written request and (ii) the date of a transfer of Franchisee's Alair Homes Franchise, expiration or termination of the Franchise Agreement. Alair Homes may communicate Party's obligations pursuant to this Agreement to any customer or other individual or entity with whom Party, Franchisee or any of Franchisee's Affiliates have a relationship, to the extent deemed necessary by Alair Homes for the protection of Alair Homes' rights under this Agreement or the Franchise Agreement.

(e) For purposes of this Agreement, the term "Confidential Information" means any and all trade secrets and any and all proprietary or other information of or concerning Alair Homes and its Affiliates and their respective businesses, activities, assets and prospects, including, without limitation, the systems, home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to Franchisee's Alair Homes Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media, electronic or other means), without regard to whether such information is provided directly by Alair Homes or its Affiliates or their respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that Alair Homes and/or its Affiliates has received from a third party that Alair Homes and/or its Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term "Derivative Materials" means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of Party, Franchisee or its Affiliates that contain, reflect or are based upon, in whole or in part,

any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of "Confidential Information:"

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by Alair Homes or on its behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of Party, Franchisee or Franchisee's Affiliates subsequent to the time of communication thereof by Alair Homes or on its behalf;

(iii) Information that Party can demonstrate was in the possession of Party or Franchisee at the time of communication thereof by Alair Homes or on its behalf, or is received by Party or Franchisee free of any obligation of confidence to Alair Homes or its Affiliates; and

(iv) Information that Party can demonstrate is, after the Effective Date but prior to the time of communication thereof by Alair Homes or on its behalf, independently developed by Party or Franchisee without the use of or recourse to Confidential Information or a breach or violation of the Franchise Agreement, this Agreement or a similar agreement.

(f) Upon Party's breach of any of the terms of this Section 1, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Party agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 1, without the necessity of posting bond therefor or proof of actual damages.

(g) Party will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If Party files a lawsuit for retaliation by Alair Homes for Party's reporting a suspected violation of law, Party may disclose the trade secret to Party's attorney and use the trade secret information in the court proceeding, if Party files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to a court order.

## 2. Restrictive Covenants.

(a) Party may not, during the period that Party is a director, officer, manager, employee or independent contractor of Franchisee, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in

a Competitive Business (as defined below). For purposes of this Agreement, the term “Competitive Business” means a business that, directly or indirectly, offers or provides home building services, home renovation services and/or commercial contracting services.

(b) Party may not, during the Restrictive Period (as defined below), directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that Party may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) Party has no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (i) Party is are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term “Restrictive Period” means the one-year period after the date that Party ceases to be a director, officer, manager, employee or independent contractor of Franchisee; provided, however, that if a court of competent jurisdiction determines that such period is unenforceable, the term “Restrictive Period” means the six-month period after the date that Party ceases to be a director, officer, manager, employee or independent contractor of Franchisee. For purposes of this Agreement, the term “Restrictive Area” means the Operating Area (as defined in Section 20) plus a 25-mile radius around the Operating Area; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term “Restrictive Area” means the Operating Area.

(c) Party may not, during the Restrictive Period, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), solicit, provide any services to or attempt to influence in a manner adverse to Alair Homes, any customer or client to which Franchisee provided services during the term of the Franchise Agreement.

(d) Party acknowledges that the provisions of this Section 2 (including, without limitation, the time restraints and geographic scope) are reasonable and necessary and agree that Party’s failure to adhere strictly to the restrictions contained in this Section 2 will cause substantial and irreparable damage to Alair Homes, its Affiliates and their respective franchisees. Upon Party’s breach of any of the terms of this Section 2, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Party agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes’ remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 2, without the necessity of posting bond therefor or proof of actual damages. Party acknowledges that Party possesses skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 2 will not deprive Party of Party’s personal goodwill or ability to earn a living.

(e) The parties understand and agree that Alair Homes may reduce the scope of any provision of this Section 2 without obtaining Party's consent or approval and Party agrees that it will thereafter comply with that provision as so modified. If the scope of any restriction contained in this Section 2 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Party and Alair Homes agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 2 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

3. Privacy Rights. Alair Homes will be entitled to use the name, likeness and voice of Party for purposes of promoting the Alair Homes franchise system, Alair Homes and its products and services, including, without limitation, all photos and audio and video recordings of Party, and Party hereby irrevocably consents thereto. Party acknowledges that Alair Homes will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto Alair Homes the full and exclusive right, title, and interest in and to such publicity rights.

4. Copyrights. Any reproduction of any items or materials suitable for copyright protection by Alair Homes (the "Copyrights"), including, without limitation, the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by us. All advertising, promotional and/or marketing materials generated by or for Franchisee or Party will be deemed a work for hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by Party to Alair Homes. In addition, Party hereby assigns and transfers to Alair Homes any and all rights it may have in or to the Copyrights, including, without limitation, the Copyrighted Material, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 4. For purposes of this Agreement, the term "Copyrighted Materials" means all versions, variations and adaptations of the following materials in tangible form, either produced by us, produced on our behalf as works for hire or derived from works produced by or on behalf of us: (a) the Operations Manual and the other documents and materials containing the System Standards, (b) training materials (including, without limitation, printed, audio, video or electronic materials), (c) plans and specifications for Alair Homes Franchises, (d) product identification posters, photographs and graphics, (e) advertising, promotional and/or marketing materials, (f) labels, forms and reports provided by Alair Homes, (g) any computer software developed or modified for use in the operation of Alair Homes Franchises, (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by Alair Homes as protected by copyright.

5. Innovations. During the term of the Franchise Agreement, Party may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to Franchisee's Alair Homes Franchise and related goods and services (the "Innovations"). Party hereby assigns any and all of its right, title and interest in and to the Innovations, including, without limitation, any intellectual property rights, to us, and agree to cooperate with us and our counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 5.

6. Franchise List. Party may not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose, other than purposes directly related to the operation of Franchisee's Alair Homes Franchise, without Alair Homes' prior written consent.

7. Other Activities. Party may not, without Alair Homes' prior written consent, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be involved in, or engage in any conduct in connection with future involvement in, (a) any commercial or other venture (a "Related Business") that relates to the home building, home renovation and/or commercial contracting industry, including, without limitation, a Related Business that may offer, sell or provide goods or services to Franchisee or its customers, or (b) purchase, lease or otherwise have an interest in real property (other than your personal residence) with respect to which Party, Franchisee or any other individual or entity may build on, renovate or otherwise develop for purposes of resale within five years, including, without limitation, renovating and/or flipping (reselling), (c) purchase, lease or otherwise have an interest in real property that Alair Homes prohibits Party from purchasing, leasing or otherwise have an interest in, or (d) fixed-price contracting. Prior to purchasing, leasing or otherwise acquiring an interest in any real property, Party shall provide to Alair Homes at least 30 days' prior written notice of Party's intent to do so and promptly provide to Alair Homes us such information regarding such real property, such acquisition and such other information as Alair Homes may require; Alair Homes may, in its sole discretion, have the right to prohibit Party purchasing, leasing or otherwise acquiring an interest in such real property if Alair Homes, in the exercise of its sole discretion, believes it to be a risk to Franchisee's Alair Homes Franchise or the Alair Homes franchise system. In addition, Party may not, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), provide home building services, home renovation services and/or commercial contracting services other than through Franchisee's Alair Homes Franchise. Further, Party may not, directly or indirectly, receive or realize a commission, rebate, kickback, fee, other payment or other consideration (in cash or in property, or as a credit or reduction of any amount payable), or otherwise derive revenue, from or with respect to any vendor, supplier or other person in connection with goods and/or services purchased, leased or otherwise obtained by Franchisee or its customers.

8. Enforceability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Party hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

9. Waiver. No delay or omission on the part of Alair Homes Party in exercising any of its rights hereunder, nor the acquiescence in or waiver by Alair Homes Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Alair Homes. Any waiver that fails to meet such requirements shall be invalid and void.



10. **Notices.** All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

11. **Governing Law; Jurisdiction and Venue.** This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.

12. **Jurisdiction.** Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

13. **Waiver of Rights.** The parties hereby waive the right to (a) a jury trial, and (b) initiate or participate in a class action in any form. In addition, Party hereby waives the right to seek or collect punitive, consequential and special damages in any forum.

14. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, Party will be obligated to pay Franchisee's reasonable attorneys' fees and costs in connection with Party's failure to perform its obligations under this Agreement and/or Franchisee's enforcing its rights under this Agreement.

15. **Entire Agreement.** This Agreement contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter.

16. **Terminology; Captions.** All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa. All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

17. **Survival.** Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination of the Franchise Agreement will survive the termination of the Franchise Agreement.

