

FRANCHISE DISCLOSURE DOCUMENT- AREA REPRESENTATIVE

	<p>Hommati Franchise Network, Inc., an Ohio corporation 6264 South Sunbury Road, Suite 100 Westerville, OH 43081 Phone: 833-HOMMATI (466-6284) info@hommati.com www.hommati.com</p>
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We offer a franchise opportunity to you as an Area Representative to solicit, recruit and support franchises on our behalf, for a specified territory.

The total investment necessary to begin the operation of a Hommati Area Representative Franchised business is between \$99,200 to \$833,500. This includes \$87,500 to \$775,000 that must be paid to the Franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jerry Clum at 6264 South Sunbury Road, Suite 100, Westerville, OH 43081, telephone 833-466-6284.

Buying a Franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1 (877) FTC-Help or by writing to the FTC at 600 Pennsylvania Avenue, N. W. Washington D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information.

Issuance date: January 10, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit D.

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

Special Risks to Consider About *This Franchise*

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

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

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

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

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.

- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) The unwillingness of the proposed transferee to agree in writing

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

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

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

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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Exhibits

- Exhibit A- State Addenda to the Disclosure Document
- Exhibit B- Area Representative Agreement
 - Schedule 1-Territory
 - Schedule 2-Minimum Requirements
 - Schedule 3-Automatic Bank Draft Authorization
 - Schedule 4-Area Representative Biographical Information Form
 - Schedule 5-State Addenda to the Area Representative Agreement

Exhibit C-Release

Exhibit D-List of State Administrators and Registered Agents

Exhibit E-Table of Contents of Area Representative Operations Manual

Exhibit F List of Area Representatives

Exhibit G List of Former Area Representatives

Exhibit H- Financial Statements

Exhibit I-State Effective Dates

Exhibit J-Receipts

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to Hommati Franchise Network, Inc. d/b/a Hommati (“Hommati”), the franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

We are an Ohio corporation formed on August 14, 2017. Our principal place of business is 6264 South Sunbury Road, Suite 100, Westerville, OH 43081.

We do business under our corporate name and under the name Hommati.

We have not operated a Hommati Area Representative business of the type you are being offered, but we do solicit and support unit franchisees, similar to what you will do under this franchise, and have done so since December 2017.

We began offering Area Representative franchises in January 2024.

We began offering unit franchises in December 2017.

As of November 30, 2023, we had 136 unit franchised outlets.

Exhibit D contains our agents for service of process.

Parents, Predecessors, and Affiliates

We do not have any parents, predecessors, or affiliates.

The Business We Offer

You will recruit and support Hommati Company Unit franchisees in exchange for a portion of the net initial franchise fees (after any third-party broker costs and sales commission and a portion of the royalties that such Unit franchisees pay in your territory that you have developed after you close on your Area Representative Agreement. Unit franchises are offered in a separate Franchise Disclosure Document and in certain states, we must make a franchise filing and receive approval to offer and sell franchises there before you may offer and sell franchises in those states.

In addition, to acquire an Area Representative Agreement also requires that you acquire, own, and operate a unit franchise agreement, which is offered pursuant to a separate Franchise Disclosure Document.

Market and Competition

The general market for the recruitment and support of franchisees in general is well developed. You will focus most of your activity on locating individuals to own their own franchised business and offer support to them. This is a year-round business.

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

Industry-Specific Laws and Regulations

Your conduct in the offer of franchises is primarily governed by Federal Trade Commission regulation and corresponding state laws. These laws generally require that you deliver to a prospective franchisee a Franchise Disclosure Document at least 14 calendar days before signing of a binding agreement or making any payment to us. In addition, certain states have laws governing the sale of franchises and the relationship between franchisors and franchisees.

In general, as to state franchise sales laws, you are required to engage in truthful advertising and not make false claims or financial performance representations, except as stated in the Franchise Disclosure Document.

And, we forbid Area Representatives from making any earnings claims or financial performance representations.

Typically, state relationship laws mandate fair dealing between a franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner. You should investigate the application of these laws further.

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

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

ITEM 2 BUSINESS EXPERIENCE

Jerry L. Clum, Jr., President, CEO, and Director

Jerry L. Clum, Jr. has been our President, CEO, Founder, and Director since incorporating in August 2017. Mr. Clum also served as the President and CEO of TTPF, Inc., in Columbus, Ohio, from September 2012 to August 2018. In addition, he has been the Managing Member of Sunbury Holdings, LLC, since September 2013, in Columbus, Ohio. Mr. Clum also served as the Managing Member of Tuttle Place Health and Wellness Center, in Springfield, Ohio, from

June 2007 to March 2020.

Joseph Ciamacco, Vice President of Franchise Development

Joseph Ciamacco has been our Vice President of Franchise Development since October 2021. From August 2017 to October 2021, Mr. Ciamacco served as our Franchise Development Manager.

Gordon Mott, Vice President of Technology

Gordon Mott has served as our Vice President of Technology since August 2022. From January – August 2022, Gordon Mott served as our Tech Support Manager. From August 2020 to January 2022, Gordon Mott served as Research and Development for Zen and the Art of Code in Columbus, Ohio. From March 2003 to August 2020, Gordon Mott served as Lead Consultant for Bamf!Ware Consulting in Columbus, Ohio.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5 INITIAL FEES

Initial Franchise Fee. To become an Area Representative, you must acquire the rights to recruit and support from 5 – 50 unit franchise territories under you per the following initial franchise fee schedule:

- 5-10 Territories \$17,500 per territory
- 11-25 Territories \$16,500 per territory
- 26-50 Territories \$15,500 per territory

You must submit the initial franchise fee to us before attending initial Area Representative training. The initial franchise fee is fully earned and nonrefundable when both you and we execute the Area Representative Agreement between us.

We do not offer financing for any portion of your initial investment.

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ITEM 6. OTHER FEES

Fee	Amount	Due Date	Remarks
Local Advertising	Minimum of \$1,500 per month	Monthly	You agree to spend these sums to generate unit franchise leads in your territory, per our guidelines. You must provide us with a monthly accounting of these expenditures.
Fee for Franchisee Prospects	\$35/ each.	Within 30 days of transaction	From time to time we may generate leads of prospective franchisees and offer them to you per our published rate, which is presently \$35 per lead.
Franchise Broker Fee	A proportional amount of the Broker's commission based on the percent of the initial franchise fee you receive on a new unit franchise sale.	At time of sale	If we use a franchise broker to assist in a Unit franchise sale of yours, you agree to absorb a proportional amount of the Broker's commission based on the percent of the initial franchise fee you receive on a new unit franchise sale.
Renewal Fee	\$5,000	At time of renewal	You pay this fee to us to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.
Transfer fee	\$20,000	At time of transfer	Paid upon transfer of the Area Representative Agreement or a majority interest in it.
Third party charges that we incur on your behalf	A proportional amount of charge based on the percent of the initial franchise fee you receive on a new unit franchise sale.	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us a proportional amount for any such charges to include but not limited to assessments, travel and expenses to Discovery Day, etc.
Sales, excise, or gross receipts tax	Such amount of tax as may be imposed by the taxing authority	At time incurred	You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.
Interest on late payments	The lesser of 12% or the highest rate permitted by law	Upon receipt of invoice	Owed on amounts that are past due.

Fee	Amount	Due Date	Remarks
Indemnity	Varies	When incurred	You indemnify us for any loss caused by your breach of the Area Representative Agreement.
Assistance Fee in the event of incapacity or death	Reimbursement for reasonable expenditures incurred	At time of expense	In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.

*All fees are uniformly imposed by, collected by, and are payable to us. All fees are non-refundable. We require you to execute an Automatic Bank Draft Authorization in order for us to electronically charge your bank account for fees or other monies owed to us. See Schedule 3.

[remainder of page intentionally left blank]

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$87,500	\$775,000	Check or Electronic Funds Transfer (“EFT”)	Upon signing of Area Representative Agreement	Us
Travel and Living Expenses to Attend Initial Training (Note 2)	\$1,000	\$5,000	Check or Credit Card	Before opening	Third-party Vendors
Initial Advertising (Note 3)	\$3,000	\$12,000	Check or Credit Card	Before opening	Third-party Vendors
Equipment & Furniture (Note 4)	\$0	\$2,000	Check or Credit Card	Before opening	Third-party Vendors
Computer Hardware and Software (Note 5)	\$0	\$2,500	Check or Credit Card	Before opening	Third-party Vendors
Rent (Note 6)	\$0	\$3,000	Check	Monthly	Landlord
Payroll (Note 7)	\$0	\$6,000	EFT	Bi-weekly	Employees
Insurance (Note 8)	\$200	\$3,000	Check or Credit Card	Before opening	Insurance Agent
Professional Expenses (Note 9)	\$2,500	\$5,000	Check or Credit Card	Before opening	Attorneys and Accountants
Additional Funds – 3 months (Note 10)	\$5,000	\$20,000	Check or Credit Card	As incurred	Third-party Vendors
TOTAL (Note 11)	\$99,200	\$833,500			

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

Note 1-Initial Franchise Fee: Please see Item 5 for the formula used to determine the initial franchise fee.

