

## FRANCHISE DISCLOSURE DOCUMENT



### **FRSTeam, LLC**

a California limited liability company  
2520 Northwinds Parkway, Suite 375  
Alpharetta, Georgia 30009  
(678) 336-1780 and (866) 355-1064  
info@frsteam.com  
www.frsteam.com

The franchise offered is for a FRSTeam business that provides specialty and emergency dry cleaning and laundry services for clothing and fabrics, electronics and contents restoration services following a residential or commercial disaster, including damage due to smoke, fire, water and mold. As an option, Franchisees may also provide contents restoration services following similar disasters. An addendum will be required to offer the contents restoration services.

The total investment necessary to begin operation of a FRSTeam fabrics and electronics restoration franchised business is between \$44,375 and \$411,000. This includes between \$37,375 and \$47,375 that must be paid to the Franchisor or its affiliate(s). The initial franchise fee is for a territory of no more than 500,000 households. The franchise fee is increased by \$10,000 for a territory with more than 500,000 households. These estimates assume that you already have an existing dry-cleaning facility. Franchisees that desire to provide contents restoration services must attend contents restoration training, obtain licenses required by applicable law, and pay Franchisor a training and administrative fee equal to \$30,000, which fee is not currently included in the initial franchise fee. Offering contents restoration services may require Franchisee to invest additional capital in the franchise.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 Haley Bliss at 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009, (510) 723-1000 ext. 203, corp@frsteam.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP, or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date: March 20, 2024**

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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 Georgia. 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 Georgia than in your own state.
2. **Spousal Liability.** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Minimum Royalty Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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



**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE  
MICHIGAN FRANCHISE INVESTMENT LAW**

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

- 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 does 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 includes 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, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 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 does 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 includes, but is not limited to:
  - i. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - ii. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.



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

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

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

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

J. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**The fact 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:

State of Michigan Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, MI 48909  
(517) 335-7567

Note: Despite paragraph F above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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



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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT C.

**ITEM 1**  
**THE FRANCHISOR, & ANY PARENTS, PREDECESSORS & AFFILIATES**

To simplify the language in this Disclosure Document, “FRSTeam” and “we,” “us,” and “our” means FRSTeam, LLC, the franchisor. In this Disclosure Document, “you,” “your,” and “Franchisee” means the person or legal entity, including a corporation, partnership, limited liability company or other legal entity, and their owners, officers and directors, who buys the franchise from FRSTeam. If you are a corporation, partnership, limited liability company or other entity, your principal owners must sign a guaranty substantially identical to the form of Guaranty and Assumption of Obligations attached to the Franchise Agreement. If you are a legal entity, each owner (i.e., each person holding an ownership interest in you), including the managing owner, must sign a Guaranty and Assumption Agreement. We also require that the spouses of the franchise owners sign the Guaranty and Assumption Agreement. If you are an individual or group of individuals and he/she/they do not satisfy the financial or management qualifications to become a franchisee based on his/her/their qualifications, we require the spouse(s) of the individual(s) to sign the guaranty in order to satisfy our qualifications. This means that all or some of the provisions of the Franchise Agreement will also apply to your owners (and spouse(s), where applicable).

The Franchisor

FRSTeam, LLC is a California limited liability company converted from a corporation on August 20, 2020. The previous California corporation, FRSTeam, Inc. (“FRSTeam Corp”) was originally formed on September 30, 2005. FRSTeam does business as FRSTeam and Fabric Restoration Service Team. Our principal business address is 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009. We operate eleven businesses similar to those offered under this Disclosure Document through our affiliate, Custom Commercial Dry Cleaners LLC. We have not, and do not, operate franchises in any other line of business. We do not conduct any other business other than franchising FRSTeam Businesses. We have no predecessor entities.

Our agent for service of process in Georgia is Cogency Global Inc., 900 Old Roswell Lakes Parkway, Suite 310, Roswell, Georgia 30076. Please see Exhibit E for a list of the agents for service of process and/or the state administrators in the states where FRSTeam has registered or is registering this Disclosure Document as a franchise.

Parent and Affiliates

We are a wholly-owned subsidiary of Empower Brands Franchising, LLC, formerly known as Lynx Franchising, LLC, a Delaware limited liability company (“Empower Brands”). Empower Brands was formerly known as Lynx Franchising, LLC from April 2019 to January 2023, and before that was known as Premium Franchise Brands, LLC until April 2019. Empower Brands is owned by Lynx-JP Holdings, Inc., a Delaware corporation (“Lynx-JP Holdings”). Lynx-JP Holdings was formerly known as Jan-Pro Holdings, Inc. and was purchased on December 23, 2020 by MidOcean BCAT Holdings, Inc., a Delaware corporation (“BCAT”). BCAT is owned by Bobcat Holdings Group, LP, a Delaware limited partnership (“Bobcat”). Bobcat is majority owned by MidOcean Associates V, LP (“MidOcean”). Empower Brands, Lynx-JP Holdings, BCAT and Bobcat each have a principal business address of 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009. MidOcean has a principal business address of 245 Park Avenue, 38th Floor, New York, New York 10167. None of these entities have conducted a business of the type that you will operate, and none have offered franchises in any line of business. Empower Brands is the parent company of the franchise systems listed below in this Item 1.



## Affiliates That Provide Services to Franchisees

OLB Supply Chain, LLC (“OLBSC”), a Delaware limited liability company with a principal business address of 2426 Old Brick Road, Glen Allen, Virginia 23060, sources and distributes certain products for sale to certain affiliates’ franchisees.

## Empower Brands

Empower Brands is the parent company to the following franchisors, including us: Archadeck Franchisor, LLC (“Archadeck”), Bumble Roofing Franchisor, LLC (“Bumble”), Canopy Franchise Corporation (“Canopy”), Conserva Irrigation Franchisor, LLC (“Conserva”), Jan-Pro Franchising International, Inc. (“JPI”), Jan-Pro Enterprises, LLC (“JPE”), Koala Insulation Franchisor, LLC (“Koala”), Outdoor Lighting Perspectives Franchisor, LLC (“OLP”), Superior Fence and Rail Franchisor, LLC (“Superior Fence”), and Wallaby Windows Franchisor, LLC (“Wallaby”). Archadeck, Bumble, Canopy, Conserva, OLP, Koala, Superior Fence, and Wallaby each have a principal business address of 2426 Old Brick Road, Glen Allen, Virginia 23060. JPI and JPE have the same principal address as us.

Archadeck is the franchisor of the ARCHADECK® franchise system. ARCHADECK® franchises are businesses offering certain construction sales and services of outdoor living spaces and environments. In September 2021, Archadeck became affiliated with Empower Brands through an acquisition. Archadeck, with a principal business address of 2426 Old Brick Road, Glen Allen, Virginia 23060, is a Delaware limited liability company formed on August 31, 2021. Archadeck, through its predecessor, Archadeck Franchising Corporation (“AD Corp.”) had offered ARCHADECK® franchises since June 1980. As of September 30, 2023, there were 86 ARCHADECK® franchises, including 83 franchises located throughout the United States and 3 franchises located in Canada. Archadeck has not conducted a business of the type that you will operate, and has not offered franchises in any other line of business other than described above.

Bumble is the franchisor of the Bumble Roofing franchise system. Bumble franchises are businesses offering roofing installation and repairs for residential and commercial customers. In March 2023, Bumble became affiliated with Empower Brands through an acquisition. As of September 30, 2023, there were 0 franchised Bumble outlets. Bumble has not conducted a business of the type that you will operate and has not offered franchises in any line of business other than described above.

Canopy is the franchisor of the Canopy franchise system. Canopy franchises are businesses offering environmentally responsible, subscription-based, tech-enabled turf care services, including lawn applications such as turf fertilization, and weed control and prevention. In June 2023, Empower Brands became a majority equity owner in Canopy. As of September 30, 2023, there were 0 franchised Canopy outlets.