18. **Further Assurances.** Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

19. Third Party Beneficiary. The parties expressly intend that Alair Homes is a third party beneficiary of Franchisee's rights under this Agreement and that Alair Homes may enforce Franchisee's rights under this Agreement in its own name or in the name of Franchisee.

20. Date of Franchise Agreement: \_\_\_\_\_  
Name(s) of Party: \_\_\_\_\_  
Name of Franchisee: \_\_\_\_\_  
The Operating Area: \_\_\_\_\_

**EXECUTED** as of \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Name: \_\_\_\_\_  
(Print Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Address: \_\_\_\_\_  
\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**Exhibit E**

**Exhibit E**  
**Promissory Note**

**[\$amount]**

**[date]**

**Nanaimo, British Columbia**

**FOR VALUE RECEIVED, [name of franchisee, state and type of entity]** (“Maker”), promises to pay to the order of **Alair Enterprises USA, Inc.**, an Arizona corporation (“Payee”), located at 96 Wallace Street, Nanaimo, British Columbia V9R 0E2, Canada (or at such other place as Payee from time to time may designate), together with interest at a rate equal to the Stated Rate (as defined below), accruing from the date hereof until paid in full. This Note evidences a loan from Payee to Maker in connection with that certain Franchise Agreement between Maker and Payee, dated as of the date hereof (the “Franchise Agreement”).

Twenty-four equal installments of principal and accrued interest shall be payable on the **[number]** day of each month, commencing on **[up to six months from the date hereof]**.

Maker’s obligations under this Note are guaranteed by Maker’s principals, pursuant to those certain Agreements to be Bound and to Guarantee, dated the date hereof, and are secured by certain collateral, pursuant to that certain Security Agreement, dated the date hereof, between Maker and Payee (the “Security Agreement”). Maker agrees to timely perform all of its obligations under the Security Agreement.

In the event that Maker shall fail to pay any installment when due, or otherwise breaches its obligations under this Note, any other promissory note issued by Maker or its Affiliates (as defined in the Franchise Agreement) to Payee or its Affiliates, the Franchise Agreement and/or the Security Agreement, or any other agreement between Maker or its Affiliates and Payee or its Affiliates, and such failure or breach shall not be cured within five days after the due date thereof or the deadline by which such obligation was to be performed, Maker shall be in default of its obligations hereunder and Payee may declare the entire unpaid principal balance hereof to be immediately due and payable, whereupon the same shall become immediately due and payable without further notice. Payee’s failure to declare acceleration for any cause shall not be a waiver of its right to do so nor prevent Payee from declaring acceleration at a later time for such, or any other, default or breach.

For purposes of this Note, the term “Stated Rate” shall mean 10% per annum; provided, however, that in the event that Maker shall fail to pay any installment when due, or otherwise breaches its obligations under this Note, the Stated Rate shall be increased to 18% per annum and interest shall compound on an annual basis, beginning on the first anniversary of the date hereof. Maker understands and believes that this transaction complies with the usury law of the State of Arizona; however, if any interest or other charges in connection with this transaction are determined to exceed the maximum amount permitted by law, Maker agrees that (a) the amount of interest or charges payable pursuant to this transaction shall be reduced to the maximum amount permitted by law and (b) any excess amount previously collected from Maker in connection with this transaction that exceeded the maximum amount permitted by law shall be credited against the principal balance then outstanding hereunder. If the outstanding principal balance hereunder has been paid in full the excess amount paid shall be refunded to Maker. California Usury Law prohibits us from charging a financing fee above a certain percentage.

If Payee is required to engage legal counsel in connection with enforcing its rights hereunder, Payee shall be entitled to recover from Maker Payee's costs and expenses in connection therewith, including, without limitation, reasonable attorneys' fees, whether or not suit is filed, and all costs of collection, suit and preparation for suit (whether at trial or appellate level).

All payments shall first be applied to Payee's costs and expenses, then to accrued interest and then to principal. Prepayment of any amounts owed under this Note may be made at any time, or from time to time, in whole or in part, without penalty. Any prepayments shall be applied in inverse order of maturity. All amounts payable under this Note are payable in lawful money of the United States. Checks constitute payment only when collected. Time is of the essence in the performance of each and every obligation under this Note.

Maker hereby waives diligence, demand, grace, presentment for payment, notice of nonpayment, protest and notice of protest, notice of dishonor, notice of extension and notice of default. No delay or omission on the part of Payee in exercising any remedy, right or option under this Note shall operate as a waiver of such remedy, right or option. In any event, a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion.

**This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Maker agrees that any litigation with Payee shall be commenced and maintained only in a court located in Maricopa County, Arizona, and Maker hereby consents to the jurisdiction and venue of such courts and waives any right to object thereto.**

If any one or more of the provisions contained in this Note shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note, and this Note shall be construed as if such provision had never been contained herein or therein.

Maker hereby acknowledges receipt of a copy of this Note.

[Name of Maker]

By: \_\_\_\_\_  
Name:  
Title:

**Exhibit F**  
**Security Agreement**

AGREEMENT, dated as of [date], by and between [name of franchisee, state and type of entity] (“Debtor”), and **Alair Enterprises USA, Inc.**, an Arizona corporation (“Secured Party”).

**1. Grant of Security Interest.**

(a) Debtor hereby grants to Secured Party a security interest in Debtor’s right, title and interest in and to the Collateral (as hereinafter defined) to secure the payment and/or performance of the Obligations (as hereinafter defined) of Debtor to Secured Party. Debtor acknowledges and agrees that Secured Party has the right to file a financing statement, in substantially the form attached hereto as **Attachment 1**, to perfect Secured Party’s right, title and interest in and to the Collateral.

(b) Debtor authorizes and irrevocably appoints Secured Party as Debtor’s attorney-in-fact to sign, if necessary, and file, in Debtor’s name, financing statements at any time with respect to any of the Collateral, without the Debtor’s signature, it being understood and intended by Debtor that such power of attorney is coupled with an interest. At Secured Party’s request, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in forms satisfactory to Secured Party.

(c) For purposes of this Agreement, the following terms have the following meanings:

(i) “Affiliates” means an individual or entity that controls, is controlled by or under common control with another individual or entity.

(ii) “Collateral” means all of Debtor’s assets, including, without limitation, furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, together with all substitutes therefor and replacements thereof, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, and all proceeds thereof.

(iii) “Franchise Agreement” means any and all franchise agreements entered into between Debtor (or its Affiliates) and Secured Party (or its Affiliates).

(iv) “Obligations” means any and all indebtedness, liabilities and obligations of Debtor (and/or its Affiliates) to Secured Party (and/or its Affiliates), including, without limitation, the indebtedness, obligations and liabilities of Debtor to Secured Party pursuant to (i) the Franchise Agreement and all instruments and documents executed in connection therewith (collectively, the “Related Agreements”) and (ii) if Debtor deferred payment of any portion of the initial franchise fee payable pursuant to the Franchise Agreement, that certain Promissory Note, dated as of the date hereof, issued by Debtor, as maker, in favor of Secured Party, as payee date hereof (the “Promissory Note”).

**2. Covenants of Debtor.**

(a) Debtor shall maintain the Collateral in good operating condition and repair at all times and shall obtain and maintain, with an insurance carrier approved by Secured Party, liability insurance with respect to the delivery and operation of the Collateral, naming Secured Party as an additional insured, and insurance with respect to damage to the Collateral insured for the full insurable value

thereof, naming Secured Party as a loss payee. Such policies shall provide that no such coverage may be cancelled or amended without 30 days' prior written notice to Secured Party by the insurer.

(b) Debtor shall allow Secured Party and its representatives and agents access to the Collateral to examine or inspect the Collateral from time to time upon reasonable notice to Debtor, and shall execute and deliver to Secured Party and all instruments and documents that Secured Party may request in connection with Secured Party's exercise of such right and/or Secured Party's other rights under this Agreement.

3. **Representations and Warranties of Debtor.** Debtor represents and warrants to Secured Party as follows:

(a) The execution and delivery of this Agreement by Debtor, and the performance by Debtor of its obligations hereunder, are within the scope of Debtor's corporate powers, have been duly authorized by all necessary corporate action, are not in contravention of law or any of the terms of Debtor's Articles of Incorporation or Bylaws (and/or other governing documents) or any agreement to which Debtor is a party, by which Debtor is bound or that is applicable to the Collateral.

(b) Debtor has good title to, and rightful possession of the Collateral, and owns the Collateral free and clear of any liens, encumbrances, security interests, claims, charges, taxes, levies and/or assessments of any kind or nature, other than the security interest created by this Agreement. This Agreement grants Secured Party a first and senior security interest in, and lien on, the Collateral.