Note 2-Travel and Living Expenses to Attend Initial Training: We do not charge for initial training, but you are responsible for costs you incur for travel, transportation, meals, and possible lodging. Those costs will vary depending on how far away you live, the level of lodging you select, and other factors. We base the estimated cost in the table above on one person attending initial training. If additional people attend, you will incur additional cost.

Note 3-Initial Advertising: This cost will also vary depending upon what types and how much advertising you may elect to purchase or place to generate Unit franchise leads.

Note 4-Equipment and Furniture: Unless you have these items already, you will need a printer, telephone, desk, chair, and file cabinet along with standard office supplies to operate the franchise. The low estimate assumes that you have these items already.

Note 5-Computer Hardware and Software: You will need an e-mail account, computer with internet access, and printer to operate the franchise. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future. Your costs will vary depending on whether you have these items already and what type of computer you purchase.

Note 6-Rent: We recommend that you operate your Area Representative franchise from home and not incur any rent expense. However, if you lease an office and make improvements to the property, you will incur additional expense.

Note 7-Payroll: You are not required to have employees. However, if you hire one or more employees, you will incur payroll expense for those employees.

Note 8-Insurance: You will need to purchase such insurance as we specify in the Operations Manual and as is required by your state law. Your costs may vary.

Note 9-Professional Expenses: You will incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

Note 10-Additional Funds: Additional funds are for local license and other government fees, miscellaneous supplies, utility costs, and similar items. We base this estimate upon the experience of our management in franchising.

Note 11-Total: These figures are estimates of your initial expenses covering your initial three months of operation. Do not construe the estimates as a break-even point. Your costs will depend on: how much and what type of marketing you place; your management skills, experience and business acumen; economic conditions; the market for the sale of our franchises; and the prevailing wage rate to the extent you hire employees. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased

Advertising and Marketing. You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

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

Equipment and Furniture. You must purchase such equipment and furniture as we may specify. At present, you may purchase these items from any vendor.

Franchise Disclosure Documents. You must use the Franchise Disclosure Documents we provide when recruiting franchisees. We will provide an electronic link or copy free of charge.

Insurance. You are required to have insurance as may be required by your state laws, or as we may specify in the Manual. At present, we do not require you to purchase insurance. You may purchase insurance from any vendor. You must name us as an additional insured on any policy that you do purchase and send proof to us.

Prospects. You may purchase from us contact information on prospective franchisees, which we may gather and offer to sell to you.

Supplies. You must purchase basic office supplies. You may purchase these supplies from any vendor.

Telephone Number. You agree to maintain a dedicated telephone number for your business, which you may purchase from any vendor.

Whether We or Our Affiliates are Approved Suppliers

We are an approved supplier of Advertising and Marketing material, Franchise Disclosure Documents, and Prospects. We are the only approved supplier of Franchise Disclosure Documents.

Officer Interest in Suppliers

Our officer, Jerry Clum, owns an interest in us.

Alternative Suppliers

We do not maintain written criteria for approving suppliers and therefore these criteria are not available to you or your proposed supplier. You may contract with alternative suppliers if they meet our criteria except you must use the Franchise Disclosure Document that we provide or make

available to you to use. There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications

We issue and modify specifications and standards to Area Representatives or approved suppliers through the Operations Manual or other written directives.

Revenue from Required Purchases or Leases

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

For the fiscal year ended November 30, 2023, neither we nor an affiliate derived revenue or other material consideration from required purchases or leases by Area Representatives.

Required Purchases as a Proportion of Costs

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

Supplier Payments to Us

We currently do not receive payments from suppliers as a result of purchases by our Area Representatives, however, we may do so in the future.

Purchasing or Distribution Cooperatives

There currently are no purchasing or distribution cooperatives.

Purchase Arrangements

We do not presently, but may in the future, negotiate purchase arrangements on behalf of Area Representatives with suppliers, including price terms.

Material Benefits

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

ITEM 9. FRANCHISEE’S OBLIGATIONS

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

Area Representative’s Obligations	Section In Area Representative Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	3	11
b. Pre-opening purchases/leases	7.2	8
c. Site development and other pre-opening requirements	7	8, 11
d. Initial and ongoing training	7.1, 7.11, 7.14	11
e. Opening	7.4	11
f. Fees	4, 19.1, 21, 25.11	5, 6, and 7
g. Compliance with standards and policies/Manual	7, 8, 9, 10	8, 11
h. Trademarks and proprietary information	1, 11, 12	13, 14, 15
i. Restrictions on products/services offered	8	8, 11, 16
j. Warranty and customer service requirements	Not Applicable	15
k. Territorial development and sales quotas	10	12
l. Ongoing product/service purchases	4.2(a), 7.2	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	7.3	8
o. Advertising	11	6, 7, 8, 11
p. Indemnification	19	Not Applicable
q. Owner’s participation/management/staffing	7.9	15

Area Representative's Obligations	Section In Area Representative Agreement	Item in Disclosure Document
r. Records and reports	13	Not applicable
s. Inspections and Audits	13.2	11
t. Transfer	20	17
u. Renewal	2.2	17
v. Post-termination obligations	15	15, 16, 17
w. Non-competition covenants	16	15, 16, 17
x. Dispute resolution	25	17

ITEM 10 FINANCING

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

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

Except as listed below, the Franchisor is not required to provide you with any assistance.

Pre-Opening Obligations:

Initial Training. We provide an initial Area Representative training program which you and any manager working for you must attend and successfully complete.

We do not charge for initial training but you are responsible for the cost of travel and living expenses to attend. The topics covered in initial training are described in the chart further below in this Item 11. (Area Representative Agreement, Section 6.1).

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

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

Computer Systems, Equipment and Supplies. We may issue computer, software,

equipment, and supply specifications. (Area Representative Agreement, Section 6.6).

Length of Time Before Opening:

You must be open for business within 30 days of completion of initial training. (Area Representative Agreement, Section 7.4). Factors affecting the time length to open for business include: obtaining any needed licenses or permits, obtaining marketing materials, and obtaining computer hardware, software, equipment, and office supplies.

During the Operation of the Franchise:

Payment of Commissions. We calculate and pay commissions to you on unit franchisees sold in your territory. (Area Representative Agreement, Section 5).

Operational Support. We provide support to you in the operation of your Area Representative Territory. We will assist you in providing on-going support to the unit franchisees you develop to include support tickets and technical support on the website and dashboard. The majority of sales support to the unit franchisees will be provided by you. (Area Representative Agreement, Section 6.4).

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

Advanced Training. We may provide and may require your attendance at advanced or other training, which we may offer from time to time at select locations, or we may offer such training on the web or electronically. We do not charge for training, you must pay for any travel and living expenses to attend. (Area Representative Agreement, Section 6.8).

Marketing Fund and Fee. We do not have a Marketing Fund nor require you to pay any Marketing Fee to us. Nonetheless, we may conduct marketing using electronic or print advertising of any kind. The media coverage may be local, regional, or national. We may produce advertising in-house or through a local or regional advertising agency. (Area Representative Agreement, Section 6.7).

We do not have to spend any amount on advertising in the area or territory where your Area Representative operations are located.

Local Advertising. You agree to spend a minimum of \$1,500 per month to generate unit franchise leads in your territory, per our guidelines. If you purchase unit franchise leads from us, the monies you spend on lead purchases will count towards the Local Advertising spend requirement. You must provide us with a monthly accounting of these expenditures. This may include, but is not limited to, attending job fairs, networking groups, workshops, veteran transition programs, classified advertising, local PPC, radio, television, local job boards, recruiting and/or advertising on Linked.In, Indeed, Monster, etc. All advertising you spend in your local marketing will be at your own expense.

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. Leads we receive and sell to you are sold on an as-is basis. There is no guarantee that any lead will ultimately develop into a Unit level franchise sale. At present, we charge \$35 per lead. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Area Representative Agreement, Sections 4.7 and 1.8.C).