Conserva is the franchisor of the CONSERVA IRRIGATION® franchise system in the U.S. CONSERVA IRRIGATION® franchises are businesses offering repair, maintenance, service, design and construction of irrigation systems for residential and commercial customers with an emphasis on water conservation. In September 2021, Conserva became affiliated with Empower Brands through an acquisition. Outdoor Living Brands, Inc. began offering royalty-free pilot licenses for CONSERVA IRRIGATION® businesses in April 2014. All pilot licensees were offered the opportunity to enter into franchise agreements with Conserva’s predecessor Conserva Irrigation Franchising, LLC (“CI LLC”) during 2017. As of September 30, 2023, there were 195 CONSERVA IRRIGATION® franchises located throughout the United States. Conserva has not conducted a business of the type that you will operate, and has not offered franchises in any other line of business other than described above.



JPI sells “Jan-Pro” regional developer franchises that sell and support unit franchises that operate commercial cleaning businesses. JPI is a Massachusetts corporation incorporated on April 6, 1995. JPI has offered Jan-Pro commercial cleaning regional developer franchises since 1995. As of September 30, 2023, there were 107 operating regional developer franchises in the United States. JPI has not conducted a business of the type that you will operate, and has not offered franchises in any other line of business.

JPE sells and supports JAN-PRO Franchise Development country master franchises and regional franchise development franchises that sell franchises and provide support services under the JAN-PRO Cleaning & Disinfecting™ brand for the operation of janitorial and building maintenance service franchises outside of the United States. JPE, was formed as a Delaware limited liability company on February 15, 2005. JPE has offered Jan-Pro franchises outside of the United States since February 2005. As of September 30, 2023, there were eight country or international regional developer franchises operating outside of the United States. JPE has not conducted a business of the type that you will operate, and has not offered franchises in any other line of business.

Koala is the U.S. franchisor of the KOALA INSULATION® franchise system. Koala franchises are businesses currently specializing in providing insulation evaluation, installation, and certain energy efficiency / indoor air improvements to residential and commercial customers. In April 2023, Koala became affiliated with Empower Brands through an acquisition. Koala, through its predecessor Koala Franchise, LLC (“**Koala LLC**”), offered KOALA INSULATION franchises from January 2, 2020 to April 2023. As of September 30, 2023, there were 385 Koala franchises located throughout the U.S., and 0 franchises located in Canada. Koala has not conducted a business of the type that you will operate and has not offered franchises in any line of business other than described above.

OLP is the U.S. franchisor of the OUTDOOR LIGHTING PERSPECTIVES® franchise system. OUTDOOR LIGHTING PERSPECTIVES franchises are businesses specializing in providing outdoor lighting design, automated lighting control equipment, holiday lighting design, installation services, and sales to residential and commercial customers. In September 2021, OLP became affiliated with Empower Brands through an acquisition. OLP, through its predecessor Outdoor Lighting Perspectives Franchising, Inc. (“**OLPFI**”), offered OUTDOOR LIGHTING PERSPECTIVES franchises since March 2005. As of September 30, 2023, there were 110 OUTDOOR LIGHTING PERSPECTIVE franchises, including 128 located throughout the U.S., and 2 franchisees located in Canada. OLP has not conducted a business of the type that you will operate, and have not offered franchises in any other line of business other than described above.

Superior Fence is the franchisor of the SUPERIOR FENCE & RAIL® franchise system. SUPERIOR FENCE & RAIL® franchises are businesses that sell, furnish and install wood, steel, aluminum and vinyl fencing and related garden products for residential and commercial customers. In December 2021, Superior Fence became affiliated with Empower Brands through an acquisition. Superior Fence, through its predecessor, Superior Fence & Rail Franchising, LLC had offered SUPERIOR FENCE & RAIL, INC.® businesses since January 2017. As of September 30, 2023, there were 242 SUPERIOR FENCE & RAIL, INC.® franchises located throughout the United States. Superior Fence has not conducted a business of the type that you will operate, and has not offered franchises in any other line of business other than described above.

Superior Fence and Rail of NOFL, LLC (“**Superior NOFL**”) operates two company owned operations that perform fencing services under the SUPERIOR FENCE & RAIL, INC.® brand. Superior NOFL is a Delaware limited liability company, with a principal business office of 510 Superior Commerce Point, Oviedo, Florida 32765. Superior NOFL has not offered franchises in any line of business.



Wallaby is the U.S. franchisor of the Wallaby Windows® franchise system. Wallaby franchises are businesses currently specializing in providing window installation, replacement, repair and related services. In April 2023, Wallaby became affiliated with Empower Brands through an acquisition. Wallaby, through its predecessor Wallaby Franchise, LLC (“**Wallaby LLC**”), offered Wallaby Window franchises from October 1, 2022 to April 2023. As of September 30, 2023, there were 45 Wallaby franchises located throughout the U.S., and 0 franchises located in Canada. Wallaby has not conducted a business of the type that you will operate and has not offered franchises in any line of business other than described above.

Custom Commercial Dry Cleaners, LLC (“**CCDC**”) operates company owned CCDC restoration dry cleaning and electronics restoration businesses. In June 2020, CCDC became affiliated with Empower Brands through an acquisition. CCDC, with a principal business address of 3201 A Investment Blvd., Hayward, CA 94545, was incorporated as a California corporation on May 26, 1993 under the name “Custom Commercial Dry Cleaners, Inc.” CCDC was converted to a limited liability company under the name “Custom Commercial Dry Cleaners, LLC” on August 20, 2020. As of September 30, 2023, CCDC operated 11 company owned outlets. CCDC has not conducted a business of the type that you will operate and has not offered franchises in any line of business.

#### Other Affiliates with Franchise Programs

Through control with private equity funds managed by MidOcean Partners, a New York-based private equity firm, we are affiliated with the following franchise programs. None of these affiliates operate a FRSTeam franchise.

Grease Monkey Franchising, LLC (“**GMF**”), which operates under the names Grease Monkey Franchising, LLC, Grease Monkey, and FullSpeed Automotive, is a franchisor of automotive quick lube franchises operating under the Grease Monkey® trade name and business system. GMF is a Colorado limited liability company with a principal business address of 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111. In January 2021, GMF became an affiliate through an acquisition. GMF has been offering Grease Monkey franchises since January 2006, and as of September 30, 2023, there were approximately 196 franchises operating in the United States and 61 international franchises. GMF has not conducted a business of the type that you will operate and has not offered franchises in any other line of business.

GMF acquired substantially all of its assets from Grease Monkey International, LLC (“**GMI**”), which was the franchisor of the Grease Monkey franchise system from approximately September 1978 through March 2006. Until 2022, GMI remained as the franchisor for franchises granted before April 2006, at which time GMI transferred those franchises granted before 2006 to GMF. In the past, GMF, and its predecessor, GMI, offered to franchisees the right to operate a car wash franchise with their Grease Monkey Center. The car wash facility was called “Monkey Shine.” GMF no longer offers the right to operate a Monkey Shine car wash facility in connection with a Grease Monkey Center, although as of September 30, 2023, GMF still has eight franchisee-owned Monkey Shine facilities.

GMI is a Delaware limited liability company with a principal business address of 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111. In January 2021, GMI became an affiliate through an acquisition. As of September 30, 2023 GMI operated company-owned units under the following brand names: Grease Monkey, Speedee Oil and Auto, American LubeFast, AutoLube, Economy Oil Change, Fast Lube Plus, Grease Monkey, Herbert Auto Emissions, Herbert Automotive, Ingleside Auto, Insta-Quick, Kwik Kar, Lambuth’s Quick Lube, Master Lube, Minit Man, Mobil 1 Express, Pioneer Lube & Wash, Premier, Shop N Lube, Speedee, Super Lube Plus, Texas Express, Uncle Ed’s Oil Shoppes, and Waterfall Car Wash. Some of the units are a non-Grease Monkey brand but are substantially similar to the



Grease Monkey franchise. GMI has not conducted a business of the type that you will operate and has not offered franchises in any other line of business.