4. **Events of Default.** Debtor shall be in default of its obligations under this Agreement upon the occurrence of any of the following (each of which is referred to as an "Event of Default"):

(a) Failure to timely and fully pay or perform any of Debtor's obligations under (i) Section 2 of this Agreement, (ii) any of Debtor's (or another party's) other obligations under the Franchise Agreement or any other Related Agreement or (iii) any of Debtor's obligations under the Promissory Note;

(b) Failure to timely and fully perform any of the other Obligations;

(c) If any of the representations and warranties contained herein was untrue when made or becomes untrue;

(d) Debtor becomes insolvent (defined as the inability to pay its debts in the ordinary course of business, an excess of liabilities over assets or both), files as a debtor in bankruptcy, has a bankruptcy petition filed against it or makes an assignment for the benefit of creditors;

(e) Debtor transfers the Collateral except in the ordinary course of Debtor's business, the Collateral is transferred by operation of law except in the ordinary course of Debtor's business or otherwise or the Collateral is lost, stolen, substantially damaged or destroyed, or the value of the Collateral is reduced below the value of the Obligations; and/or

(f) Debtor is dissolved or it otherwise ceases to exist as an entity.

5. **Rights and Remedies upon Default.** Upon the occurrence of any Event of Default, and at any time thereafter, Secured Party shall have all of the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the following rights:

(a) To declare all Obligations immediately due and payable;

(b) To require Debtor to make the Collateral, or any part thereof, available to Secured Party for possession at a place designated by Secured Party;

(c) To take immediate and exclusive possession of the Collateral or any part thereof, and for that purpose Secured Party may, so far as Debtor can give authority therefor, with or without judicial process, enter upon any premises in which the Collateral or any part thereof may be situated and remove the same therefrom;

(d) To hold, maintain, preserve and prepare the Collateral for public or private sale, in Secured Party's sole discretion, until disposed of, or to retain the Collateral subject to Debtor's right of redemption, in satisfaction of the Debtor's obligations as provided in the Uniform Commercial Code. Secured Party shall give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Secured Party may be the purchaser at any public or private sale of the Collateral. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale, selling or the like, and reasonable attorney's fees and legal expenses incurred by Secured Party, shall be applied in satisfaction of the Obligations secured hereby. Secured Party shall account to Debtor for any surplus realized on such disposition and Debtor shall remain liable for any deficiency.

6. **Waiver.** No delay or omission on the part of Secured Party in exercising any of his rights hereunder, nor the acquiescence in or waiver by Secured Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Secured Party. Any waiver that fails to meet such requirements shall be invalid and void.

7. **Notices.** All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

8. **Set Off.** Secured Party shall have the right to set off against any claim, obligations or indebtedness that it may owe to Debtor any or all of the Obligations.

9. **Termination.** This Agreement shall be a continuing agreement in every respect until such time as the Debtor has paid and/or performed all of the Obligations.

10. **Governing Law; Jurisdiction and Venue.** This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and

each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.

11. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any proceeding.

12. **Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision contained in this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

**EXECUTED** as of the date first stated above

**[Name of Franchisee]**

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

Name:

Title:

Address: \_\_\_\_\_

\_\_\_\_\_

**Alair Enterprises USA, Inc.**

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

Rob Cecil, President

Address: Attention: Rob Cecil

96 Wallace Street

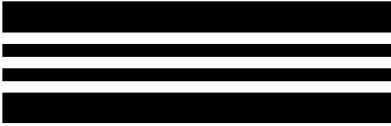
Nanaimo, BC V9R 0E2, Canada



# Attachment 1

2b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME



## UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; width: 80%; margin: auto; padding: 10px;"> <p><b>Alair Homes Enterprises USA Inc.</b>  <b>96 Wallace Street</b>  <b>Nanaimo, British Columbia, V9R 0E2</b>  <b>Canada</b></p> </div>

**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY**

1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR				
1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY <b>USA</b>

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR				
2a. ORGANIZATION'S NAME		ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY <b>USA</b>

3. **SECURED PARTY'S NAME** (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME <b>Alair Enterprises USA, Inc</b>				
OR				
3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
3c. MAILING ADDRESS <b>96 Wallace Street</b>	CITY <b>Nanaimo</b>	STATE <b>BC</b>	POSTAL CODE <b>V9R 0E2</b>	COUNTRY <b>CA</b>

4. **COLLATERAL:** This financing statement covers the following collateral:

**All of Debtor's assets, including, without limitation, furniture, fixtures, and equipment, cash, cash equivalents and accounts, and accounts receivable, together with all substitutes therefor and replacements thereof, whether now or hereafter acquired, whether now existing or hereafter arising, and wherever located, and all proceeds thereof.**

5. Check only if applicable and check only one box: Collateral is  held in a Trust (see UCC1Ad, item 17 and Instructions)  being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:  Public-Finance Transaction  Manufactured-Home Transaction  A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:  Agricultural Lien  Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable):  Lessee/Lessor  Consignee/Consignor  Seller/Buyer  Bailee/Bailor  Licensee/Licenser

8. OPTIONAL FILER REFERENCE DATA:

**Exhibit G**  
**Sample Release**

Franchisee, its Affiliates and their respective shareholders, members and partners, on their own behalf and on behalf of their respective Affiliates and their respective, shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisee Parties"), hereby release, discharge and acquit Alair Enterprises USA, Inc., an Arizona corporation ("Franchisor"), and its Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisor Parties") for, from and against any and all claims, demands and causes of action that accrued on or prior to the date hereof (whether now existing or hereafter arising, known or unknown) that the Franchisee Parties (or any of them) may now or in the future have against the Franchisor Parties (or any of them), including, without limitation, claims, demands and causes of action that resulted, result or may result from, arise out of or relate to that certain Franchise Agreement, dated as of [date], by and between Franchisor and Franchisee, the operation of Franchisee's Alair Homes® franchised business, the offering and sale of Franchisee's Alair Homes® franchised business and/or the relationship among Franchisor (or the other Franchisor Parties) and the Franchisee Parties (or any of them) in connection with any of the foregoing.

The above does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The above does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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

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

Name:

Title:

\_\_\_\_\_  
[Name of Shareholder/Member]

\_\_\_\_\_  
[Name of Shareholder/Member]

\_\_\_\_\_  
[Name of Shareholder/Member]

[the form you may be required to sign may differ from the above]

**Exhibit H**  
**Table of Contents of Operations Manual**



A L A I R

**Alair Homes – Franchise  
Operations Manual**

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**Exhibit I**  
**List of Franchisees (as of August 31, 2023)**

<b>Franchisee/Contact Person</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
817 Properties LLC Jeff Gorszczyk & Dan Goglio	2925 E Riggs Road, Suite 8-197	Chandler	AZ	85249	480.287.2820
Custom Building Contractors LLC Steve Werner	3554 S. Ringtail Circle,	Gold Canyon	AZ	85118	480.380.9400
La Costa Holdings Inc. Kahle Steinmetz and Kelsey Steinmetz	1805 Idaho Avenue	Escondido	CA	92027	760-685-1809
NCO1128 LLC Patrick Dion	435 Mountain Avenue, P.O. Box 1674	Berthoud	CO	80513	970.214.8909
GH3 Holdings LLC Glen Harris III	1700 Medical Lane	Fort Myers	FL	33907	239.313.7609
Kaibo Investments LLC Simon Amesbury & Tiffany Amesbury	730 S Sterling Avenue, Suite 111	Tampa	FL	33609	813.830.3426
BLV Contracting, LLC Barry Van Wye	9080 Isla Bella Circle	Bonita Springs	FL	34135	239.247.2919
SBC Development Naples LLC Steven & Emma Cowan	366 Fifth Avenue, Suite 201	Naples	FL	34102	239.530.0948
Carta Contracting LLC Daniel Kennerly/Roland "Jim" Krantz	2207 E Michigan Street	Orlando	FL	32806	407.857.8669
North Naples Construction LLC James Cramer and Barry Vanwye	9990 Coconut Road,	Bonita Springs	FL	34135	239-247-2919
The Strong Group LLC Walter Strong	28 East 41st Street	Savannah	GA	31401	912.233.7690
Peter and David, LLC Peter & David Michelson & Heather Shuster	124 S. Columbia Drive	Decatur	GA	30030	404.378.6962
AH Marietta, LLC Dale Contant	1631 Canton Road	Marietta	GA	30066	770.616.8697
Low Country Construction Group, Inc. David Balza	28 East 41 <sup>st</sup> Street	Savannah	GA	31401	843.290.3612
I 3 Legacy, LLC Andrew Long	5550 Wild Rose Lane, Suite 400	West Des Moines	IA	50266	515.303.4744
JK Design Build LLC Duane Johns and Roger Ketchum	3926 Miriam Drive	Charlotte	NC	28205	704.201.9054
LHCNC LLC David Bengston	11910 Terrill Ridge Drive	Davidson	NC	28036	704.622.2262
JS Design Build LLC Jeff Smith	109 Aho Road, Suite 3	Blowing Rock	NC	28605	828.719.5724
Hickory Design Build LLC Cody Byrd	2318 Morganton Blvd. NW	Lenoir	NC	28645	828.292.0615
Toxaway Construction Group, LLC John Holbrook and Kevin Collins	16821 Rosman Highway	Lake Toxaway	NC	28747	828.966.4400
Mindfully Built LLC Brandon Bryant	301 Merrimon Ave	Asheville	NC	28801	828-202-5131
AH Hudson LLC David Nystrom, Anthony Ponikvar, Scott	10 W. Streetsboro Street, Suite 201	Hudson	OH	44236	440. 893.9600