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Area Representative Agreement, Section 4.2(h)).

Print Material. We supply you with templates of fliers, coupons, and other print material. (Area Representative Agreement, Section 4.2(h))

Use of Your Own Advertising. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 15 days from the date we received the material, the material is deemed disapproved. (Area Representative Agreement, Section 11.1).

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

Email. You are not allowed to have or utilize any other email other than the @hommati.com email in connection with the provision of services under this Agreement or to facilitate any efforts to find, solicit, and recruit Candidates.

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

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

Computer and Cash Register Systems:

Computer Equipment and Software. You will need an e-mail account, computer with internet access, and printer to operate the franchise. We may also require you to purchase software such as Microsoft Office, and use the sales lead management software and franchisee intranet portal, and use other software that we may develop or specify in the future. Your costs will vary depending on whether you have these items already and what type of computer you purchase. Depending on what you have already, these items can typically be purchased for \$2,000 - \$2,500.

Neither we nor our affiliates or any third party have any obligation to provide ongoing

maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is \$500 - \$1,000.

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

Area Representative Operations Manual. Exhibit E contains the Table of Contents to the Area Representative Operations Manual (“AR Manual”). The AR Manual contains 55 pages.

TRAINING PROGRAM

You must attend and successfully complete to our satisfaction our Area Representative initial training program.

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
• Introduction	0.5 hour		(Note 1)
• Starting an Area Representative (“AR”) Business	0.5 hour		
• AR Roles and Responsibilities	1 hours		
• Marketing & Lead Generation	1 hours		
• New Franchisee Sales Process	1 hours		
• Operations & System Support Services	1 hours		
• Franchisee Compliance	1 hours		
• Activity Reporting	1 hours		
• Summary & Review	0.5 hour		
Total	7.5 hours		

Note 1- Training Location- This training is offered on an as needed basis at our corporate headquarters in Westerville, OH.

Jerry Clum, our CEO/President, will supervise the training program and also serve as an instructor. He has been with us since we were formed in 2017. He has 27 years of experience in franchising and has trained more than 951 franchisees for this and other franchise concepts. He has 37 years of experience in sales, management, and operations.

Joe Ciamacco, our Vice President of Franchise Development, will also serve as an instructor. He has over nine years of experience in franchising and trained more than 175 franchises for this and other franchise concepts. He has been with us since we were formed in 2017 and has worked since then in drone and 3D operations and business development.

Wendy Emery, one of our Franchise Support Managers, will also serve as an instructor. She has been with us since mid-2019 and has over 25 years of work experience in the field of art and design.

The materials used for the training program may include the Operations Manual, handouts, and presentations.

We do not charge for initial training, but you are responsible for the cost of travel, transportation, lodging, and meals to attend training.

You and any manager you intend to use must complete initial training to our satisfaction. You must successfully complete training within 60 days of the signing the Area Representative Agreement with us.

We may require additional training or refresher courses.

ITEM 12. TERRITORY

Your territory is set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries.

A typical territory will contain an area including 5-50 unit territories.

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your franchise business, but you must stay within your territory.

You recruit franchisees for the purpose of signing them up as a unit franchise owner.

You do not have rights of first refusal, or similar rights to acquire additional territories.

You will not receive an exclusive territory. You may face competition from other franchisees we have or will award, from outlets that we own, or from other channels of distribution or competitive brands that we control. If you are not meeting your development requirements as per Schedule 2, you opt out of reimbursing us for any leads generated in your territory, or do not accept broker leads for your territory, we reserve the right to offer the franchise program to candidates in your market directly, provided there are still additional territories available beyond those you have secured to develop.

The single unit franchise Territories you will develop are protected by a maximum number of franchisees we can establish within a Territory. We determine this maximum number by taking the total population within a county and/or a combination of counties and dividing it by 200,000. This sets the maximum number of franchisees to 1 per 200,000 in population. Territories are delineated by county(ies) and state(s). You have the option to develop between 5-50 franchises in your Territory. For those Territories, where you may not have secured all possible unit territories in your Territory, the remaining units or Area Representative agreements will be developed by Hommati Franchise Network, Inc. For example, if the total population of your Territory is 2,000,000, there could be a total of 10 unit franchises in your Territory. If you elected to secure less than 10 units to develop in your Territory, the remaining units and/or Area Representative agreements will be developed by Hommati Franchise Network, Inc. You will not receive any revenue share from this unit franchises to include but not limited to Initial Franchise Fees, Royalties, Upload/Floor Plan fees, etc.

You may only recruit franchisees to locate a unit franchise in your territory.

Continuation of your territorial rights depends on achieving a certain sales volume, namely, Minimum Requirements specified in your Area Representative Agreement. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the initial franchisee fees and royalties for any existing franchise agreements for the term of the Area Representative Agreement, however we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees or royalties.

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

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


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

If we establish or have already established other unit franchisees in your territory, you will not receive any compensation as to such unit franchisees.

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

ITEM 13. TRADEMARKS

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

Registration or Serial Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration Date
5423200		Principal	March 13, 2018
5423194	HOMMATI	Principal	March 13, 2018

We have filed all required affidavits and renewals.

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

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

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

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

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

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

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright in our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights.

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

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

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

We claim proprietary rights in our Operations Manual and business methods. You must use these items per the terms of your Area Representative Agreement.

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

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

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

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section In Area Representative Agreement	Summary
a. Length of the franchise term	2.1	10 years.
b. Renewal or extension of the term	2.2	Can be renewed for an additional 10 year term if you are in compliance with your Area Representative Agreement (“Agreement”).
c. Requirements for you to renew or extend	2.2	Give us 180 days’ notice before the expiration of the Agreement. Sign a Release, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract. But we can not reduce your percent of receipt of Initial Franchise Fees or Royalties upon renewal.
d. Termination by you	14.1	You may terminate the Agreement if you do not renew, by selling the Franchised Business, or at any time by written notice to us.
e. Termination by us without cause	14.5	If we cease operations, you and we agree to enter into a Mutual Termination Agreement and you will be released from your post-termination noncompete duties.
f. Termination by us with cause	14.2, 14.3	We can terminate only if you default.
g. “Cause” defined – defaults which can be cured	14.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.

Provision	Section In Area Representative Agreement	Summary
h. "Cause" defined – noncurable defaults	14.2	Do not pass initial training, become insolvent, have a judgment against you, commit a material violation of law, fail to properly disclose a franchise candidate, make an unauthorized sales representation or commitment, fail to fully and truthfully submit Biographical Information, death or incapacity without a timely transfer; repeated breaches.
i. Your obligations on termination/renewal	15	Stop using our Marks, pay monies owed to us, transfer telephone number to us, return to us our Manual and any Confidential Information, return to us any candidate leads, cancel any fictitious name filing, and adhere to the post-term covenants not to compete and not to solicit.
j. Assignment of contract by us	20.1	We may assign to a successor in interest who remains bound by the terms of the Agreement.
k. "Transfer by you" – definition	20.2, 20.3, 20.4	Includes transfer of Agreement or change of identity of owners.
l. Our approval of transfer by you	20.6	We must approve any transfer based upon our then current qualifications.
m. Conditions for our approval of transfer	20.2, 20.6	You must be in compliance with the Agreement, sign a release, pay the transfer fee, we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
n. Our right to first refusal to acquire your business	20.5	We have a right of first refusal to match any purchase offer for your franchise.
o. Our option to purchase your business	None	Not applicable
p. Your death or disability	21	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign either, at our option, an assignment of the rights remaining in your Area Representative Agreement or our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement.
q. Non-competition covenants during the term of the franchise	16	No competition allowed in the United States.

Provision	Section In Area Representative Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	16	No competition for 2 years within the Territory or 50 miles from the boundaries of the Territory.
s. Modification of the agreement	22	No modifications except as the parties agree to, or to specifications or the Manual. Revisions to specifications and the Manual will not unreasonably affect the Area Representative's obligations, including economic requirements, under the Area Representative Agreement.
t. Integration/merger clause	24	Only the terms in the Area Representative Agreement and other related written agreements are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and Area Representative Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	25.2, 25.9	You agree to mediate claims against us. Illinois, Maryland, and Washington State Area Representatives agree to arbitrate claims against us.
v. Choice of forum	25.2	Where our corporate headquarters are located, presently Westerville, Ohio (subject to applicable state law).
w. Choice of Law	25.1	Ohio law governs (subject to applicable state law).