GMI Services S de RL de CV (“GMI Mexico”) is a subsidiary of GMI. GMI Mexico provides support services to franchisees operating in Mexico. GMI Mexico’s principal business address is Calzada del Valle 255, Office 233, San Pedro Garza García, N.L., CP 66220, México. GMI Mexico has not conducted a business of the type that you will operate, and has not offered franchises in any line of business.

SpeeDee Worldwide, LLC (“**SpeeDee**”) is a franchisor of automotive maintenance and repair services operating under the SpeeDee® trade name and business system. SpeeDee is a subsidiary of GMI. SpeeDee is a Delaware limited liability company with a principal business address of 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111. In January 2021, SpeeDee became an affiliate through an acquisition. SpeeDee has been franchising since 1986, and as of September 30, 2023, there were 63 franchises operating in the United States and 29 franchises operating internationally. Until January 2017, SpeeDee also offered co-branding franchises under a separate Franchise Disclosure Document and different franchise agreement with its former parent, Midas International Corporation (“**Midas**”), for a Midas/SpeeDee co-branding shop. SpeeDee also operates 20 SpeeDee franchises in the United States which are co-branded with Midas, who is not an affiliate. SpeeDee has not conducted a business of the type that you will operate and has not offered franchises in any other line of business.

### The Franchise

We offer FRSTeam restoration dry cleaning franchised businesses, which may also, at Franchisee’s option, include electronics restoration services. FRSTeam was formed in September 2005 and started franchising restoration dry cleaning services in March 2006, added the electronics restoration services in April 2018 and added contents services in 2021. FRSTeam franchises provide prompt, high quality, professional and reliable restoration dry cleaning services for clothing, laundry and other fabric-related goods damaged, as well as electronics and contents restoration services in a residential or commercial loss. We operate through a group of select, like-minded service providers located throughout the United States; consequently, we franchise these select businesses to provide restoration dry cleaning services and optional electronics restoration services under the FRSTeam name (the “Franchised Business(es)”) using the service models and operating procedures described in our operating manual (the “Manual”) and using specific trade names and service marks we designate from time to time (the “Proprietary Marks”).

FRSTeam obtained the rights to engage in the restoration dry cleaning business from Custom Commercial Dry Cleaners, Inc., a California corporation. Custom Commercial Dry Cleaners began developing the system and procedures in 1988. After several successful expansion operations, that system has been refined and is now franchised for use by FRSTeam. FRSTeam and Custom Commercial Dry Cleaners LLC share some common shareholders and common directors but are separate and independent operations. Custom Commercial Dry Cleaners LLC continues to operate as an independent business. Custom Commercial Dry Cleaners LLC has not offered franchises in the United States other than that entered into with FRSTeam.

FRSTeam, pursuant to a mandatory addendum, allows its franchisees to offer electronics restoration service as part of their franchised businesses with the assistance of RescueTech, Inc. (“RescueTech”), a company unaffiliated with us that has significant experience in the electronics restoration business. We entered into an Electronics Restoration Services Master Agreement with RescueTech in June 2018, whereby RescueTech commits to provide our franchisees with training and services, and to license certain technology in connection with electronics restoration services. These electronics restoration services will be offered and provided to customers by our franchisees under the FRSTeam name and brand



and are intended to be an ancillary service to the fabric restoration services, providing customers with a broader range and more comprehensive restoration services.

FRSTeam, pursuant to an optional addendum, allows its franchisees to offer contents restoration services as part of their franchised businesses. These contents restoration services will be offered and provided to customers by our franchisees under the FRSTeam name and brand and are intended to be an ancillary service to the fabric and electronic restoration services, providing customers with a broader range and more comprehensive restoration services.

FRSTeam itself does not operate a fabrics restoration business, nor an electronics or contents restoration business. FRSTeam's affiliate CCDC operates a fabric, electronics and contents restoration business directly..

We award franchises to persons and entities that own and operate dry cleaning plants meeting our qualifications. Under our standard franchise agreement ("Franchise Agreement") attached to this Disclosure Document as Exhibit A, the Franchisee is authorized to provide full restoration cleaning services for clothing, laundry and other fabric-related goods and electronics restoration services for electronics damaged in a fire, water or other residential or commercial loss. By signing a Contents Restoration Services Addendum, Franchisee will also be authorized to provide contents restoration services. There are additional fees associated with providing electronics and contents restoration services (See Items 5 and 6).

### Market and Competition

FRSTeam franchised businesses service the needs of residential and business customers. Our services are not seasonal in nature. The market for the goods and services offered by FRSTeam franchised businesses is well developed and highly competitive. Franchisee's business will have a dedicated division incorporating the FRSTeam model that includes procedures for cleaning, customer service and marketing (the "System"). Franchisee will be awarded a protected geographic territory (the "Territory") that will not be offered to any other franchisee, subject to applicable exceptions related to specific service lines not offered by Franchisee, programs that Franchisee does not participate in, or if Franchisee is not in good standing. Franchisee will work primarily through the insurance industry to assist clients that have suffered smoke or fire damage, mold, water damage or other personal disasters. Insurance companies look to restoration professionals to restore many or most of a client's fabric, electronics goods and/or contents, thereby reducing the costs of a claim by avoiding replacement with new items. Once the FRSTeam group is adequately populated, a main focus of the organization will be national accounts through insurers and service providers. Franchisee's service must be available 24 hours per day and seven days per week. You and your team of employees will identify themselves as members of FRSTeam. The FRSTeam Proprietary Marks (see Item 13 of this Disclosure Document) must be displayed on your uniforms, vehicles, business cards, invoices, marketing materials, and other business supplies.

The restoration business can be intermittent. Demand for services can vary since sales are generally associated with either isolated residential fire and water losses or major catastrophic events such as hurricanes, wildfires or earthquakes. The marketplace includes several competitors ranging from national franchises to independently owned dry cleaning and electronics restoration companies and plants that offer restoration cleaning services for fabrics, electronics, and contents.

### Industry-Specific Laws

Restoration dry cleaning businesses can be highly-regulated, principally because of federal and state environmental regulations governing the use of chemicals in dry cleaning. These regulations apply both to areas where the cleaning is performed, as well as areas where the chemicals are stored. There is a



trend toward greener alternatives in the dry-cleaning business. The greener alternatives are still being developed, and as such, the greener alternative methods are still more costly to use. Due to the cost of buying new equipment and adopting the newer processes, the industry has been slow to get behind green technology. However, California has passed the country's first statewide ban on perchloroethylene ("perc"), initiating a 15-year phase out of chemicals and equipment by 2023. Minnesota passed a similar law with the ban on perc taking effect by 2026. Cognizant of the greater public awareness of environmental issues, FRSTeam has started exploring greener alternatives that may be incorporated into the business. FRSTeam is committed to understanding and keeping abreast of all environmental legislation relevant to its business. FRSTeam is also committed to using less hazardous or less toxic products and materials as much as possible.

Electronics restoration businesses are not as highly-regulated as restoration dry cleaning businesses, because the electronics cleaning and restoration process does not utilize the same level of chemicals as restoration dry cleaning businesses. Nevertheless, there are regulations regarding the disposal of electronics, appliances and other similar items, and franchisees offering this service should be aware of any federal, state and local laws and regulations governing the restoration, cleaning and disposal of electronics.

It is the responsibility of the Franchisee to comply with all federal, state and local laws and regulations that apply to restoration businesses in general. You should investigate these laws and regulations before you purchase a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Our Executives**

#### **President: Holly Murry**

Ms. Murry joined the Custom Commercial team in 1995. After working in its corporate and northwest offices, she moved to Colorado to oversee its operations in the southwest. She is currently the President of FRSTeam, LLC. Ms. Murry helped form FRSTeam during 2005 and served as a vice president since it was formed on September 30, 2005. Her office is located in Denver, Colorado.