Harvey					
AH Solon LLC Ken Badalamenti	34055 Country View Lane	Solon	OH	44139	440.349.9744
AH Cuyahoga Falls LLC Adam Kilgore	198 Portage Trail Ext. West, Suite 100A	Cuyahoga Falls	OH	44223	330.942.4242
Jennings Foster 3 LLC Michael Coutu	215 St. Awdry Street	Summerville	SC	29485	843.296.8510
Hendrix Cheyenne Homes, LLC Colby Hubble	215 Old Piedmont Highway	Greenville	SC	29605	864.238.6448
Collins Development Group LLC Kevin Collins	145 Thomas Green Blvd., Suite 203	Clemson	SC	29631	864.940.7533

SBC Charleston, LLC Steven Kendrick & Christopher Hulsey	875 Coleman Boulevard	Mount Pleasant	SC	29464	843.856.6901
JRH Design Build LLC James Hammel and Lisa Hammel	2801 Westminister Avenue	Dallas	TX	75205	214.957.6737
Hatfield Design Build LLC Chad and Diane Hatfield	305 W Spring Creek Parkway, Suite 104C	Plano	TX	75023	469.682.0210
Frisco Contractors LLC Mike Scarlett	9380 N County Rd	Frisco	TX	75033	972.439.8545
HCF Holding LLC Christopher Bolio and Michelle Bolio	9440 Bamboo Road	Houston	TX	77041	832.731.4684
Central Texas Signature Homes LLC Jeff Jenkins	1413 Burgundy Way	New Braunfels	TX	78132	830.606.1414
Cason Graye Holdings, LLC Bryan Phillips	5205 Spruce Street	Bellaire	TX	77401	713.664.7272
Lowry Investments LLC Cole Lowry & Joelle Lowry	1614 Surveyor Boulevard	Carrollton	TX	75006	214.550.3400
CRG Enterprises, LLC Paul Zuch and Sherry Zuch	12740 Hillcrest Road, Suite 267	Dallas	TX	75230	214.495.7200
SLC146, LLC Jessie Jarom Iacono	14183 S. Minuteman Drive, Tech 2000, Building B, Suite 200	Draper	UT	84020	801.326.0046
Highland Street LLC Chad Hackmann*, Alexandra Castro, Jason Chaney	3100 Clarendon Blvd., Suite 200	Arlington	VA	22201	202.409.1280
AH100 LC Matthew Bieschke	7501 Park Terrace Drive	Alexandria	VA	22307	202-549-9000
Wellspring Construction Group, LLC Matt Bowe	610 East Main Street	Purcellville	VA	20132	540-454-5975
Chapter Two LLC Stacy Eakman	751 Kirkland Avenue	Kirkland	WA	98033	206-972-2275
Roc Innovations LLC Nicole & Andy Selner	605 George Street	De Pere	WI	54115	920.370.0707

\*Operated in Washington, D.C.

**Exhibit J**  
**List of Franchisees who have Left the System or not Communicated with us**

Revive Custom Homes LLC Peter Lopez	3214 Cypress Point Dr.	Missouri City	TX	77459	281.605.9763
----------------------------------------	------------------------	---------------	----	-------	--------------



**Exhibit K**  
**List of Master Franchisees and related Item 2, 3 and 4 Information**

Franchisee/Contact Person	State
AVI Master Enterprises Ltd. Stu Hopewell and Blair McDaniel	Arizona
Colorado Master Limited Monica Affleck and Graeme Bell	Colorado
GH SWFL, LLC Glenn Harris II	Florida (Southwest)
K2 NFRD 18, LLC Daniel Kennerly and Roland "Jim" Krantz	Florida (North)
Southeast Georgia RP, LLC Walter Strong	Georgia (South)
NGARP LLC Peter and David Michelson	Georgia (North)
RP Iowa, LLC Andrew Long	Iowa
Johns & Young LP Daved Young and Duane Johns	North Carolina (Western)
JSYNC LP Dave Young and Duane Johns	North Carolina (Eastern)
Nystrom LLC David Nystrom	Ohio
YoungSmith LP Dave Young	South Carolina
NETX, LLC Chris Bolio and Michelle Bolio	Texas (Northeast)
SETX Master, LLC Christopher Bolio and Michelle Bolio	Texas (Southeast)
Centex Master, LLC Jeffrey Jenkins	Texas (Southwest)
Hackmann Management LLC Chad Hackmann	Virginia
Roc RP, LLC Andy Selnder and Nicole Selner	Wisconsin

**Item 2**  
**Business Experience**

<b>AVI Master Enterprises Ltd.</b>		AVI Master Enterprises Ltd. has been our Master Franchisee for Arizona since April 2018. It is based in Nanaimo, British Columbia, Canada.
	Stu Hopewell	See Item 2 of Franchise Disclosure Document
	Blair McDaniel	See Item 2 of Franchise Disclosure Document
<b>Colorado Master Limited</b>		Colorado Master Limited has been our Master Franchisee for the State of Colorado since August 2017. Colorado Master Limited is based in Edmonton, British Columbia, Canada.
	Monica Affleck	Monica Affleck has been a principal of Colorado Master Limited since August 2017. She has also been a principal of 2002995 Alberta Ltd., an Alair partner Franchisee in Edmonton, Alberta, since October 2011, as well as Alair Canada's Master Franchisee in Northern Alberta, since February 2013, and Alair Canada's Master Franchisee in Southern Alberta since December 2017. In those capacities, she is, and has been, based in Edmonton, Alberta, Canada.
	Graeme Bell	Graeme Bell has been a principal of Colorado Master Limited since August 2017. In addition, he has been employed as a Project Manager with Alair Homes Edmonton Ltd., Alair Canada's franchisee in Edmonton, Canada, since March 2015. Between September 2012 and May 2015, he was employed by 1791721 Albert Ltd. and contracted as an investment firm practicing in the exempt market space through Raintree Financial. Between May 2011 and February 2014, he was a football player with the Saskatchewan Roughriders. In all of those positions, he has been based in Edmonton, Alberta, Canada.
<b>GH3 SWFL, LLC</b>		GH3 SWFL, LLC has been our Master Franchisee for Southwest Florida since July 2017. GH3 SWFL, LLC is based in Ft. Myers, Florida.
	Glenn Harris III	Glen Harris III has been a principal of GH3 SWFL, LLC since July 2017. He is also a principal of GH3 Holdings LLC, our Fort Myers, Florida unit franchisee since July 2016. In addition, he has been a principal of GH3 Enterprises, LLC since 2009.

<b>K2 NFRD 18, LLC</b>		K2 NFRD 18, LLC has been our Master Franchisee for North Florida since August 2018. K2 NFRD 18, LLC is based in Orlando, Florida.
	Daniel Kennerly	Daniel Kennerly has been a principal of K2 NFRD 18, LLC since August 2018. In addition, he has been a principal of Carta Contracting LLC, which has been an Alair franchisee in Orlando since January 2017. From 2012 to 2017 he was employed by Carta Construction. In those capacities, he is and has been based in Orlando, Florida.
	Roland “Jim” Krantz	Roland (“Jim”) Krantz has been a principal of K2 NFRD 18, LLC since August 2018. In addition, he has been a principal of Carta Contracting LLC, which has been an Alair franchisee in Orlando since January 2017. From 2012 to 2017 he was employed by Carta Construction. In those capacities, he is and has been based in Orlando, Florida.
<b>Southeast Georgia RP, LLC</b>		Southeast Georgia RP, LLC has been our Master Franchisee for South Georgia since May 2018. Southeast Georgia RP, LLC is based in Savannah, Georgia.
	Walter Strong	Walter Strong has been an owner of Southeast Georgia RP, LLC since June 2018. He has also been the owner of The Strong Group since March 2017. Between March 2010 and December 2017 he was the Vice President of Operations of W.H. Strong Company. In those capacities, he is, and has been, based in Savannah, Georgia.
<b>NGARP LLC</b>		NGARP LLC has been our Master Franchisee for North Georgia since October 2018. NGARP LLC is based in Decatur, GA.
	David Michelson	David Michelson has been a Partner in Peter and David LLC DBA Alair Homes Decatur since February 2018. In October 2018 David became a partner in NGARP LLC, which is the Master Franchisee for the North Georgia territory. From January 2004 to February 2018 David was the President of Renewal Design Build Inc, in Decatur, Georgia.
	Peter Michelson	Peter Michelson has been a Partner in Peter and David LLC DBA Alair Homes Decatur since February 2018. In October 2018 Peter became a partner in NGARP LLC, which is the Master Franchisee for the North Georgia territory. From January 2001 to February 2018 Peter was the CEO of Renewal Design Build Inc. in Decatur, Georgia.