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about an Area Representatives 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 Jerry Clum at 6264 South Sunbury Road, Suite 100, Westerville, OH 43081, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

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

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

Table No. 2

**Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)
For Fiscal Years 2021 to 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

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Table No. 3

**Status of Franchise Outlets
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4

**Status of Company-Owned Outlets
For Years 2021 to 2023**

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

Table No. 5

Projected Openings as of November 30, 2023

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

Illinois	0	1	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Nevada	0	1	0
New Jersey	0	1	0
New York	0	1	0
North Carolina	0	1	0
Pennsylvania	0	1	0
Tennessee	0	1	0
Texas	0	2	0
Virginia	0	1	0
TOTALS	0	21	0

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

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

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

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

ITEM 21 FINANCIAL STATEMENTS

Exhibit H contains our audited financial statements for our fiscal years ending November 30, 2023, 2022, and 2021.

Our fiscal year end is November 30.

ITEM 22 AGREEMENTS

The following agreements are attached to this disclosure document:

Exhibit B Area Representative Agreement

Schedule 1- Territory
Schedule 2- Minimum Requirements
Schedule 3- Automatic Bank Draft Authorization
Schedule 4- Area Representative Biographical Information Form
Schedule 5- State Addenda to the Area Representative Agreement

ITEM 23 RECEIPTS

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

EXHIBIT A

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

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

The Area Representative Agreement requires application of the laws of Ohio. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.hommati.com

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

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

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

**HAWAII ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

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

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

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

**ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

1. Illinois law governs the Area Representative Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an Area Representative Agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Area Representative Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Area Representative Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

Minnesota considers it unfair to not protect the Area Representative's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring an Area Representative to assent to a general release.
- The Area Representative cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities,

antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

**NORTH DAKOTA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

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

Applicable Laws: North Dakota law will govern the Area Representative Agreement.

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

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

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

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

**RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

Rhode Island law applies.

**VIRGINIA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is 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 ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

1. Item 17 is modified to also provide,

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

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

EXHIBIT B
AREA REPRESENTATIVE AGREEMENT

HOMMATI

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AREA REPRESENTATIVE AGREEMENT

WHEREAS, Hommati Franchise Network, Inc. d/b/a Hommati (“we,” “us,” or “our”) franchises a system for the operation of a real estate photography and marketing service (“Franchise Services”). Our system utilizes prescribed marketing techniques and operating procedures (the “Franchise”); and

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

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

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

1. GRANT OF FRANCHISE

Subject to the terms of this Area Representative Agreement (“Agreement”), we grant to you a Hommati Area Representative franchise (“Area Representative Territory”) using our system and our Marks in the Territory described in Schedule 1. You agree to abide by the terms of this Agreement.

2. TERM AND RENEWAL

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

2.2 Renewal. Upon the completion of the Term of this Agreement, provided you are in compliance with the terms and conditions in this Agreement, we will provide you with the right to enter into a new agreement with us for the provision of services similar to those in this Agreement. If you wish to renew this Agreement, you must notify us in writing at least 180 days before the expiration of this Agreement and execute a general release of all claims you may have against us.

You are entitled to one renewal of the rights under this Agreement, receiving the same portion of unit franchise fees and Royalty Fees as stated herein, though other terms, conditions, and fees may change. The total length of time that a territory may stay under an Area Representative Agreement is a total of 30 years. If the Area Representative rights are transferred at any point, the length of the territory under an Area Representative Agreement is capped at 30 years.

3. TERRITORY

Your territory is set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries.

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your franchise business, but you must stay within your territory.

You recruit franchisees for the purpose of signing them up as a unit franchise owner.

You do not have rights of first refusal, or similar rights to acquire additional territories.

You will not receive an exclusive territory. You may face competition from other franchisee we have or will award, from outlets that we own, or from other channels of distribution or competitive brands that we control. If you are not meeting your development requirements as per Schedule 2, you opt out of reimbursing us for any leads generated in your territory, or do not accept broker leads for your territory, we reserve the right to offer the franchise program to candidates in your market directly, provided there are still additional territories available beyond those you have secured to develop.

The single unit franchise Territories you will develop are protected by a maximum number of franchisees we can establish within a Territory. We determine this maximum number by taking the total population within a county and/or a combination of counties and dividing it by 200,000. This sets the maximum number of franchisees to 1 per 200,000 in population. Territories are delineated by county(ies) and state(s). You have the option to develop between 5-50 franchises in your Territory. For those Territories, where you may not have secured all possible unit territories in your Territory, the remaining units or Area Representative agreements will be developed by Hommati Franchise Network, Inc. For example, if the total population of your Territory is 2,000,000, there could be a total of 10 unit franchises in your Territory. If you elected to secure less than 10 units to develop in your Territory, the remaining units and/or Area Representative agreements will be developed by Hommati Franchise Network, Inc. You will not receive any revenue share from this unit franchises to include but not limited to Initial Franchise Fees, Royalties, Upload/Floor Plan fees, etc.

You may only recruit franchisees to locate a unit franchise in your territory.

Continuation of your territorial rights depends on achieving a certain sales volume, namely, Minimum Requirements specified in your Area Representative Agreement. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the initial franchisee fees and royalties for any existing franchise agreements for the term of the Area Representative Agreement, however we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees and royalties.

We may, at our sole discretion and at any time in the future, expand your Territory and permit you to operate your Program in additional counties.

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

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

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

If we establish or have already established other unit franchisees in your territory, you will not receive any compensation as to such unit franchisees.

4. FEES PAID BY AREA REPRESENTATIVE

4.1 Initial Area Representative Fee. You will pay us an initial Area Representative franchise fee upon execution of this Agreement of this Agreement calculated based upon the number of unit franchise territories in your Territory as follows:

5-10 Territories \$17,500 per territory
11-25 Territories \$16,500 per territory
26-50 Territories \$15,500 per territory

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

4.2 Other Area Representative Fees

- a) **Fee for Franchisee Prospects.** From time to time, we may provide to you leads of Candidates interested in buying one of our unit franchises within the Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. Leads we receive and sell to you are sold on an as-is basis. There is no guarantee that any lead will ultimately develop into a Unit level franchise sale. At present, we charge \$35 per lead.
- b) **Franchise Broker Fee.** We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. To participate in this opportunity, you must agree, that as to any broker-generated Candidate who becomes a Franchisee in your Territory, to pay a proportionate share of the Broker's fee, based on the proportion of initial Franchise Fee that you receive under Section 5(a). For example, if a Broker charges us \$25,000 for a Candidate who becomes a Franchisee, and you receive 50% of the initial Franchise Fee under Section 5(a) below, then your share of the initial Franchise Fee would be reduced by 50% of \$25,000 or by \$12,500.
- c) **Renewal Fee.** You must pay to us a \$5,000 Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.
- d) **Transfer Fee.** You must pay us a \$20,000 Transfer Fee if you wish to transfer ownership, or a majority of ownership interest, of your rights as an Area Representative.
- e) **Third Party Charges.** If we incur third party changes on your behalf, you agree to reimburse us for any such charges.
- f) **Sales, Excise, or Gross Receipts Tax.** You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.

- g) **Late Fees.** Payment for charges we bill to you is due within 30 days of billing and will be subject to a 12% per annum late fee, or the maximum allowed by law, if less.
- h) **Local Advertising.** You agree to spend a minimum of \$1,500 per month to generate unit franchise leads in your territory, per our guidelines. You must provide us with a monthly accounting of these expenditures. This may include, but is not limited to, attending job fairs, networking groups, workshops, veteran transition programs, classified advertising, local PPC, radio, television, local job boards, recruiting and/or advertising on Linked-In, Indeed, Monster, etc. All advertising you spend in your local marketing will be at your own expense.

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

5. COMMISSIONS TO AREA REPRESENTATIVE

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

- a) **Initial Franchise Fees and Franchise Royalties.** We set forth in the table below the portion of the net initial franchise fee (the unit franchise fee less any broker or sales commission and any Internal Sales Fee) and royalties paid by a unit franchisee established in your territory that you will receive based on the different scenarios presented. If a lead is generated by a franchise broker, you are required to pay your pro-rata share of this fee. Fees paid to you shall be paid only as funds are received from the franchisee. For example, in the case of a financed initial franchise fee, the distribution would only be after the funds were actually received by us, and your share is based solely on principal amounts received by us, not any interest payments. We may modify any fees paid by unit franchisees in our sole discretion.