#### **Director of National Sales: Kristin Johnston**

Mrs. Johnston has served as our Director of National Sales since December 2023. Prior to that, she was our National Account Director from November 2021 to December 2023. Mrs. Johnston's office is located in Arvada, CO. Prior to joining us, Mrs. Johnston was the Regional Business Development Manager for BluSky Restoration Contractors from August 2018 to November 2021 in Centennial, CO.

#### **National Account Manager: Haley Bliss**

Ms. Bliss joined FRSTeam in June 2013 and currently serves as our National Account Manager. Prior to serving as our National Account Manager, Ms. Bliss was in franchise sales from June 2013 to September 2020. Her office is located in Denver, Colorado.

#### **Director of Operations/National Field Trainer: Ceilidh Hill**

Ms. Hill joined Custom Commercial Cleaners in 2008 and has been with FRSTeam since May 2016. Ms. Hill currently serves as our Director of Operations/National Field Trainer and works with the



franchisees on operational and efficiency matters. Ms. Hill has worked in the fabric restoration industry and commercial dry cleaning industry for approximately 11 years. Her office is located in Washington.

### **Our Parent's Executives**

#### **Chief Executive Officer: Scott Zide**

Mr. Zide has been the Chief Executive Officer of Empower Brands since March 2022. Mr. Zide was also the President, COO and a Director of each of Archadeck, Conserva, and OLP from September 2021 to March 2022, and the COO of their predecessor, Outdoor Lighting Perspectives Holdings Corporation (“OLPHC”), from January 2007 to September 2011 and President of OLPHC from September 2010 to September 2021. Mr. Zide was also the Chief Operating Officer and a Director of Superior Fence from December 2021 to March 2022. From September 2008 to September 2021, Mr. Zide was also the COO of OLPHC’s parent, Outdoor Living Brands, Inc., and served as its President from September 2010 to September 2021, in Richmond, Virginia. Mr. Zide also served as the President and Chief Operating Officer of Outdoor Living Brands Supply Corporation from December 2010 to September 2021, and OLP Commercial Services from June 2010 to September 2021, in Richmond, Virginia. Mr. Zide has owned and operated an Outdoor Lighting Perspectives® business in Richmond, Virginia since March 2014. From December 2018 to September 2021, Mr. Zide also served as President, COO, and a Director of CI LLC and as AD Corp.’s COO from September 2009 to September 2021, and as its President and a Director from September 2010 to September 2021. From February 2009 until December 2018, Mr. Zide served as Mosquito Squad Franchising Corporation’s COO in Richmond, Virginia and as President and a Director from September 2010 until December 2018. From July 2012 to January 2020, Mr. Zide served as President and Chief Operating Officer of Renew Crew Franchise Corporation in Richmond, Virginia. Mr. Zide is based in Richmond, Virginia.

#### **Vice President and Chief Financial Officer: Michael Borreca**

Mr. Borreca has been the Vice President and Chief Financial Officer of Empower Brands since March 2017. From January 2015 to February 2017, Mr. Borreca was the Vice President, Corporate Finance and Treasurer of FOCUS Brands, Inc. in Atlanta, Georgia. From December 2007 to January 2015, Mr. Borreca held various positions with KPMG, LLP in Tampa and Miami, Florida. Mr. Borreca is based in Alpharetta, Georgia.

#### **Chief Development Officer: R. Scott Sutton**

Mr. Sutton has been the Chief Development Officer of Empower Brands since December 2022. From July 2021 to December 2022, Mr. Sutton was the Chief Growth Officer of Threshold Brands, LLC in Boston, Massachusetts. From August 2010 to July 2021, Mr. Sutton was VP of Business Development at Deluxe Corporation (d/b/a Safeguard Franchise Systems) in Dallas, Texas.

#### **Vice President, Information Technology: Andrew Forrest**

Mr. Forrest has been the Vice President, Information Technology of Empower Brands since January 2018 and was the Director of Information Technology of Empower Brands from January 2017 to January 2018. From April 2016 to December 2016, Mr. Forrest was unemployed as he waited for his U.S. work permit to issue. During this time, he obtained a CAPM (Certified Associate Project Manager) certification, and a CSM (Certified Scrum Master) certification. From September 2009 to March 2016, Mr. Forrest worked for Abbey Protection Group in London, England, first as a Development Manager and then as Head of IT. Mr. Forrest is based in Alpharetta, Georgia.



Vice President, General Counsel: Sanjay B. Malhotra

Mr. Malhotra has served as Vice President, General Counsel for Empower Brands and its affiliates since August 2022. Mr. Malhotra is based in Richmond, Virginia. From June 2019 to August 2021, Mr. Malhotra was the Chief Legal Officer of Paris Baguette Bon Doux and its US and Canadian affiliates headquartered in Moonachie, New Jersey. From December 2014 to October 2018, Mr. Malhotra was the Global General Counsel of Le Pain Quotidien based in New York, NY and Brussels, Belgium.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

*Initial Franchise Fee*

The initial franchise fee for the franchise is not uniform and is determined as follows:

Under the Franchise Agreement, the initial franchise fee is \$35,000 for a Territory with no more than 500,000 households. For a Territory with greater than 500,000 households, the initial franchise fee would be \$45,000, each of which includes a \$10,000 fee for electronics restoration services. The initial franchise fee is payable in a lump sum upon your signing of the Franchise Agreement. The initial franchise fee is consideration for FRSTeam's signing and delivery of the Franchise Agreement and is nonrefundable. As part of the initial franchise agreement purchase, you are required to sign an addendum to offer electronics restoration services, the fee for which is included in the initial franchise fee set forth above. We have in the past, and may in the future, offer additional discounts for a limited time and for specific circumstances.

We are a member of the International Franchise Association ("IFA"), and support and participate in IFA's VetFran Program. If you are an honorably discharged veteran who meets our qualifications for a new FRSTeam franchise, we will discount the franchise fee by 15%. The VetFran discount may be used only once for one Territory. The VetFran discount may be applied toward the purchase of only one of the franchise concepts offered by us and our affiliates outlined within Item 1. FRSTeam will also offer a \$1,500 discount for offering electronic restoration services for the first FRSTeam franchise.

To qualify: (i) a prospective franchisee must request the FRSTeam VetFran incentive at the time of application; (ii) a prospective franchisee must meet our then-current qualifications for new franchisees; (iii) the franchise must be at least 51% legally and beneficially owned by persons meeting our qualifying veteran status; and (iv) the prospective franchisee may not have previously received a Veteran's incentive from us. You may meet our qualifying veteran status if you are a veteran who has received an honorable discharge from the U.S. Military, and you must provide us with a copy of your Form DD 214 showing your status as an honorably discharged veteran. We may discontinue the FRSTeam VetFran Program at any time.

For those Franchisees who desire to offer contents restoration services, Franchisee agrees to pay Franchisor a training and administrative fee equal to \$30,000 for the contents restoration services, which





fee is not currently included in the initial franchise fee. Franchisee will be required to pay the training fee and attend any such training as a condition of being able to offer or continue offering contents restoration services. Contents restoration services are optional, and you will be required to sign an addendum to offer the services.

*Software License Fee*

Before you open your Franchised Business, you will also pay us a lump sum, one-time software setup fee (the “Software Setup Fee”) for the FRSTaid 3.0 operating system. This fee is currently \$2,500, plus \$350 for the second and each subsequent franchised business (good for the life of the System). The Software Setup Fee is due in full at the time you sign the Franchise Agreement and is deemed fully earned by us once paid and is non-refundable. The Software Setup Fee is uniformly calculated. The current monthly software fee (the “Software License Fee”) is \$510, and \$309 for any secondary locations. You must own at least one software license for the FRSTaid 3.0 operating system. FRSTeam is an authorized user of the software and owns the proprietary name FRSTaid 3.0, but the software is owned by Next Gear Solutions (“NGS”), a software company. FRSTeam is also authorized to assign new users to the system. The fees are based on the costs quoted by NGS and fees are subject to change based on changes in costs from NGS. The one-time initial software set up fee is guaranteed through November 2025.