<b>Johns &amp; Young LP</b>		Johns & Young LP has been our Master Franchisee for Western North Carolina since August 2016. Johns & Young LP has also been a Master Franchisee for Alair Canada since August 2013. Johns & Young LP is based in Charlotte, North Carolina.
	Dave Young	Dave Young has been a principal of Johns & Young LP since August 2016. Mr. Young is also a principal of YoungSmith LP, which has been our Master Franchisee for South Carolina since July 2016. He is also a principal of JSYNC LP, our Master Franchisee for Eastern North Carolina since August 2018. In addition, Mr. Young has been the President of Digital Realty Network Inc. since June 2007 and a Broker with Royal Lepage Your Community Realty since May 2008. In those positions, Mr. Young has been based in Newmarket, Ontario, Canada.
	Duane Johns	Duane Johns has been a principal of Johns & Young LP since August 2016. He is also a principal of JSYNC LP, our Master Franchisee for Eastern North Carolina since August 2018. Between August 1997 and December 2017, Duane owned and operated Advanced Renovations, Inc., a renovation and custom home business operating. He has also been a managing member of JK Design Build LLC, an Alair franchisee in Charlotte, North Carolina, since June 2016. In those positions, Mr. Johns is and has been based in Charlotte, North Carolina.
<b>JSYNC LP</b>		JSYNC LP has been our Master Franchisee for Eastern North Carolina since August 2018. JSYNC LP is based in Charlotte, North Carolina.
	Dave Young	See above
	Duane Johns	See above
<b>Hackmann Management LLC</b>		Hackmann Management LLC, has been our Master Franchisee for Virginia since December 2018. Hackmann Management LLC is based in Arlington, Virginia.
	Chad Hackmann	Chad Hackmann has been the owner of Arlington Construction Management since February 2020. Since September 2017, his company, Highland Street LLC, has been a franchisee in Arlington, Virginia. Mr. Hackmann has been based in Arlington, Virginia

<b>Nystrom LLC</b>		Nystrom LLC has been our Master Franchisee for Northern Ohio since October 2016. Nystrom LLC is based in Hudson, Ohio.
	David Nystrom	David Nystrom has been a principal of Nystrom LLC since October 2016. Mr. Nystrom is also a principal of AH Hudson LLC, our Hudson, Ohio unit franchisee since September 2015. Between April 2004 and September 2015, Mr. Nystrom was the President of Lauren Building Company, LLC, a general contracting firm based in Hudson, Ohio.
<b>YoungSmith LP</b>		YoungSmith has been our Master Franchisee for South Carolina since July 2016. YoungSmith LP is based in Summerville, South Carolina.
	Dave Young	See above
<b>, LLC</b>		NETX, LLC has been our Master Franchisee for Northeast Texas since August 2018. NETX, LLC is based in Carrollton, Texas.
	Christopher Bolio	Christopher Bolio has been a principal of NETX LLC since December 2017. In addition, he has been a principal of HCF Holding LLC, Alair Homes' franchisee in Houston, Texas, since January 2017 and has been the owner of Bolio Custom Homes (currently in operational) since June 2005. In those capacities, he is and has been based in Houston, Texas.
	Michelle Bolio	Michelle Bolio has been a principal of NETX LLC since December 2017. She has also been a Strategic Developer with Alair Canada since October 2018. Between May 2002 and June 2016, she worked with Reliant Energy NRG, most recently as a Senior Manager of Segment Marketing in Houston, Texas. In those capacities, she has been based in Houston, Texas since 2012.

<b>SETX Master, LLC</b>		SETX Master, LLC has been our Master Franchisee for Southeast Texas since December 2017. SETX Master, LLC is based in Houston, Texas.
	Christopher Bolio	Christopher Bolio has been a principal of SETX Master, LLC since December 2017. In addition, he has been a principal of HCF Holding LLC, Alair Homes' franchisee in Houston, Texas, since January 2017 and has been the owner of Bolio Custom Homes (currently inoperational) since June 2005. In those capacities, he is and has been based in Houston, Texas.
	Michelle Bolio	Michelle Bolio has been a principal of SETX Master, LLC since December 2017. She has also been a Strategic Developer with Alair Canada since October 2018. Between May 2002 and June 2016, she worked with Reliant Energy NRG, most recently as a Senior Manager of Segment Marketing in Houston, Texas. In those capacities, she has been based in Houston, Texas since 2012.
<b>Roc RP, LLC</b>		Roc RP, LLC has been our Master Franchisee for Wisconsin since April 2020. WIMA Master, LLC is based in De Pere, Wisconsin.
	Andy Selner	Andy Selner has been a principal of Roc RP, LLC since April 2020. In addition, he has been a partner of Roc Innovations, LLC, our franchisee in De Pere, Wisconsin since November 2017. He has also been an owner of Roc Building Solutions, LLC since October 2012. In all these capacities he has been based in De Pere, Wisconsin.
	Nicole Selner	Nicole Selner has been a principal of WIMA Wisconsin Master, LLC since April 2020. In addition, she has been a partner of Roc Innovations, LLC, our franchisee in De Pere, Wisconsin since November 2017. She has also been an owner of Roc Building Solutions, LLC since October 2012. In all these capacities she has been based in De Pere, Wisconsin.
<b>Centex Master, LLC</b>		Centex Master, LLC has been our Master Franchisee for Southwest Texas since February 2020. Centex Master, LLC is based in New Braunfels, Texas.
	Jeffrey Jenkins	Jeffrey Jenkins has been a principal of Centex Master, LLC since February 2020. In addition, he has been a principal of Central Texas Signature Homes, LLC, our franchisee in New Braunfels, Texas, since November 2017 and has been the owner of Anderson-Jenkins Signature Homes GP, LLC (currently inoperational) since May 2006. In those capacities, he is and has been based in New Braunfels, Texas.
<b>RP Iowa, LLC</b>		RP Iowa, LLC has been our Master Franchisee for Iowa since February 2022. RP Iowa, LLC is based in West Des Moines, Iowa.

	Andrew Long	Andrew Long has been a principal of RP Iowa, LLC since February 2022. In addition, Mr. Long has been a principal of I 3 Legacy, LLC, our franchise in West Des Moines, Iowa, since April 2020. In that capacity, Mr. Long is and has been based in West Des Moines, Iowa.
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**Item 3  
Litigation**

Glen Harris III, the principal of GH3 SWFL, LLC, our Master Franchisee for Southwest Florida, voluntarily pleaded guilty to misdemeanor charges to possession of undersize crawfish. Mr. Harris agreed to pay \$648 in fines and costs and agreed to six months' probation (no fishing or diving in Monroe County and completion of a Fish and Wildlife Conservation class). (State of Florida vs. Glenn Harris III, County Court of the 16<sup>th</sup> Judicial Circuit in and for Monroe County, Florida, Case No. 2012- MM-00497-B-M, July 26, 2012)

Except as stated above, no litigation or arbitration is required to be disclosed in this Item.

**Item 4  
Bankruptcy**

No bankruptcy is required to be disclosed in this Item.

**Exhibit L**  
**Financial Statements**



**Alair Enterprises USA, Inc.**

Financial Statements with  
Independent Auditor's Report

Years Ended August 31, 2023, 2022, and 2021

Larson Gross 

**Alair Enterprises USA, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
Alair Enterprises USA, Inc.  
Nanaimo, British Columbia, Canada

### Opinion

We have audited the accompanying financial statements of Alair Enterprises USA, Inc., which comprise the balance sheets as of August 31, 2023, 2022, and 2021, and the related statements of income and retained earnings 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 Alair Enterprises USA, Inc. as of August 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

*Larson Gross PLLC*

Bellingham, Washington  
December 5, 2023

Alair Enterprises USA, Inc.