Situation	What Area Representative Receives		
	% of Unit's Net Initial Franchise Fee	% of Unit's Royalties	Recurring revenue
AREA REP Sells in AREA REP's Territory	50%	50%	50% of our 40% revenue share of all Recurring Revenue (FA Membership, Broker Team Leader, Curb Leads, Lender Advertising for all Units you develop.
Franchisor Sells in the AREA REP's Territory	0%	0%	0%

- b) **Demand for Payment.** Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.
- c) **Other Fees paid by Franchisees.** We require franchisees to pay fees for other services, including, but not limited to, advertising fees, transfer fees, renewal fees, syndication/technology fees, upload/floor plan fees, video and photo editing fees, email fees, convention registration fees, virtual enhancement fees and individual floor plan fees. These fees are not subject to split with you. There may be other fees imposed on franchisees in the future that, in our sole discretion, may not be subject to be split with you.
- d) **Payment Terms.** We pay to you the Commissions that we owe you by the 30th of each month as to Commissions earned the prior month, less any monies you owe to us, via electronic transfer or other method that we designate. You will be entitled to your share of initial franchise fees and royalties only with respect to amounts actually collected, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your share of franchise fees or royalties will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the franchise fees and royalties was calculated, as well as deductions made for monies owed to us.

6. FRANCHISOR DUTIES

6.1 Initial Training. We provide you an initial training course.

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

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

6.4 Operational Support. We provide support to you in the operation of your Area Representative Territory. We will assist you in providing on-going support to the unit franchisees you develop to include support tickets and technical support on the website and dashboard. The majority of sales support to the unit franchisees will be provided by you.

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

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

6.7 Advertising and Marketing. We may conduct marketing using electronic or print advertising of any kind. The media coverage may be local, regional, or national. We may produce advertising in-house or through a local or regional advertising agency.

6.8 Advanced Training. We may provide and require your attendance at advanced or other training, which we may offer from time to time at select locations, or we may offer such training on the web or electronically. We do not charge for training, you must pay any travel, transportation, lodging, and meal costs you incur to attend.

7. AREA REPRESENTATIVE DUTIES

7.1 Initial Training. You and any General Manager working for you must attend and successfully complete our initial Area Representative training before you may operate the Area Representative Territory. We do not charge for initial training, but you must pay for any travel and living expenses to attend.

7.2 Computer Systems, Equipment and Supplies. You agree to purchase and maintain such computer systems, software, equipment, and supplies as we designate. At present, you are required to have an e-mail account, computer with internet access, printer, telephone, desk, chair, and file cabinet along with standard office supplies to operate the franchise. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future.

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

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

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

7.6 Candidate Development. You will use best efforts to recruit candidates interested in operating a Franchise within the Territory. Upon your determination that a candidate may have the characteristics of a potential franchisee (“Candidate”), you will identify such Candidate in writing to us for our consideration. You specifically agree to handle the initial Candidate contact, ensure the assessment is completed, complete the second call, get their application completed and do at least one in-person meet and greet. HFN will conduct a group conference call, the Discovery Day, and preparation of disclosures and agreements.

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

You specifically agree to provide primary assistance to unit franchisees in your Territory with the following minimum:

- Operational Start-up
- 30 days of one-on-one field support after start-up
- 90 days of weekly one-on-one coaching calls.
- On-going Phone Support
- On-going Field Support
- Host live monthly regional meetings with at least one in person meeting per quarter. Other meetings can be completed via live stream.
- Ensure franchisees you develop to operate in accordance with their franchise agreement and operations manual and to attend our annual conference,

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

7.9 Personal Involvement. You must render the Area Representative and Support Services personally, unless you submit to us a general manager who attends and successfully completes our initial Area Representative training course, and who is not later disapproved by us.

7.10 Franchise Sales Representations.

- a) **Disclosure.** You will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees, including providing the unit Franchise Disclosure Document, which we prepare and provide to you, to all Candidates at the time required by law, presently fourteen calendar days before signing of a binding agreement between the Candidate and us or making any payment by the Candidate to us, in most jurisdictions. Should you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. You will be responsible for providing our most current unit Franchise Disclosure Document approved for your use.
- b) **Financial Performance Representations.** You will not make any representation, either orally, in writing, electronically, or otherwise, to any prospective Candidate concerning actual or potential earnings, sales, income or profits of any Franchise. However, you may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.
- c) **Improper Representations.** You will make no representations to any Candidate that conflicts with our current, Operations Manual, unit Area Representative Disclosure Agreement, Area Representative Franchise Agreement, unit level Franchise Agreement or

unit Disclosure Document, or make any promises, guarantees or warranties to any party not authorized in writing by us.

7.11 Advanced Training. You agree to attend any advanced or refresher training that we may require either through electronic means or in person.

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

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

7.14 Opening of Unit Franchisee Store. Concurrently with your acquisition of an Area Representative franchise, you must also acquire, own, and operate a unit franchise pursuant to a separate unit franchise agreement in the Territory.

8. LIMITATION OF AUTHORITY

- a) **No Authority to Approve Marketing.** You do not have any authority to approve or disapprove Franchisee marketing or advertising.
- b) **No Authority to Modify Manual.** You do not have authority to modify the unit franchisee Operations Manual.
- c) **No Legal Claims versus Unit Franchisees.** You will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without our written permission.
- d) **Limitation of Services.** You may only offer those services or products through your Area Representative business as authorized by us in this Agreement or the Area Representative Operations Manual, unless you first obtain our prior written approval.
- e) **No Unauthorized Commitments.** You acknowledge that you have no authority to bind us with respect to any matter, and agree that you will not enter into any agreements or understandings with any Candidates or other third parties other than as authorized in writing by us.
- f) **No Authority to Provide Earnings Claims.** Any and all conversations, verbal or in writing, with a unit prospect, concerning the unit's actual or potential earnings, will be managed by Hommati Franchise Network, Inc. solely.

9. JOINT DUTIES

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

10. MINIMUM AREA REPRESENTATIVE PERFORMANCE

10.1 Minimum Requirements. You will develop a minimum number of Franchisees each year as set forth in Schedule 2. For development purposes, a year will include each fiscal year (including any partial year) ending on December 31.

10.2 Remedy for Failure to Meet Minimum Requirements. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the initial franchisee fees, royalties, and other fees for any existing franchise agreements for the term of the Area Representative Agreement, however we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees, royalties or other fees we may collect.

11. ADVERTISING AND TRADEMARKS

11.1 Use of our Marks. We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Area Representative Territory to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Manual. Further, you must either use any advertising templates we may make available, or if you wish to use your own material, submit it to us for written approval prior to its use. If we do not approve material within 15 days of submission, it is deemed disapproved.

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

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

11.4 Social Media. Any social media used to promote the Area Representative Territory must be in accord with our specifications and Hommati Franchise Network, Inc. must have administrative privileges.

11.5 No use of “Hommati” within a company name. You may not use the word “Hommati” or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

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

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

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

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

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

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

12. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS.

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

12.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals who have signed Confidentiality Agreements, agreeing to keep the Confidential Information confidential.

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

12.4 Intellectual Property Ownership. We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

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

13. REPORTS AND REVIEW

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

13.2 Reviews. We reserve the right to review your business operations, in person, by mail, or electronically, to inspect your operations and obtain your paper and electronic business records related to your Area Representative business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

13.3 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Area Representative Territory, you must send us at your expense these records within five business days of receiving our request.

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

14. TERMINATION

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

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

- a) If you do not pass our initial training accordance with our current passing standards;
- b) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;

- c) If a final judgment of record against you or your Area Representative Territory remains unsatisfied for 30 days or longer;
- d) If you commit a material violation of any law, ordinance, rule or regulation of a government or governmental agency or department which constitutes a material violation of any franchise law, antitrust law, securities law, fraud or similar wrong, unfair or deceptive practices, or a comparable violation;
- e) If you violate any part of Sections 7.10 (Franchise Sales Representations) or 8(e) (No Unauthorized Commitments) of this Agreement;
- f) If you make a misstatement of material fact or fail to disclose a material fact on a Biographical Information Form or requested in any form, or refuse to fill out or completely fill out such forms or tender supporting documentation upon reasonable request; or
- g) If you die or become incapacitated and you or your estate does not begin the process of transferring your rights under this Agreement within 60 days or complete the transfer within 6 months of your death or incapacity.
- h) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us or an affiliate, in any 12-month period regardless of whether such breaches were cured after notice.
- i) You provide earnings claims of any type verbally or in writing to any candidates you are recruiting.