You must acquire at least one software license for the ERIS operating system and ERIS software provided by (and owned by) RescueTech. There is no additional software setup fee for the ERIS operating system and software. The current monthly software fee (the “ERIS Software License Fee”) is \$250 for up to four users, and \$50 for any additional users. However, you must pay a monthly software fee to RescueTech as described in Item 6.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Continuing Royalty <sup>(2)</sup>	The greater of 6% of monthly Gross Revenues or the monthly minimum royalty fee specified in Attachment III of the Franchise Agreement (Fees and Adjustments to Fees). Franchisee is responsible for payment of all royalty amounts due on Gross Revenues derived from content restoration services.	Due on the 15 <sup>th</sup> of each month for the preceding monthly Accounting Period. “Accounting Period” means each calendar month determined from the 1st day through the last day of each month.	<p>The continuing royalty fee (“Royalty”) is a minimum monthly amount following the first year of the Franchised Business. All fees paid to us are non-refundable.</p> <p>“Gross Revenues” means all revenues, income and other consideration Franchisee derives from operating the Franchised Business, or from any other means that is in any way related to the Franchised Business or Franchisee’s use of the Proprietary Marks or the System and whether from cash, check, barter, credit or debit card, wire or credit transactions; but excluding all federal, state or municipal sales, use or service taxes collected from clients and paid to the appropriate taxing authority. Gross Revenues will also include the proceeds from any business interruption insurance applicable to loss of revenues. Gross Revenues will be accounted for in accordance with generally accepted accounting principles.</p> <p>If you perform Electronics Restoration or Content Restoration Services, Gross Revenues</p>

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			also includes all revenues, income and other consideration Franchisee derives from the performance of Electronics Restoration and Content Restoration Services, but reported separately from other Gross Revenues, as further detailed in the Manual. Gross Revenues for Electronics Restoration and Content Restoration will not count and are not included in, the calculation of any Royalty caps that may otherwise apply.
Interest for Understatement of Gross Revenues	<p>For an understatement of Gross Revenues, we may debit your bank account for the amount(s) due, together with default interest in the amount of 18% or the maximum rate permitted by applicable law, whichever is greater, and all late fees from the date originally due until the date of payment.</p> <p>If the under-statement is 2% or more during any Accounting Period, in addition, you will reimburse us for our costs of the inspection.</p>	Due upon invoice	These remedies for underreporting are in addition to other remedies we may have.
Advertising	<p>(a) For a Territory with 0 to 500,000 households, the greater of \$500 or 2% of your Gross Revenues; and</p> <p>(b) For a Territory with greater than 500,000 households, the greater of \$800 or 2% of your Gross Revenues</p>	Same as Royalty	This advertising program is intended to secure national account work for all franchisees and as an “image-building” advertising campaign to promote all FRSTeam franchisees, as well as outlets owned and operated by Custom Commercial Dry Cleaners, Inc and contents restoration services. A separate minimum advertising fund fee for contents restoration services will be required. For more information on the purpose of the Fund, see Section 7.2 of the Franchise Agreement. The minimum monthly advertising fund fees may be adjusted annually on January 1 of each year in an amount specified by us. The increase in monthly minimums will be limited to the greater of \$50 or 5% annually. If adding contents restoration services, Franchisee is responsible for payment of all advertising fund amounts due on Gross Revenues derived from content restoration services.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Local and Regional Advertising Cooperatives	May be established by us	May be established by us	We currently do not have a cooperative, but reserve the right to establish one in the future. Item 11 contains more information about advertising cooperatives.
Insurance	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained, plus 20% of the premium as an administrative cost of obtaining the insurance.
Training	Initial franchise fee covers initial training. Additional and subsequent training fees will be based on actual travel costs, materials and a training fee of \$500 per day and is subject to modification by an update to the Manual	Prior to attending any required or optional training program	We provide pre-opening sales and operations training for you, your general manager, and your Sales Representative at a location selected by us. The initial franchise fee includes the initial training fees. The included electronics restoration services addendum fee described in Item 5 covers any related additional training; however, you must pay all travel, housing and food costs for persons attending this initial training. The initial training program for Sales Representatives will last 3 to 5 days. We also provide periodic refresher training courses (1 day), conferences (2 days), and conventions (3 days) at the times and locations we determine, and for which we may charge fees, which will be the cost of providing the training to you. You must pay for all registration fees, travel and living expenses that you and your employees incur while attending the sessions. See the operations Manual. Contents restoration services is not included in the initial franchise fee. To provide these services, additional training and payment of an additional training and administrative fee of \$30,000 is required.
National Account Administrative Fee	Then-current fee specified in the then-current National Account Participation Agreement which is currently 3% of Gross Revenues associated with National Accounts	Same as Royalty	This fee is only required for any period you choose to participate in the National Account Program. This fee is not a royalty and is not subject to limitations on royalty amounts, if any. This fee is subject to modification on an annual basis.
Software License Fee	Then-current fee (currently \$510 per month for the first system and \$309 per month for each additional location)	Same as Royalty	This fee is for the FRSTaid 3.0 operating system. You must own at least one software license. We reserve the right to upgrade, modify or add new software. You will be responsible for any increase in fees that result from an upgrade, modification or any additional software or from increases in fees from third party vendors.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Electronics Restoration Services (ERIS) Software License Fee	\$250 per month (for up to 4 users) plus \$50 per user over 4 users per office	Due on the 15 <sup>th</sup> of each month for the preceding month	This fee is payable to RescueTech for the ERIS operating system. You must acquire at least one software license for the ERIS operating system and ERIS software provided by (and owned by) RescueTech. You will be responsible for any increase in fees by third party vendors.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service, or proposed supplier nominated by you.
Replacement of Franchise Operations Manual	\$500	On demand	Payable if your copy of the franchise operations Manual is lost, destroyed, or significantly damaged.
Late Payment Service Fee	Greater of 5% of the amount due or \$50 for the first late payment  Greater of 5% of the amount due or \$100 for each late payment thereafter	Due upon receipt of invoice or upon late payment of amount already due	The late payment fee will be imposed for each Accounting Period that any fee or payment due to us remains unpaid. The late payment fee is imposed to reimburse us for the additional accounting and management work necessary to handle these matters and does not constitute a penalty
Interest on Late Payment	Default interest of 18% per annum or the maximum rate permitted by law, computed from the day the amounts were originally due until the date paid	Due upon receipt of invoice or upon late payment of amount already due	In addition to the late payment fee, you must pay interest on any amount that remains unpaid for more than 30 days following its due date. We may debit your account for both the late payment fees and interest on the amounts owed.
Late Reporting Service Fee	\$50 for the first delinquency; \$100 for each delinquency thereafter	Due upon receipt of invoice or upon submission of report due	The late payment is to reimburse us for the additional accounting and management work necessary to handle these matters and does not constitute a penalty.
Late Reporting Interest	Default interest of 18% or the maximum rate permitted by law on the amount that is ultimately reported late	Due upon receipt of invoice or upon submission of report due	In addition to the late reporting service fee, you must pay interest on the amount that is reported late. We may debit your account for the amounts owed, late payment fees and interest for late reporting.
Management Fee	5% of Gross Revenues during management period	As incurred	Payable if we (or a third party) manage(s) the Franchised Business in the event of your death or default.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal, accounting, or other professional fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses, including professional fees, that we or our representatives incur related in any way to your Franchised Business or franchise.
Renewal Fee	\$10,000	Due at signing of New Franchise Agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a renewal franchise agreement.
Successor Fee	\$10,000 - \$20,000	Due at signing of New Successor Franchise Agreement	Payable if you are offered a Successor Agreement, qualify for a Successor Agreement, and choose to enter into a Successor Franchise Agreement. A Successor Franchise Agreement may be 5 years or 10 years at our option. The fee for a 5-year Successor Franchise Agreement is \$10,000 and the fee for a 10-year Successor Franchise Agreement is \$20,000.
Late Execution Fee	\$1,000	As incurred	If you are granted the right to enter into a renewal or successor term and elect to do so, but fail to timely execute the renewal franchise agreement or Successor Franchise Agreement, then you will be charged a monthly fee of \$1,000 for each full or partial month until you execute the renewal franchise agreement or Successor Franchise Agreement.
Transfer Fee	\$20,000 (to be paid by the Franchisee or the transferee)	Due upon our consent to a transfer of any interest in the franchise, the Franchised Business or a substantial portion of the business assets	We will not unreasonably withhold our consent to a transfer of any of your interest in the franchise, the Franchise Agreement, the Franchised Business, or a substantial portion of the assets (including building and real estate) of the Franchised Business. However, if the transfer will result in the transfer of a controlling interest, FRSTeam may, in its sole discretion, require that the transferee enter into the then-current form of franchise agreement for the unexpired term of the transferred Franchise Agreement and pay to us a transfer fee.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Liquidated Damages	An amount equal to the product of: (1) the total Royalties that you were obligated to pay to us on the Gross Revenues during the previous 364 days of the operation of the Franchised Business; (2) multiplied by 3 (unless there are less than 3 years remaining of the Franchise Agreement's term, in which case the Royalties will be multiplied by the number of years, or portion of years remaining)	Due upon receipt of invoice	<p>Liquidated damages are imposed if you fail to comply with the Franchise Agreement during its term since we will be damaged in several ways, including: loss of future franchise fees; loss of marketing fees used to market the System; loss of System representation in the area served by you; confusion of national account and individual customer; disadvantage in competing for national accounts for the System; and injury to the goodwill in the Proprietary Marks. In addition to liquidated damages, we have the right to recover reasonable attorneys' fees and court costs incurred in collecting the sums, plus interest.</p> <p>Liquidated damages cover only our damages from the loss of the Royalty. It does not cover any other damages we are entitled to resulting from your actions or inaction.</p>