**Balance Sheets**

August 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$ 1,435,382	\$ 1,174,929	\$ 1,071,824
Trade and other accounts receivable	271,029	273,326	367,648
Accounts receivable from related party	3,357	5,113	7,506
Prepaid expenses	1,907	8,500	9,500
Advances due from related parties	23,090	52,517	23,090
Current portion of notes receivable – franchisees	<u>16,015</u>	<u>46,500</u>	<u>84,500</u>
Total current assets	1,750,780	1,560,885	1,564,068
<b>Notes receivable – franchisees</b>	-	15,988	27,582
<b>Receivables – regional developers</b>	2,107,250	2,159,250	2,018,250
<b>Deferred tax asset</b>	<u>-</u>	<u>-</u>	<u>26,600</u>
<b>Total assets</b>	<u>\$ 3,858,030</u>	<u>\$ 3,736,123</u>	<u>\$ 3,636,500</u>
<b>Liabilities and Stockholder's Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 339,289	\$ 340,813	\$ 393,543
Income tax payable	194,828	97,037	182,254
Advance due to related party	66,903	-	79,022
Notes payable – current portion	<u>-</u>	<u>-</u>	<u>92,751</u>
Total current liabilities	601,020	437,850	747,570
<b>Deferred revenue</b>			
Regional developer right franchises	2,107,250	2,159,250	2,018,250
<b>Deferred tax liability</b>	<u>89,800</u>	<u>131,500</u>	<u>-</u>
Total liabilities	2,798,070	2,728,600	2,765,820
<b>Stockholder's equity</b>			
Common stock – 1,000 shares authorized, 100 shares issued and outstanding, \$1,000 par value	96,131	96,131	96,131
Retained earnings	<u>963,829</u>	<u>911,392</u>	<u>774,549</u>
Total stockholder's equity	<u>1,059,960</u>	<u>1,007,523</u>	<u>870,680</u>
<b>Total liabilities and stockholder's equity</b>	<u>\$ 3,858,030</u>	<u>\$ 3,736,123</u>	<u>\$ 3,636,500</u>

Alair Enterprises USA, Inc.

**Statements of Income and Retained Earnings**

Years Ended August 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues</b>			
Franchise royalties	\$ 6,326,876	\$ 4,892,912	\$ 3,430,289
Advertising fund contributions	2,421,118	1,777,080	1,229,838
Franchise sale fees	<u>455,187</u>	<u>222,546</u>	<u>443,046</u>
Total revenues	9,203,181	6,892,538	5,103,173
<b>Cost of revenues</b>			
Franchise fees	4,838,208	3,606,088	2,728,408
Advertising and promotion	<u>2,188,989</u>	<u>1,816,826</u>	<u>1,124,890</u>
Total cost of revenues	<u>7,027,197</u>	<u>5,422,914</u>	<u>3,853,298</u>
<b>Gross profit</b>	2,175,984	1,469,624	1,249,875
<b>General and administrative expenses</b>			
Wages and benefits	477,688	438,881	444,021
Legal and accounting	90,727	113,722	67,160
Business development	44,748	-	-
Broker fees	26,500	7,000	10,000
Travel	16,399	9,237	876
Business fees, dues and licenses	1,333	3,842	3,341
Bank charges and other	1,200	821	316
Office expense	-	<u>1,343</u>	<u>1,327</u>
Total general and administrative expenses	<u>658,595</u>	<u>574,846</u>	<u>527,041</u>
<b>Income from operations</b>	1,517,389	894,778	722,834
<b>Other income</b>			
Interest income	2,811	5,289	3,210
Forgiveness of Paycheck Protection Program loan	-	<u>92,751</u>	-
Total other income	<u>2,811</u>	<u>98,040</u>	<u>3,210</u>
<b>Income before provision for income tax</b>	1,520,200	992,818	726,044
<b>Provision for income tax expense (benefit)</b>			
Current	428,528	278,662	191,516
Deferred	<u>(41,700)</u>	<u>158,100</u>	<u>(113,800)</u>
Total income tax expense (benefit), net	<u>386,828</u>	<u>436,762</u>	<u>77,716</u>
<b>Net income</b>	1,133,372	556,056	648,328
Retained earnings, beginning of year	911,392	774,549	756,581
Dividends	<u>(1,080,935)</u>	<u>(419,213)</u>	<u>(630,360)</u>
<b>Retained earnings, end of year</b>	<u>\$ 963,829</u>	<u>\$ 911,392</u>	<u>\$ 774,549</u>

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

Alair Enterprises USA, Inc.

**Statements of Cash Flows**

Years Ended August 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>			
Net income	\$ 1,133,372	\$ 556,056	\$ 648,328
Adjustments to reconcile net income to net cash provided by operating activities:			
Franchise sales in notes receivable, net	46,473	49,594	37,857
Deferred income tax expense (benefit)	(41,700)	158,100	(113,800)
Forgiveness of Paycheck Protection Program loan	-	(92,751)	-
(Increase) decrease in assets			
Trade and other accounts receivable	54,297	(39,172)	126,270
Accounts receivable from related party	1,756	(5,113)	-
Prepaid expenses	6,593	1,000	-
Increase (decrease) in liabilities			
Accounts payable and accrued liabilities	(1,524)	(52,730)	4,135
Income tax payable	97,791	(85,217)	182,254
Deferred revenue	(52,000)	141,000	(44,186)
<b>Net cash provided by operating activities</b>	<u>1,245,058</u>	<u>630,767</u>	<u>840,858</u>
<b>Cash flows from investing activities</b>			
Change in advances due from related parties	<u>29,427</u>	<u>(29,427)</u>	<u>(23,090)</u>
<b>Net cash provided (used) by investing activities</b>	<u>29,427</u>	<u>(29,427)</u>	<u>(23,090)</u>
<b>Cash flows from financing activities</b>			
Change in advance due to related party	66,903	(79,022)	(97,688)
Dividends	<u>(1,080,935)</u>	<u>(419,213)</u>	<u>(630,360)</u>
<b>Net cash used by financing activities</b>	<u>(1,014,032)</u>	<u>(498,235)</u>	<u>(728,048)</u>
<b>Net change in cash</b>	260,453	103,105	89,720
Cash, beginning of year	<u>1,174,929</u>	<u>1,071,824</u>	<u>982,104</u>
<b>Cash, end of year</b>	<u>\$ 1,435,382</u>	<u>\$ 1,174,929</u>	<u>\$ 1,071,824</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid for income taxes	<u>\$ 326,203</u>	<u>\$ 357,705</u>	<u>\$ 720</u>
Other Non-cash Financing Activity			
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 92,751</u>	<u>\$ -</u>

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

Alair Enterprises USA, Inc.

**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 1 – Summary of Significant Accounting Policies**

**Business** – Alair Enterprises USA, Inc. (the Company) was incorporated in the State of Arizona in 2013 and is the franchisor of single and regional custom home building franchises. The Company grants single-unit franchises (Unit Franchises) that will operate a franchise in a geographical area under the name Alair Homes. People who operate Unit Franchises (Unit Franchisees) offer their customers high quality home building and renovation services. The Company also grants Alair Homes Master Franchises that recruit Unit Franchisees in designated development areas, provide certain sales and support services to Unit Franchisees located in their development areas, and establish and operate at least one Unit Franchise in their development areas, unless this requirement is waived. People who operate Master Franchises receive a percentage of the initial franchise fee and continuing fees (Royalties) paid by Unit Franchisees within their development areas. Unit Franchises and Master Franchises are available within certain geographic areas across the United States.

Following is a summary of changes in the number of franchises during the years ending August 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Master Franchises			
Franchised Outlets			
In operation, beginning of year	15	14	14
New franchises sold during year	-	1	-
In operation, end of year	<u>15</u>	<u>15</u>	<u>14</u>
Company Owned			
In operation, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>
In operation, end of year	<u>1</u>	<u>1</u>	<u>1</u>
Total Master Franchises	<u><u>16</u></u>	<u><u>16</u></u>	<u><u>15</u></u>
Unit Franchises			
Franchised Outlets			
In operation, beginning of year	40	37	32
New franchises sold during year	6	3	5
Franchises reacquired, terminated or ceased during year	<u>(1)</u>	<u>-</u>	<u>-</u>
In operation, end of year	<u><u>45</u></u>	<u><u>40</u></u>	<u><u>37</u></u>

As of August 31, 2023 there were sixteen Master Franchises and forty five Franchises in operation.

**Cash** – Cash consists of cash in bank for statement of cash flow purposes.

**Accounts receivable and allowance for doubtful accounts** – Trade receivables are recorded at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management bases its estimate of doubtful accounts on several factors. These factors include the Company's prior experience collecting receivables, the aging of the receivables at year end, the debtor's ability to repay the amount owed, and management's appraisal of current economic conditions. No reserve for uncollectible accounts was recorded at August 31, 2023, 2022, and 2021.