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

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

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

14.5 HFN Ceases Operations. If we cease to operate for any reason you will consent to and execute a mutual termination agreement and release in a form that we specify. This Area Representative Agreement and all attachments thereto will be considered null and void and you will be released from the Non-Competition Covenants in your unit franchise agreement and Area Representative Agreement. You may continue to operate your Hommati unit franchise business under your own trade name and do so without any payments of royalties or otherwise to us.

15. POST TERMINATION OBLIGATIONS

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

- a) Discontinue using any of our “Marks;”
- b) Pay to us all sums due between the parties;
- c) If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Agreement and deliver to us written proof of transfer;
- d) Deliver to us any paper and electronic copies of the Manual and any Confidential Information;
- e) Cancel all fictitious name filings which you use of any of our Marks; and
- f) Adhere to the post-term duties stated in Section 16 below and any other duties that require your performance after you are no longer an Area Representative.
- g) Turn over to us all candidate lead information and immediately delete all copies.

16. NON-COMPETE AND NO SOLICITATION

16.1 Non-Compete and No Solicitation.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to offer a real estate photography and marketing service business, except as to seeking Hommati franchisees under this Agreement, or (ii) aid or facilitate another person or entity (except our franchisees) in the provision of real estate photography and marketing services.
- b) **Post-Term.** You will not, for a period of two years after expiration or termination of this Agreement, including a sale of the franchise or your interest in it, in the Territory or within fifty (50) miles of the boundaries of the Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to offer real estate photography and marketing services.

16.2 Waiver of bond. You agree that if we are forced to bring suit to enforce Sections 15 or 16.1 above, you agree to waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

16.3 Severability. If any covenant or provision of Section 16.1 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

17. STATUS OF PARTIES

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

18. GOODWILL

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

19. INDEMNITY

19.1 Indemnity. You will indemnify, defend and hold us and our affiliates, officers, directors, members, partners, employees, and agents (the "Indemnified Parties") harmless from and against any damage, cost, or attorney fees which relates to or arises from:

- a. negligence,
- b. willful misconduct,
- c. breach of applicable law,
- d. breach of this Agreement by Area Representative

20. TRANSFER

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

20.2 Transfer by You. You may transfer your interest under this Agreement or your ownership in your Territory only if we approve, and you comply with the provisions in this Section 20. We shall not unreasonably withhold approval. No interest may be transferred unless and until you are in full compliance with this Agreement and current in all monies owed to us. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability. You shall sign our then current transfer and release forms and pay to us the transfer fee specified in Section 4 above

20.3 Transfer to Controlled Entity. A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" shall not trigger the Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

20.4 Transfer within an Entity. A transfer of interest within an Area Representative entity shall not trigger the Right of First Refusal if only the percentage ownership, rather than the identity of the owners, is changing. At the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

20.5 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Area Representative Agreement or any interest in it, you shall grant us the option (the "Right of First Refusal") to purchase the Area Representative Territory as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Area Representative Territory or interest in the Area Representative Territory at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Area Representative Territory or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Sections 20.2 and 20.6 below and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

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

21. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Area Representative must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Area

Representative Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

22. MODIFICATION

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Paragraph 7.5.

23. NON-WAIVER OF BREACH

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

24. FULL UNDERSTANDING

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

25. GOVERNING LAW

25.1 Governing law. Except as to claims governed by federal law, Ohio law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

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

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

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

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

25.6 Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

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

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

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

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

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

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

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

26. RELEASE OF PRIOR CLAIMS

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

27. NOTICES

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally or by facsimile, to our President, at our corporate office, presently 6264 South Sunbury Road, Suite 100, Westerville, OH 43081; Phone 833-466-6284. Any such notice may also be given to you in the same manner at the address indicated below your signature on this Agreement or such other more current address as we may have on file for you. We may also give notice to you by e-mail.

28. ACKNOWLEDGMENTS

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

29. GUARANTY

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

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

[Signature Page Follows]

Area Representative: _____ Entity Number: _____

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

SIGNATORS:

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

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

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

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

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

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

Hommati Franchise Network, Inc.

By: _____ Effective Date: _____
Jerry Clum, CEO

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

**SCHEDULE 1
TERRITORY**

Your territory includes the county or counties of:

In the state of:

SCHEDULE 2
MINIMUM REQUIREMENTS

Area Representative shall develop the Territory as follows:

Year	Cumulative Number of Unit Territories Which Must Be Sold	Cumulative Number of Unit Territories Which Must Be Open and Operational

SCHEDULE 3

AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination Authorization

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

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

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

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant’s Address:

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

YES NO

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

YES NO

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

YES NO

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

YES NO

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

YES NO

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

YES NO

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

YES NO

15. If your answer to any of the above questions is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or

judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

PROMISE TO UPDATE & CERTIFICATION

If at any time the answer to a question above changes, I promise to notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

Signature: _____ Date: _____

SCHEDULE 5

STATE ADDENDA TO THE AREA REPRESENTATIVE AGREEMENT

CALIFORNIA ADDENDUM TO THE AREA REPRESENTATIVE AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, CEO

By: _____

Date: _____

**ILLINOIS ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

1. Illinois law governs the Area Representative Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an Area Representative Agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, CEO

By: _____

Date: _____

**MARYLAND ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

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

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

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

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

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, CEO

By: _____

Date: _____

MINNESOTA ADDENDUM TO THE AREA REPRESENTATIVE AGREEMENT

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

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

Minnesota considers it unfair to not protect the Area Representative's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring an Area Representative to assent to a general release.
- The Area Representative cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

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 with the franchise.

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, CEO

By: _____

Date: _____

**NORTH DAKOTA ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

1. You are not required to sign a general release upon renewal of the Area Representative Agreement.

2. The Area Representative Agreement is amended to also provide as follows:

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

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

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

4. North Dakota law governs any cause of action arising out of the Area Representative Agreement.

5. Any requirement in the Area Representative Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By:_____

By:_____

Jerry Clum, CEO

By:_____

Date:_____

**RHODE ISLAND ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

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

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

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

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

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

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By:_____

By:_____

Jerry Clum, CEO

By:_____

Date:_____

**SOUTH DAKOTA ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

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

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, CEO

By: _____

Date: _____

**WISCONSIN ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT**

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

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

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

AREA REPRESENTATIVE:

FRANCHISOR:

Hommati Franchise Network, Inc.

By:_____

By:_____

Jerry Clum, CEO

By:_____

Date:_____

EXHIBIT C

RELEASE

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

1. Releasor and Hommati Franchise Network, Inc. ("Releasee") are parties to one or more Area Representative Agreements.
2. The following consideration is given:

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

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

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

_____ [insert description]

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

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

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

Approved and agreed to by:

AREA REPRESENTATIVE

FRANCHISOR:

Hommati Franchise Network, Inc.

By: _____

By: _____

Jerry Clum, Managing Member

By: _____

Date: _____

EXHIBIT D

LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Boulevard Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	

Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 (212)-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation	Division of Insurance Securities Regulation

	124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 95807	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT E

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

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EXHIBIT F

LIST OF AREA REPRESENTATIVES

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

Operational Outlets (as of 11/31/2023):

None

Area Representative Agreement Signed But Outlet Not Yet Open (as of 11/31/2023)

None

EXHIBIT G

LIST OF AREA REPRESENTATIVES, WHO HAD AN OUTLET TERMINATED, CANCELED, NOT RENEWED OR OTHERWISE CEASED TO DO BUSINESS.

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

None

EXHIBIT H

FINANCIAL STATEMENTS

HOMMATI FRANCHISE NETWORK, INC.

FINANCIAL STATEMENTS

Years Ended November 30, 2023, 2022 and 2021

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BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT

Stockholders
Hommati Franchise Network, Inc.
Westerville, Ohio

Opinion

We have audited the accompanying financial statements of **Hommati Franchise Network, Inc.**, (an Ohio S Corporation), which comprise the balance sheets as of November 30, 2023, 2022 and 2021 and the related statements of operations, changes in stockholders' equity 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 **Hommati Franchise Network, Inc.** as of November 30, 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 **Hommati Franchise Network, 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 of 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 **Hommati Franchise Network, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' 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 auditors' 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 audits.
- 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 **Hommati Franchise Network, 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 the **Hommati Franchise Network, 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 matters that are identified during the audits.



Columbus, Ohio
January 9, 2024

HOMMATI FRANCHISE NETWORK, INC.