Notes:

1. Fees. Except as noted, all fees are imposed and collected by and payable to us. All fees payable to us are nonrefundable and currently are uniformly imposed. However, from time to time, FRSTeam has negotiated special Royalty rates based on new owners' existing business and other market factors that continue to apply to some current franchisees. We currently require you to pay fees and other amounts due to us and our affiliates via electronic funds transfer ("EFT") or other similar means. You are required to complete the EFT authorization in the form attached to the Franchise Agreement for direct debits from your business bank operating account. We have the right to periodically specify (in the confidential operations Manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card, and payment by check. Fees payable to suppliers are refundable at their discretion. There are currently no cooperatives within the system. Once formed, company owned units will have the same voting power as franchised units.
2. Continuing Royalty Fee. The minimum monthly Royalty fees are as follows:
  - a. For franchised businesses offering only fabric restoration dry cleaning services:

For Territories with 500,000 or more households, the monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$1,800
Third	\$2,100
Fourth +	\$2,400

For Territories with less than 500,000 households, the monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$900
Third	\$1,200
Fourth +	\$1,500

The minimum monthly Royalty for year five and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

- i. If your market penetration for fabric restoration and dry-cleaning services (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.
- ii. If your market penetration rate for fabric restoration and dry-cleaning services is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

The fabric restoration and dry-cleaning services market penetration rate will be based on the average market penetration for fabric restoration and dry-cleaning services in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

In the event of a transfer, the minimum monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer.

- b. Minimum additional monthly Royalty for franchised businesses also offering electronics restoration services: Regardless of the size of the Territory, the additional monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$500
Third	\$650
Fourth +	\$800

The minimum additional monthly Royalty for year five and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

- i. If your market penetration for ERS (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

ii. If your market penetration rate for ERS is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

The ERS market penetration rate will be based on the average market penetration for ERS in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated in the ERS for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

In the event of a transfer, the minimum monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer.

c. The minimum additional monthly Royalty for franchised businesses also offering contents restoration services: Regardless of the size of the Territory, the additional monthly Royalty fees will be no less than the following amounts during the year(s) specified:

Year of Addendum Term	Minimum Additional Monthly Royalty
First	None
Second	\$1,000
Third	\$1,500
Fourth	\$2,000
Fifth +	\$2,500

The minimum additional monthly Royalty for year 6 and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

i. If your market penetration for CRS (based on the previous year average measured from October 1 to September 30 – the “measurement period”) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

ii. If your market penetration rate for CRS is less than 80% of the national average market penetration rate during the measurement period, the increased monthly minimum may not exceed \$500 per month.

The CRS market penetration rate will be based on the average market penetration for CRS in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated in the CRS for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

In the event of a transfer, the minimum additional monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer.



**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INVESTMENT FOR COMBINED  
FABRIC & ELECTRONIC RESTORATION BUSINESSES**

Type of Expenditure <sup>(1)</sup>	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low <sup>(2)</sup>	High <sup>(2)</sup>			
Franchise Fee <sup>(3)</sup>	\$35,000	\$45,000	Lump Sum	When you sign the Franchise Agreement	FRSTeam
Lease, Utility, Security Deposits and Improvements <sup>(4)</sup>	\$0	\$20,000	Lump Sum	Before your first week of operation	Landlord, Utilities
Signage	\$500	\$2,500	Lump Sum	Before your first week of operation	Sign Vendors
Equipment and Promotional Items <sup>(5)</sup>	\$500	\$58,500	Lump Sum	Before your first week of operation	Various Equipment Vendors
Office Equipment, Supplies, Software, Furniture, and Fixtures <sup>(6)</sup>	\$3,375	\$20,000	Lump Sum	Before your first week of operation	Various Vendors, including FRSTeam
Business Franchises and Permits and Professional Fees	\$0	\$20,000	Lump Sum	Before your first week of operation	City and County Agencies
Initial Inventory	\$1,000	\$58,500	Lump Sum	Before your first week of operation	Various Vendors
Insurance	\$500	\$20,000	Lump Sum	Before your first week of operation	Insurance Company
Initial Advertising	\$1,000	\$10,000	Lump Sum	Before your first week of operation	Various Vendors
Training Expenses	\$2,500	\$6,500	Lump Sum	Before your first week of operation	Hotels, Airlines, or other Travel Professionals
Additional Funds for 3 Months of Operation <sup>(7)</sup>	\$0	\$150,000	As Decided	Before your first week of operation	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$44,375</b>	<b>\$411,000</b>	plus real estate costs		

Notes:

FRSTeam franchise sales are directed to owners of existing dry-cleaning establishments. The ideal FRSTeam franchise candidate owns a dry cleaner and has some restoration dry cleaning experience. A dry cleaner looking to expand their services to offer restoration dry cleaning would also be a good candidate.