**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Notes receivable** – Notes receivable are stated at the outstanding principal amount. Outstanding notes accrue interest based on the terms of the respective note agreements as described in Note 3. Management determines when a note receivable is considered delinquent. Delinquent notes are evaluated for collectability based on individual credit evaluation and specific circumstances of the borrower. Impairment reserves are recorded as necessary based upon management’s evaluation results.

**Revenue recognition** – The Company recognizes revenue from contracts with customers when both parties have approved the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services identified in the contract. Revenue is recognized as performance obligations under the terms of the contract with the customer are satisfied. Generally, this recognition occurs with the transfer of control of the good or service to the customer. For further discussion of revenue and related accounting policies, see Note 2.

**Advertising** – Franchisees are required to remit an initial payment to the advertising fund upon signing the franchise agreement and a designated portion of sales, currently 1%, to the advertising fund concurrently with franchise royalties. Advertising expense is recognized as amounts are expended from the fund.

**Income tax** – The Company is taxed at the entity (corporate) level and provides for income taxes and the related accounts under the asset and liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to be in effect during the year in which the basis differences reverse. Valuation allowances are established when management determines it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The Company determines whether an uncertain tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation process, based upon the technical merits of the position. The Company believes that its income tax filing positions will be sustained on examination and does not anticipate any adjustments that would result in material changes on its financial statements. As a result, no accrual for uncertain income tax positions has been recorded in the financial statements.

**Sales taxes** – Taxes collected from customers for amounts assessed by governmental authorities on revenue-producing transactions are recorded on a net basis and are not included in the amounts on the accompanying statements of income.

**Use of estimates** – The preparation financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Reclassifications** – Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s financial statement presentation.

**Subsequent events** – In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 5, 2023, the date the financial statements were available to be issued.

**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 2 – Revenue from Contracts with Customers**

**Revenue recognition** – For contracts that are within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

**Nature of services** – The Company’s revenues consist of franchise sale fees, franchise royalties and advertising fund contributions. The Company executes franchise agreements for each Unit Franchise; each franchise agreement sets out the terms of the arrangement with the franchisee. Franchisees contractually enter into Master Franchises to secure the exclusive right to solicit prospective Unit Franchisees within a defined geographical area. Master Franchises establish the timing and number of Unit Franchisees to be developed within the defined geographical area.

The Company's performance obligations under its franchise agreements consist of (a) pre-opening services, such as training, (b) a franchise license, and (c) ongoing services, such as management of the advertising fund contributions, development of proprietary systems and monitoring. The Company elected to account for pre-opening services performed for franchisees as distinct from the franchise license itself and made an accounting policy election to account for pre-opening services as a single performance obligation. The remaining performance obligations are highly interrelated, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use the Company's intellectual property over the term of each franchise agreement.

**Transaction price** – The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring services to the customer. The Company records reductions to net revenue related to future returns based on the Company’s expectations and historical experience.

Franchise agreements typically require Unit Franchisees to pay an initial, non-refundable franchise fee and pay royalties and advertising fund contributions based upon a percentage of sales. The Company collects royalties of 2.5% to 4.0% of sales and advertising fund contributions of 1% of sales from Unit franchisees. Pursuant to a Master Franchise, a franchisee is generally required to pay an initial non-refundable development fee for a minimum number of Unit Franchisees to be developed, as outlined in the respective franchise agreement.

The Company’s affiliate, Alair Enterprises Canada Ltd, also performs supervisory and administrative services for certain franchises for which it receives management fees from the Company; these fees are recognized as the services are performed. Due to the agency nature of the arrangement, revenue received by the Company from franchisees for supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying statements of income. Revenue from supervisory and administrative services totaled \$1,043,784, \$783,849, and \$574,617 for the years ended August 31, 2023, 2022, and 2021, respectively.

Alair Enterprises USA, Inc.

**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 2 – Revenue from Contracts with Customers – (Continued)**

**Timing** – Revenue is recognized at a point in time or over time when services are rendered, which is when the performance obligation is satisfied. The Company recognizes initial non-refundable franchise fees from Unit Franchises as revenue after performing pre-opening services, which is generally upon the signing of the franchise agreement. Revenue from franchise royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise license and is recognized as franchisee's sales occur and customers are invoiced, at least monthly.

The Company recognizes Master Franchise revenue as it satisfies the performance obligation to grant development rights over a stated term as franchise fees are collected. The receivables from Master Franchise sales are initially recorded on the balance sheets as deferred revenues and receivables; the Company subsequently records the revenue as the receivables are collected. The deferred revenue for Master Franchises totaled \$2,107,250, \$2,159,250, \$2,018,250, and \$2,061,000 at August 31, 2023, 2022, 2021, and 2020, respectively.

**Significant payment terms** – Payment terms are typically within 30 days of the month-end where services are performed. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing services.

**Contract modifications** – Subject to satisfaction of certain conditions, a franchisee may generally execute a successor franchise agreement upon the expiration of the initial franchise agreement.

**Disaggregated revenue** – The following table presents the Company's revenues, disaggregated by source, for the years ended August 31, 2023, 2022 and 2021:

	Shown as %		
	2023	2022	2021
Franchise royalties	69	70	67
Advertising fund contributions	26	26	24
Single unit franchise sales	4	2	8
Master unit franchise sales	1	2	1
Total	<u>100</u>	<u>100</u>	<u>100</u>

**Note 3 – Notes Receivable**

Notes receivable consist of the following as of August 31:

	2023	2022	2021
Notes receivable from franchisees – monthly receipts totaling approximately \$1,900, including interest ranging from 0% to 10%, unsecured, with various maturities through May 2024	\$ 16,015	\$ 62,488	\$ 112,082
Less current portion	<u>(16,015)</u>	<u>(46,500)</u>	<u>(84,500)</u>
	<u>\$ -</u>	<u>\$ 15,988</u>	<u>\$ 27,582</u>

Alair Enterprises USA, Inc.

**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 4 – Related Party Transactions**

Significant related party transactions were as follows as of and during the years ended August 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Alair Enterprises Canada Ltd., affiliate of Alair Enterprises USA Holdings, Inc.			
Accounts receivable	\$ 3,357	\$ 5,113	\$ 7,506
Advance due from related party	\$ -	\$ 29,427	\$ -
Advance due to related party	\$ 66,903	\$ -	\$ 79,022
Franchise royalties expensed	\$ 1,780,709	\$ 1,282,276	\$ 892,343
Paid for legal, accounting, and advertising services	\$ 1,772,857	\$ 1,395,391	\$ 972,470
Alair Enterprises USA Holdings, Inc., affiliate of Alair Enterprises USA Holdings, Inc.			
Advance due from related party	\$ 23,090	\$ 23,090	\$ 23,090

Franchise royalties are paid to the affiliate company, Alair Enterprises Canada Ltd., pursuant to an operating agreement.

**Note 5 – Income Taxes**

The effective income tax rate on income differs from the statutory rates as follows for the years ended August 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Income tax computed at federal statutory rate	\$ 319,242	\$ 208,492	\$ 152,469
State income tax, net of federal benefit	58,296	40,856	26,471
Tax-exempt income	-	(19,478)	-
Accrual-to-cash and cash-to-accrual adjustments	-	195,703	(111,518)
Nondeductible expenses and other	9,290	11,189	10,294
Total income tax provision	\$ 386,828	\$ 436,762	\$ 77,716

The components of deferred tax assets and liabilities are as follows at August 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred tax assets:			
Amortization	\$ 500	\$ 500	\$ 600
Accrual-to-cash	-	-	26,000
	500	500	26,600
Deferred tax liabilities:			
Accrual-to-cash and cash-to-accrual	(90,300)	(132,000)	-
Net deferred tax asset (liability)	\$ (89,800)	\$ (131,500)	\$ 26,600

**Notes to the Financial Statements**

August 31, 2023, 2022, and 2021

**Note 5 – Income Taxes – (Continued)**

The income tax returns are subject to routine audits by taxing jurisdictions; however, there are currently no audits for tax periods in progress. As of August 31, 2023, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions. The Company paid \$313, \$1,019, and \$177 for income tax penalties for the years ended August 31, 2023, 2022, and 2021, respectively.

**Note 6 – Notes Payable**

In April 2020, the Company received a \$92,751 loan under the Federal Payroll Protection Program. This loan was guaranteed by the Small Business Administration until it was forgiven in November 2021. As a result, the balance of the loan was recognized as other income during the year ended August 31, 2022.

**Note 7 – Concentrations**

**Cash** – The Company maintains non-interest bearing cash accounts with a financial institution that may at times exceed federally insured limits during the year. The Company has not experienced any losses in this account, and management does not believe it is exposed to any significant credit risk.

**Customer concentration** – The Company has one customer that accounted for approximately 17%, 33%, and 11% of the accounts receivable balance at August 31, 2023, 2022, and 2021, respectively. There were no customers that accounted for over 10% of revenue in 2023, 2022, and 2021.