BALANCE SHEETS

November 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 815,740	\$ 2,349,666	\$ 1,871,738
Accounts receivable, net	71,876	157,421	116,646
Inventory	15,790	28,092	-
Prepaid expenses	22,900	15,560	-
Total current assets	<u>926,306</u>	2,550,739	1,988,384
PROPERTY AND EQUIPMENT, NET	106,101	79,911	77,368
OTHER LONG TERM ASSETS			
Intangible assets	82,833	-	-
Other assets	54	54	3,474
Website development costs, net	173,632	204,885	141,924
Operating lease right-of-use asset	281,295	-	-
Total other long-term assets	<u>537,814</u>	<u>204,939</u>	<u>145,398</u>
	<u>\$ 1,570,221</u>	<u>\$ 2,835,589</u>	<u>\$ 2,211,150</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 86,763	\$ 115,827	\$ 75,516
Deferred revenue	-	135,000	-
Operating lease liabilities - current portion	72,034	-	-
Total current liabilities	<u>158,797</u>	250,827	75,516
LONG-TERM LIABILITIES			
Operating lease liabilities, net of current portion	<u>213,517</u>	-	-
Total liabilities	<u>372,314</u>	250,827	75,516
STOCKHOLDERS' EQUITY			
Common stock	2,963	2,963	2,963
Additional paid-in capital, net	3,543,207	3,543,207	2,343,207
Accumulated deficit	<u>(2,348,263)</u>	<u>(961,408)</u>	<u>(210,536)</u>
Total stockholders' equity	<u>1,197,907</u>	<u>2,584,762</u>	<u>2,135,634</u>
	<u>\$ 1,570,221</u>	<u>\$ 2,835,589</u>	<u>\$ 2,211,150</u>

See notes to financial statements.

HOMMATI FRANCHISE NETWORK, INC.**STATEMENTS OF OPERATIONS**

For the Years Ended November 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUE			
Franchise fees	\$ 440,080	\$ 945,365	\$ 783,917
Royalties	1,024,588	1,080,657	868,072
Total Revenue	<u>1,464,668</u>	<u>2,026,022</u>	<u>1,651,989</u>
COST OF REVENUE EARNED	<u>26,855</u>	<u>192,880</u>	<u>117,467</u>
GROSS PROFIT	<u>1,437,813</u>	<u>1,833,142</u>	<u>1,534,522</u>
OPERATING EXPENSES			
Professional services	363,282	331,086	406,328
Dues and subscriptions	229,873	160,083	95,794
Salaries and wages	1,065,330	876,864	572,518
Bad debt expense	45,764	-	-
Office expense	66,045	83,520	25,063
Insurance	48,812	42,079	5,589
Depreciation	37,029	27,793	19,705
Amortization	124,643	94,291	61,312
Rent	139,256	64,380	58,800
Charitable contributions	-	8,915	10,700
Payroll taxes	91,216	78,106	54,283
Shipping and delivery	4,449	5,417	1,459
Meals and entertainment	29,101	25,770	22,037
Advertising	462,831	681,818	469,554
Automobile expense	100	10	16
Repairs and maintenance	2,099	1,700	2,348
Miscellaneous	4,670	23,437	2,974
Utilities	15,523	48,799	36,514
Uniforms	-	707	721
Taxes and licenses	-	-	7,157
Management fees	117,500	30,000	-
Total Operating Expenses	<u>2,847,523</u>	<u>2,584,775</u>	<u>1,852,872</u>
OTHER INCOME			
Interest income	22,855	761	457
Paycheck Protection Program loan forgiveness income	-	-	49,640
Total Other Income	<u>22,855</u>	<u>761</u>	<u>50,097</u>
NET LOSS	<u>\$ (1,386,855)</u>	<u>\$ (750,872)</u>	<u>\$ (268,253)</u>

See notes to financial statements.

HOMMATI FRANCHISE NETWORK, INC.**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****For the Years Ended November 30, 2023, 2022 and 2021**

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings (deficit)</u>	<u>Total stockholder's equity</u>
Balances - November 30, 2020	\$ 2,222	\$ 843,948	\$ 229,625	\$ 1,075,795
Issuance of common stock	741	-	-	741
Distributions	-	-	(171,908)	(171,908)
Additional capital contributed, net of subscription receivable	-	1,499,259	-	1,499,259
Net loss	-	-	(268,253)	(268,253)
	<hr/>	<hr/>	<hr/>	<hr/>
Balances - November 30, 2021	2,963	2,343,207	(210,536)	2,135,634
Additional capital contributed	-	1,200,000	-	1,200,000
Net loss	-	-	(750,872)	(750,872)
	<hr/>	<hr/>	<hr/>	<hr/>
Balances - November 30, 2022	2,963	3,543,207	(961,408)	2,584,762
Net loss	-	-	(1,386,855)	(1,386,855)
	<hr/>	<hr/>	<hr/>	<hr/>
Balances - November 30, 2023	<u>\$ 2,963</u>	<u>\$ 3,543,207</u>	<u>\$ (2,348,263)</u>	<u>\$ 1,197,907</u>

HOMMATI FRANCHISE NETWORK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended November 30, 2023, 2022 and 2021

	2023	2022	2021
OPERATING ACTIVITIES			
Net loss	\$ (1,386,855)	\$ (750,872)	\$ (268,253)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	37,029	27,793	19,705
Amortization	124,643	94,291	61,312
Non-cash operating lease expense	4,256	-	-
Paycheck Protection Program loan forgiveness income	-	-	(49,640)
	<u>(1,220,927)</u>	<u>(628,788)</u>	<u>(236,876)</u>
Change in operating assets and liabilities			
Inventory	12,302	(28,092)	-
Other assets	-	3,420	-
Prepaid expenses	(7,340)	(15,560)	-
Accounts receivable	85,545	(40,775)	(67,800)
Accounts payable	(29,064)	40,310	61,672
Deferred revenue	(135,000)	135,000	-
	<u>(1,294,484)</u>	<u>(534,485)</u>	<u>(243,004)</u>
Net cash used by operating activities			
	<u>(1,294,484)</u>	<u>(534,485)</u>	<u>(243,004)</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(63,219)	(30,335)	(48,612)
Website development costs	(87,473)	(157,252)	(127,920)
Purchase of intangible assets	(88,750)	-	-
	<u>(239,442)</u>	<u>(187,587)</u>	<u>(176,532)</u>
Net cash used by investing activities			
	<u>(239,442)</u>	<u>(187,587)</u>	<u>(176,532)</u>
FINANCING ACTIVITIES			
Capital contributions	-	1,200,000	1,499,259
Proceeds from issuance of common stock	-	-	741
Distributions	-	-	(171,908)
	<u>-</u>	<u>1,200,000</u>	<u>1,328,092</u>
Net cash provided by financing activities			
	<u>-</u>	<u>1,200,000</u>	<u>1,328,092</u>
NET INCREASE (DECREASE) IN CASH	(1,533,926)	477,928	908,556
CASH			
Beginning of period	<u>2,349,666</u>	<u>1,871,738</u>	<u>963,182</u>
End of period	<u>\$ 815,740</u>	<u>\$ 2,349,666</u>	<u>\$ 1,871,738</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Noncash transactions:			
Additional paid in capital financed by stockholder notes receivable/held in escrow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

See notes to financial statements.

HOMMATI FRANCHISE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Hommati Franchise Network, Inc. (the "Company") was formed on August 14, 2017 and is a national franchising agency for providing services to the real estate market. The Company develops new technology in order to assist real estate agents sell homes in innovative ways. The Company uses different approaches which include: 3D Interactive Tours, Virtual Staging, Aerial HD Video/Stills, Ultra HD 34MP (up to 4K) Photography, Sign Placement/Removal Service, and Doorhanger Services. These services are designed to eliminate some of the up front work for the real estate agents and make selling homes more effective and efficient in any market.

Financial Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations - The Company is dependent on the use of trademarks, slogans, logos, and copyrighted materials including training programs, marketing literature, website development and operational documents (intellectual property). Should the license to utilize such intellectual property be terminated, such events would likely have an adverse effect on the Company's operations.

The Company has cash on deposit at one financial institution in excess of federally insured limits.

Inventory - Inventories consist of cameras and batteries and are valued at cost.

Property and Equipment - Property and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Routine repairs and maintenance are charged to expense when incurred. When property and equipment are retired or sold, the related cost and accumulated depreciation are removed from the respective accounts, and the resulting gains and losses are included in income.

The Company reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at November 30, 2023.

Income Taxes - On December 1, 2017, the Company elected, with the consent of its stockholder, to be taxed as an S corporation under Section 1362 of the Internal Revenue Code. Therefore, no provision for federal and state income taxes is included in the financial statements.