1. Fees. All fees paid to us or our affiliates are non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, depending on their policies or your arrangements with them. We relied on our management staff's years of experience as owners and/or operators of the Franchised Business or similar businesses to compile these estimates. You should review these figures carefully with a business advisor.
2. Fee Amounts. These estimate amounts are based on average expenditures of new franchisees that have entered the program. On average, facilities range from 5,000 square feet (for businesses with established dry cleaning and laundry production) to 20,000 square feet (for businesses installing an entire production facility). We expect most facilities to be in urban, commercial/industrial and rural locations.
3. Initial Franchise Fee. The initial franchise fee is \$35,000 for a Territory with no more than 500,000 households. For a Territory with greater than 500,000 households, the initial franchise fee is \$45,000. This amount includes a fee of \$10,000, related to the mandatory electronics restoration services addendum. If you agree to provide contents restoration services, an additional training and administrative fee equal to \$30,000 for the contents restoration services must be paid to us, which fee is not currently included in the initial franchise fee.
4. Lease, Utility, Security Deposits and Improvements. These estimates are what we anticipate you will incur for rent, utilities, security deposit and improvements. Rent is determined through negotiations with your landlord and can vary widely depending on local property market conditions where you intend to operate. You may need to provide deposits for utilities, as well as your landlord. The amount of these deposits and utility costs will vary depending upon your location and the practices of your landlord and the utility companies. If you currently own or operate an existing dry-cleaning facility and you lease or rent the facility, your rent and security deposit will be based on your actual lease for the facility. The estimates include amounts for utilities and security deposits that we anticipate you will incur in operating the facility, regardless of whether you currently own or operate an existing dry-cleaning facility. As to improvements, these estimates assume that you already own or operate an existing dry-cleaning facility and you already lease or rent the facility. These estimates assume that you will provide electronics restoration services from your existing facility. Contents restoration services may require additional space to perform services and to store items, depending on the volume of work. Depending on the size of your facility, if you choose to add contents restoration services, you may need to obtain additional space, which will increase the rent or building costs.
5. Equipment and Promotional Items. Equipment that you purchase or rent is described in the Manual. These primarily are restoration-specific equipment. The table in this Item 7 reflects the estimated increased costs you will incur for the additional equipment necessary to provide electronics restoration services. You will be required to use certain promotional materials that we will provide to you at no cost. You must also use the FRSTaid 3.0 System Software as described in the Manual. This System Software will generate sales reports on items for which you will be billed monthly. You will be able to run basic reports on sales, customers and employee activity. You must generate regular sales reports for us. In addition, we will have independent access to the information stored

in the System Software, and we must be able to access your system at any time through the Internet. You will need to use the ERIS software (described in Item 11).

6. Office Equipment, Supplies, Software, Furniture and Fixtures. This includes the Software Setup Fee that you will pay for the FRSTaid 3.0 operating system. This fee is currently \$2,500, plus \$350 for the second and each subsequent franchised business (good for the life of the system). You must acquire at least one software license for the ERIS operating system and ERIS software provided by (and owned by) RescueTech. There is no additional software setup fee for electronics restoration services. However, you must pay a monthly software fee to RescueTech as described in Item 6. Item 5 describes this fee above.
7. Additional Funds for 3 Months of Operation. You should estimate your expenses, including your rent, payroll and utilities during your first 3 months of operation.

These figures are only estimates, and we cannot guarantee that you will not have additional expenses when starting your business. We relied on our management staff's years of experience as owners and/or operators of the Franchised Business or similar businesses in preparing these estimates. You pay such fees to governmental authorities, when incurred, before beginning business. Professional fees may also be involved, and you will pay these to your accountant, attorney or other professionals, depending upon your use of professional services.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES**

### Identification of Business

You must identify your business as "FRSTeam" or "FRSTeam by (business name)." An allowance has been made to incorporate the existing business name for conversion businesses. As an example, if your current business name was ABC Cleaners, then you may identify your business as "FRSTeam by ABC Cleaners."

### Approved Suppliers

We do not currently require you to buy supplies or other services from us. We, however, require you to obtain a license through us for the FRSTaid 3.0 operating system, the System software that was customized for us. You will need to obtain a license through us for the ERIS Software (See Computer System, under Item 11). In addition, though we do not require you to buy supplies or other services from us, there are, however, required equipment specifications and approved suppliers for goods and services listed in the Manual. These specifications and suppliers are necessary to the System in order to maintain the superior levels of quality and service associated with FRSTeam. These approved suppliers for goods and services have demonstrated, and must continue to demonstrate, to our continuing reasonable satisfaction: (a) the ability to meet our reasonable standards and specifications for the items; and (b) that they possess adequate quality controls and capacity to supply your needs promptly and reliably. We may approve a single supplier for a single brand and may approve a supplier as to certain brand or brands. In approving suppliers for the System, we may take into consideration the price and quality of the products or services and the reliability of the supplier and other factors. We may concentrate the purchases with one or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of FRSTeam Franchisees. Approval of a supplier may be conditioned on requirements for the frequency of delivery, standards of service, including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier. If we



later disapprove a supplier, we will notify you in writing of the disapproval. You must cease purchasing from that supplier within 30 days after your receipt of our notice of disapproval.

As stated above, we are not the sole supplier for supplies or other services. None of our officers own any interest in any suppliers to the franchise system.

We provide material benefits to you based on your use of designated or approved sources through negotiated purchase arrangements with suppliers for your benefit and the benefit of the other franchisees.

While the supplies and services relating to the establishment of your Franchised Business must conform to our specifications, none of these are required or expected to be purchased from us. However, we require you to use approved System software (which includes the FRSTaid 3.0 operating system, a web-based computer application) that is ordered through an approved supplier. We also require the use of branded supplies, which are ordered through an approved supplier. Furthermore, we do not require or expect any of your total purchases that must conform to our specifications to be purchased from us.

If you propose to purchase or lease any equipment, supplies, inventory, advertising materials or other products or services from an unapproved supplier, we may require you to submit to us a written request for approval or we may request the supplier to do so itself. FRSTeam has the right to require, as a condition of approval that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory or facility we designate for testing. We will not be liable for damage to any sample that may result from the testing process. You must pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing. You must also, as a condition to its approval, cause the supplier to present satisfactory evidence of insurance, for example, product liability insurance, protecting FRSTeam and you from all claims from the use of the item within the System. We will give approval or disapproval in writing and deliver to you by regular mail within ten days after all testing and after the above conditions have been completed. We reserve the right, at our option, to re-inspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense and to revoke approval upon the supplier's failure to continue to meet our standards and specifications. You will receive notification of approval or disapproval of a supplier within ten days after we have investigated and inspected the supplier. FRSTeam's criteria for supplier approval are available to you in the Manual.

We may modify specifications for construction, equipment, supplies, inventory, advertising materials or other products or services, and may amend our list of approved suppliers as we, in our sole discretion, deem appropriate and in the best interest of us and our franchisees.

Neither we, nor any of our affiliates, receive payments, rebates or other consideration from approved suppliers. We reserve the right to be compensated by a supplier for creating or maintaining a relationship or arrangement with approved or recommended suppliers in the future.

As a result of the software license fees paid during our fiscal year ended September 30, 2023, we derived \$753,119 in revenue, representing approximately 9.3% of our total revenue of \$8,093,956, as reflected on our audited statement of operations. The software license fees cover various software providers' costs charged to us for the software and our related administrative costs. We do not make a profit from the software license fees. Otherwise, neither we nor any of our affiliates derive revenue as a result of required purchases from any source, not just from approved suppliers.

There are currently no purchasing or distribution cooperatives that you are required to join or in which you may participate.

We estimate the cost of supplies and services to be purchased in accordance with specifications to represent 1-15% of your overall purchases for the establishment of your Franchised Business. We estimate the cost of supplies and services to be purchased in accordance with specifications to represent 1-8% of your overall purchases for the ongoing operation of your Franchised Business.

## Insurance

Franchisee, at its expense, must at all times during the term of the Franchise Agreement procure and maintain the insurance as is required by the laws, regulations or ordinances of the state, county and/or municipal entity where the Franchised Business is located, and in any event no less than the following:

### *Property Insurance*

You must maintain coverage for the owned assets of the Franchised Business including, but not limited to, buildings, equipment, furniture, fixtures, computer systems, tenant improvements, materials and supplies in an amount equal to the full replacement cost of the property.

You must maintain business interruption coverage for 12 months. Limits of coverage should be closely reviewed to ensure enough coverage for the worst possible shut down scenario. Coverage on an “actual loss sustained” basis is preferred in most cases.

The types of losses covered should be as broad as possible. So called “all risks” insurance is readily available in most areas. Businesses in areas prone to catastrophic events should also consider special perils coverage such as earthquake and flood insurance.

You must maintain “boiler and machinery” coverage to protect against accidental breakdown to equipment and resulting loss of business.