**Economic dependence** – All franchise processes and related intellectual properties are owned by Alair Enterprises Canada Ltd. Alair Enterprises Canada Ltd granted the Company an exclusive license to use, and to sublicense the Company's franchisees to use Alair Enterprises Canada Ltd's system processes and other intellectual property in connection with the Company's and its franchisees' businesses in the United States. If the Company and its franchisees lack continued access to the system processes and other intellectual property, there could be a significant impact on the Company's ability to continue providing the requisite franchise services. In addition, with unit franchises geographically restricted to an operating area, economic or physical factors causing a decrease in homebuilding or renovation within that operating area could negatively impact franchise royalties and fees received by the Company.

**Exhibit M**  
**State Addenda to Franchise Disclosure Document**

<b>THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE CALIFORNIA FRANCHISE INVESTMENT LAW</b>
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1. THE FOLLOWING SENTENCE IS ADDED AT THE END OF ITEM 1 OF THIS FRANCHISE DISCLOSURE DOCUMENT:

Licensing and/or registration is required by the State of California and/or certain municipalities in California.

2. THE FOLLOWING PARAGRAPH IS ADDED AT THE END OF ITEM 3 OF THIS FRANCHISE DISCLOSURE DOCUMENT:

Except as disclosed above, neither we nor any person or franchise broker identified in Item 2 of this Franchise Disclosure Document 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, 15 U.S.C.A. Section 78a *et seq.*, suspending or expelling such person from membership in that association or exchange.

3. OUR WEBSITE, [www.alairhomes.com](http://www.alairhomes.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

4. THE FOLLOWING PARAGRAPHS ARE ADDED AT THE END OF ITEM 17 OF THIS FRANCHISE DISCLOSURE DOCUMENT:

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of certain of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of certain of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur at a location within Maricopa County, Arizona), with the costs being borne by the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 *et seq.*).

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The Franchise Agreement requires application of the law of the State of Arizona. These provisions may not be enforceable under California law.

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

6. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR EXISTING FRANCHISE.

7. Article XV (Usury), Section 1, of the California Constitution provides, in pertinent part, as follows:

The rate of interest upon the loan or forbearance of any money, goods, or things in action, or on accounts after demand, shall be 7 percent per annum but it shall be competent for the parties to any loan or forbearance of any money, goods or things in action to contract in writing for a rate of interest:

(1) For any loan or forbearance of any money, goods, or things in action, if the money, goods, or things in action are for use primarily for personal, family, or household purposes, at a rate not exceeding 10 percent per annum; provided, however, that any loan or forbearance of any money, goods or things in action the proceeds of which are used primarily for the purchase, construction or improvement of real property shall not be deemed to be a use primarily for personal, family or household purposes; or

(2) For any loan or forbearance of any money, goods, or things in action for any use other than specified in paragraph (1), at a rate not exceeding the higher of (a) 10 percent per annum or (b) 5 percent per annum plus the rate prevailing on the 25th day of the month preceding the earlier of (i) the date of execution of the contract to make the loan or forbearance, or (ii) the date of making the loan or forbearance established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended (or if there is no such single determinable rate of advances, the closest counterpart of such rate as shall be designated by the Superintendent of Banks of the State of California unless some other person or agency is delegated such authority by the Legislature).

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



**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

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

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MARYLAND  
FRANCHISE REGISTRATION AND DISCLOSURE LAW**

The Franchise Disclosure Document is amended as follows:

1. Items 17(u) and (v) of this Franchise Disclosure Document are amended by adding the following sentence:

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

2. Item 17(v) of this Franchise Disclosure Document is amended by adding the following sentence:

A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(h) of this Franchise Disclosure Document is amended by adding the following sentence:

The provisions in the Franchise Agreement that provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

4. Item 17(m) of this Franchise Disclosure Document is amended by adding the following sentence:

However, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. The Representations and Acknowledgements Statement (Exhibit E to the FDD) is amended as follows:

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

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

7. The franchise agreement gives the franchisor a unilateral right to buy your business assets of your entire business for any reason or no reason. As a result, the franchisor may force you to sell your

business or the business assets to the franchisor against your will at a predetermined price which might be below the value of the business if sold to a third party.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MINNESOTA FRANCHISE ACT**

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, waiver of jury trial or the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subdivisions 3, 4 and 5, which require (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
3. We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect your right to use the trademarks. See Minnesota Statutes, Section 80C.12, Subdivision 1(g).
4. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release.
5. You cannot consent to our obtaining injunctive relieve. We may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.
6. The Franchise Agreement requires that litigation be held in Arizona. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, we cannot require that you consent to our obtaining injunctive relief, although we may seek injunctive relief. Any requirement(s) for a bond will be determined by the court. We may not require that you waive your rights to a jury trial.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE NEW YORK STATE FRANCHISE ACT**

1. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>st</sup> FLOOR, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 of this Franchise Disclosure Document is amended by adding the following paragraph:

Except as disclosed in Item 3, neither the franchisor, its predecessor, a person identified in Item 2 or an affiliate offering franchises under the franchisor's principal trademark: (A) 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 phone misdemeanor allegations, or any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises and the size, nature or financial condition of the franchise system or its business operations; (B) Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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; or (C) 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 injunction 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. Item 4 of this Franchise Disclosure Document is amended by adding the following paragraph:

Except as disclosed in Item 4, neither the franchisor, its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the Franchise Disclosure Document, (A) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (B) obtained a discharge of its debts under the bankruptcy code; or (C) was a principal officer of a company or a general partner in a partnership that either filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code, or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. Item 17 of this Franchise Disclosure Document is amended by adding the following:

Provision		Section in Franchise Agreement or other agreement*	Summary
c.	Requirements for franchisee to renew or extend		However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
d.	Termination by franchisee		The Franchisee may terminate the agreement on many grounds available by law.
j.	Assignment of contract by franchisor		However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor is willing and financially able to assume the Franchisor's obligations under the Franchise Agreement.
m.	Conditions for franchisor approval of transfer		However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
v.	Choice of forum		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.
w.	Choice of Law		The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE NORTH  
DAKOTA FRANCHISE ACT**

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee's business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.<sup>1</sup>
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the Franchise Agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the Franchise Agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

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<sup>1</sup> Despite this provision, we intend, and we and you agree, to fully enforce the arbitration provisions of the Franchise Agreement. We believe that this provision is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE RHODE ISLAND FRANCHISE INVESTMENT ACT**

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

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE VIRGINIA RETAIL FRANCHISING ACT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Alair Enterprises USA, Inc for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.



**WASHINGTON ADDENDUM  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

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.

## STATE EFFECTIVE DATES

The following states 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:

<u>State</u>	<u>Effective Date</u>
California	Pending
Illinois	Pending
Maryland	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit N**  
**Receipts**

(Receipt #1 - This copy is for the prospective franchisee)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Alair Enterprises USA, Inc. (“Alair Homes”) offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Franchise Disclosure Document at the earlier of our 1<sup>st</sup> personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Under New York and Rhode Island law, Alair Homes must provide this Franchise Disclosure Document at the earlier of the 1<sup>st</sup> personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Michigan requires that Alair Homes give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Alair Homes does not deliver this Franchise Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency listed in Exhibit A to this Franchise Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are *(to be completed by franchise seller involved in sales process)*:

Name	Principal Business Address	Phone Number
Alair Enterprises USA, Inc.	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Blair McDaniel	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Rob Cecil	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Shane Duff	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279

Alair Homes’ agents to receive service of process are listed in Exhibit A to this Franchise Disclosure Document.

Issuance Date: December 18, 2023

On \_\_\_\_\_ I have received a disclosure document dated December 18, 2023 that included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Agreement to be Bound and to Guarantee
- D Confidentiality and Restrictive Covenant Agreement
- E Promissory Note
- F Security Agreement
- G Sample Release
- H Table of Contents of Operations Manual
- I List of Franchisees
- J List of Franchisees who have Left the System or not Communicated with us
- K List of Master Franchisees and related Item 2, 3 and 4 Information
- L Financial Statements
- M State Addenda to Franchise Disclosure Document
- N Receipts

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

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name *(if signed by an entity, indicate title)*

(Receipt #2 – Deliver this copy to us)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Alair Enterprises USA, Inc. (“Alair Homes”) offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Franchise Disclosure Document at the earlier of our 1<sup>st</sup> personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Under New York and Rhode Island law, Alair Homes must provide this Franchise Disclosure Document at the earlier of the 1<sup>st</sup> personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Michigan requires that Alair Homes give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Alair Homes does not deliver this Franchise Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency listed in Exhibit A to this Franchise Disclosure Document.

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- N Receipts

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

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name *(if signed by an entity, indicate title)*