Website Development Costs - Costs incurred in the preliminary project and post-implementation stages of an internal use software project and website development are expensed as incurred, and certain costs incurred in the application development stage of a project are capitalized and amortized over the estimated useful life. As of November 30, 2023 the Company has capitalized a total of \$532,816 related to website development. The Company capitalized \$87,472, \$157,252, and \$127,920 related to website development during 2023, 2022 and 2021. Amortization expense of website development costs was \$124,643, \$94,291 and \$61,312 for the years 2023, 2022 and 2021. Amortization expense is expected to be \$102,895, \$55,366 and \$14,579 for the years 2024, 2025 and 2026.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Company's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. No significant uncertain tax positions exist as of November 30, 2023.

Advertising - Advertising costs are expensed as incurred. Advertising expense was \$462,831, \$681,818 and \$469,554 for the years 2023, 2022 and 2021.

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

The Company adopted the standard effective December 1, 2022 and recognized and measured leases existing at December 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended November 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Company elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company also recognized on December 1, 2022 a lease liability of \$347,137, which represents the present value of the remaining operating lease payments of \$417,138, discounted using the risk-free borrowing rate of 2.66%, and a ROU asset of \$353,432.

The standard had a material impact on the balance sheet, but did not have an impact on the income statement, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

The Company leases a building. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, and current and long-term operating lease liabilities on the balance sheet. Finance leases are included in property and equipment, and current and long-term finance lease liabilities on the Company's balance sheet.

HOMMATI FRANCHISE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit interest rate, the Company uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Subsequent Events - In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through January 9, 2024, the date the financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

Franchise Fees

The Company derives revenue from franchise fees. Franchise fees are charged at the beginning of a new franchise's operations and are a one-time, nonrefundable fee. The fee includes pre-opening costs with no ability to break pre-opening costs and franchise agreement into separate performance obligations. Revenue is recognized at a point in time the franchisee begins operations, in an amount that is fixed based on the agreement between franchisor and franchisee. Costs incurred to obtain a contract are expensed as incurred. The Company does not have any significant financing components.

The Company sold 10, 27, and 30 new franchises during 2023, 2022, and 2021 respectively.

Royalties

The Company derives revenue from royalties. Royalties are charged for each individual franchisee at the point of sale, if relating to new cameras sold, or monthly, if relating to membership fees, royalties for monthly gross revenue generated, or tours given in a month. Revenue is recognized at a point in time, at the end of each month, and varies depending on number of franchises and performance of each individual franchisee. Costs are expensed as incurred. The Company does not have any significant financing components.

Performance Obligations

For performance obligations related to franchise fees and royalties, the benefit of the service is transferred at a point in time. Revenue is recorded for these services after the service has been provided or completed.

The contract balances at November 30, 2023, 2022, and 2021 are presented on the balance sheets. At December 1, 2020, contract balances included contract receivables of \$48,846.

HOMMATI FRANCHISE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVENTORY

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cameras	\$ 15,790	\$ 27,200	\$ -
Batteries	-	892	-
	<u>\$ 15,790</u>	<u>\$ 28,092</u>	<u>\$ -</u>

The inventory recorded in 2022 was a result of a bulk purchase made during the year due to changes in franchisee agreements and supply chain issues.

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Office equipment	\$ 158,722	\$ 154,127	\$ 123,791
Vehicles	58,624	-	-
	<u>217,346</u>	<u>154,127</u>	<u>123,791</u>
Less accumulated depreciation	<u>111,245</u>	<u>74,216</u>	<u>46,423</u>
	<u>\$ 106,101</u>	<u>\$ 79,911</u>	<u>\$ 77,368</u>

Depreciation expense for the years 2023, 2022 and 2021 was \$37,029, \$27,793 and \$19,705.

NOTE 5 - INTANGIBLE ASSETS

The Company purchased a franchise location in 2023, acquiring the franchise's customer list and related book of business. The intangible assets related to this purchase are being amortized on a straight-line basis over a period of 10 years. Amortization expense related to the intangible assets will be \$8,875 on an annual basis through 2033.

The amount of intangible assets and accumulated amortization for the years 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>	<u>2022</u>
Intangible assets	\$ 88,750	\$ -	\$ -
Accumulated amortization	<u>(5,917)</u>	<u>-</u>	<u>-</u>
	<u>\$ 82,833</u>	<u>\$ -</u>	<u>\$ -</u>

HOMMATI FRANCHISE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASING ACTIVITIES

The Company has an operating lease with a related party for a building requiring fixed monthly payments.

The following summarizes the weighted average remaining lease term and discount rate as of November 30, 2023 and 2022:

	<u>2023</u>
Weighted Average Remaining Lease Term	
Operating leases	3.67 years
Weighted Average Discount Rate	
Operating leases	2.66%

The maturities of lease liabilities as of November 30, 2023 are as follows:

	<u>Operating</u>
2024	\$ 78,588
2025	80,952
2026	83,384
2027	<u>56,688</u>
Total lease payments	299,612
Less interest	<u>14,061</u>
Present value of lease liabilities	<u>\$ 285,551</u>

The following summarizes the line items in the statements of operations which include the components of lease expense for the year ended November 30, 2023:

	<u>2023</u>
Rent	
Operating lease expense	\$ 80,552
Variable lease expense	<u>58,704</u>
Total operating lease expense	<u>\$ 139,256</u>

The following summarizes cash flow information related to leases for the year ended November 30, 2023:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 70,001
Lease assets obtained in exchange for lease obligations:	
Operating leases	347,137

HOMMATI FRANCHISE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Company received loan proceeds in the amount of \$49,640 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower meets certain criteria.

The Company initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Company recognized \$49,640 of loan forgiveness income for the year ended November 30, 2021, which reflects a full forgiveness of the loan obligation.

NOTE 8 - COMMON STOCK

During 2021, the Company received a \$3,000,000 investment, \$1,500,000 of which was held in escrow with \$1,500,000 in cash. The value of the amount in escrow was deducted from additional paid in capital on the accompanying statements of changes in stockholders' equity and was to be received as cash by the Company once specific performance metrics were met by the Company. As a result of the investment, an additional 741 shares of \$1 par value common stock were issued to the individuals that contributed.

During 2022, \$1,200,000 of the \$1,500,000 that was held in escrow in 2021 was released and received in cash in accordance with the performance metrics. The remaining \$300,000 was deducted from additional paid in capital on the accompanying statements of changes in stockholders' equity and returned to the investors. There were no additional shares issued.

At November 30, 2023, 2022 and 2021, there were 5,000 shares of common stock authorized with 2,963, shares issued and outstanding, respectively.

EXHIBIT I
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:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
Virginia	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 J
RECEIPT

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

If Hommati Franchise Network, Inc. d/b/a Hommati offers you an Area Representative franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement or make a payment to us in connection with the proposed franchise sale or grant.

Rhode Island requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meetings or 10 business days before the execution of the Franchise or other Agreement or payment of any consideration that relates to the Franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The franchisor is Hommati Franchise Network, Inc. d/b/a Hommati located at 6264 South Sunbury Road, Suite 100, Westerville, OH 43081. Its telephone number is 833-466-6284

Issuance date: January 10, 2024.

The franchise sellers for this offering are:

X	Jerry Clum	6264 South Sunbury Road, Suite 100, Westerville, OH 43081; 833-466-6284
X	Joseph Ciamacco	6264 South Sunbury Road, Suite 100, Westerville, OH 43081; 833-466-6284
X	Trey Clum	6264 South Sunbury Road, Suite 100, Westerville, OH 43081; 833-466-6284

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

I have received a disclosure document dated January 10, 2024, that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. Area Representative Agreement
 - Schedule 1- Territory
 - Schedule 2- Minimum Requirements
 - Schedule 3- Automatic Bank Draft Authorization
 - Schedule 4- Area Representative Biographical Information Form
 - Schedule 5- State Addenda to the Area Representative Agreement
- C. Release
- D. List of State Administrators and Registered Agents
- E. Table of Contents of Area Representative Operations Manual.
- F. List of Area Representatives
- G. List of Former Area Representatives
- H. Financial Statements
- I. State Effective Dates
- J. Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Area Representative

Print Name

Please date, sign, and retain this copy for your records.

RECEIPT

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New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meetings or 10 business days before the execution of the Franchise or other Agreement or payment of any consideration that relates to the Franchise relationship.

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- G. List of Former Area Representatives
- H. Financial Statements
- I. State Effective Dates
- J. Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Area Representative

Print Name

Please date, sign, and return this copy to us.