### *Bailee Insurance*

You must maintain liability insurance for damage to customer’s property while in your care, custody and control. This coverage must include items in transit, in storage, and in process. Franchisee will obtain this coverage on a replacement cost basis. Most policies only cover the “actual cash value” of customers’ goods, meaning a deduction is made for depreciation. The insurance coverage must be sufficient to cover a complete loss to all property at any one location. You should closely evaluate the value of customers’ property on your premises to ensure you have adequate coverage amounts. Coverage must be adequate to cover high-valued items, such as leather and furs, and policies should provide adequate coverage for these types of items rather than limit coverage for the items.

Customer property that is in transit, or is at a temporary storage location, should also be covered by this insurance.

Beware of hidden clauses within the policy form that exclude or limit coverage. You should review the specific policy wording of the coverage with an insurance professional. One example of such clauses is the common exclusions for damage to property that is stored for a fee. Property may be covered while being processed, but can be excluded if it is being stored and a fee is charged.

### *Crime Insurance*

You must maintain coverage for employee theft of money and property with minimum limits of \$50,000, as well as coverage for theft and forgery of company checks and some amount of coverage for



theft, disappearance or destruction of money and checks. Note that standard property insurance coverage (those described above) typically exclude coverage for lost money and checks.

### *Liability Insurance*

You must maintain Basic Commercial General Liability insurance, with limits of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate. You must maintain insurance for “property damage,” “bodily injury,” and “personal and advertising injury.” You must also maintain a commercial “excess liability” or “umbrella liability” policy with a limit of at least \$1,000,000.

Note: National contracts may require higher levels of insurance coverage. While FRSTeam will negotiate national contracts to the best of our ability to avoid excessively high levels of coverage, you should anticipate that you might need to maintain \$3,000,000 to \$5,000,000 of liability insurance or specific amounts of other policy limits to satisfy national contract insurance requirements.

### *Automobile Insurance*

You must maintain insurance for owned, hired, and non-owned (employee owned) autos that are used for business purposes. At least \$1,000,000 of insurance coverage is required for bodily injury and property damage, and we strongly recommend higher levels of coverage

Other coverage, such as “medical payments,” uninsured motorist coverage, and rental reimbursement insurance should be considered.

### *Workers’ Compensation*

Most states have some form of workers’ compensation regulations. You must comply with the laws of the state(s) in which you operate the Franchised Business and must obtain the proper levels of insurance.

### *Cyber Insurance*

You must maintain Cyber Insurance that includes first party coverage in an amount not less than \$250,000 per occurrence/\$250,000 in the aggregate.

### *Other Insurance Coverage*

You must maintain employer’s liability insurance with limits of at least \$500,000 with a waiver of subrogation endorsement to claims against us. There are a variety of other types of insurance that your Franchised Business might need. These include environmental liability insurance, directors’ and officers’ liability insurance, pension bonds and fiduciary liability insurance for employee savings plans, to name several. You should consult with an experienced independent insurance broker to develop a comprehensive insurance program for your Franchised Business.

### *Procedural Requirements*

(a) All insurance that you obtain must include an endorsement specifically naming us and our employees and agents as unrestricted additional insured. Your approved location and any other location where work is performed or any items are stored (whether before or after work is performed) must be included and listed on your insurance.

(b) Your insurance policies may not contain any provision that limits or reduces your coverage following a claim by any one or more of the Indemnified Parties described in the Franchise Agreement, and each policy will extend to and provide indemnity for all obligations you assume and all items for which you are required to indemnify us. Each of your insurance policies will also provide, by endorsement, that we must receive at least 30 days' notice of any intent to cancel or materially alter the policy.

(c) You must promptly report to the insurer and to us, all claims or potential claims against you, any Indemnified Party or us.

(d) At least ten days before beginning the Franchised Business, and annually thereafter, and/or upon request, you must deliver to us a copy or certificate, or other acceptable proof of the insurance required by the Franchise Agreement.

(e) You may not reduce the policy limits, restrict coverage, cancel or otherwise alter or amend any insurance policy required by the Franchise Agreement without our prior written consent.

(f) All insurance that you purchase under the Franchise Agreement must be placed with insurance companies that are reasonably acceptable to us and that are franchised, authorized or registered to do business in the state(s) where the Franchised Business is to be operated. The franchise requirement does not apply to insurers providing Umbrella Excess Liability above \$1,000,000 under Section 21.1.4 of the Franchise Agreement.

(g) All insurance required under the Franchise Agreement must be specifically endorsed to provide that the coverage will be primary, and that any insurance carried by any additional insured (such as us) will be excess and noncontributory.

(h) The insurance required under the Franchise Agreement may be satisfied by blanket insurance that also covers your other properties so long as the blanket insurance fulfills the requirements in the Franchise Agreement.

(i) Your obligations to maintain the insurance required under the Franchise Agreement does not relieve you of any liability under the indemnity provisions in Section 20.4 of the Franchise Agreement.

(j) All insurance that you obtain must be satisfactory to us and must conform to the standards and specifications contained in the Manual or otherwise in writing. If you fail for any reason to procure or maintain any required insurance, we have the right and authority (however, without any obligation to do so) to immediately procure the insurance and to charge you for the cost of that insurance, which charges, together with a reasonable fee for our expenses in so acting, will be paid by you immediately upon demand.

### Computer System

We may require you to acquire, license and use in developing and operating the Franchised Business a computer system consisting of the computer services, components, equipment, computer hardware and software, telecommunications equipment or services, photo and video equipment, or other operating or communications software and hardware we designate or approve for use by FRSTeam Franchised Businesses that we periodically specify from time to time (collectively, the "Computer System"). We may require you to obtain specified computer and communications hardware, equipment, components or software and services and may modify specifications for and components of the Computer System from time to time. We may require Franchisee to acquire the highest speed communications capabilities available in the Territory. Our modifications and specifications for components, equipment, services and operating or communications of the Computer System may require you to incur costs to



purchase, lease or license new or modified software or computer or communications hardware, equipment, components or software and to obtain service and support for the Computer System during the term of the Franchise Agreement. You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications) operating it in accordance with the System and ensuring that it is compatible with, and capable of participation in and performing the functions we designate for the Franchised Business and engaging in any form of e-commerce we designate or approve.

Currently, we require that you use our FRSTaid 3.0 operating system with a current one-time initial software license setup fee of \$2,500, and \$350 for each secondary location. You are required to own at least one license. The monthly software fee is \$510, and \$309 for each secondary location. You are required to use the ERIS Software and pay the fees described in Item 6. Currently, the monthly software fee for the ERIS Software is \$250.

Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and require. We reserve the right to charge a reasonable systems fee for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we or our affiliates furnish to you related to the Computer System. From time to time, upon notice to you, you must enter into the then-current form of such Computer System or software related agreements as we may designate. You must not use the Computer System for any purposes not authorized by us.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

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

Obligation		Section in Franchise Agreement (FA)	Disclosure Document Item
a.	Site Selection & Acquisition/Lease	Section 1.1 of FA	7 & 11
b.	Pre-Opening Purchase/Lease	None	7 & 11
c.	Site Development & Other Pre-Opening Requirements	Section 5.3 of FA & the Manual	7 & 11
d.	Initial & Ongoing Training	Sections 3.2 & 4.1 of FA	11
e.	Opening	None	11
f.	Fees	Sections 2.2.5, 2.4, 3, 7, 13.3.7 and Attachment III, Attachment VI, Attachment VII, Attachment VIII and Attachment X of FA & the Manual	5 & 6
g.	Compliance with Standards & Policies/Operating Manual	Sections 3, 4, 5, 6, 7, 9, 10, 11, 17, 18, 21 & 22 of FA	8, 11, 13, 15, 16
h.	Trademarks & Proprietary Information	Section 8 of FA	13 & 14
i.	Restrictions On Products/Service Offered	Sections 1.1, 5.1 & 5.4 of FA	8 & 16



Obligation		Section in Franchise Agreement (FA)	Disclosure Document Item
j.	Warranty & Customer Service Requirements	Sections 5 & 6 of FA & the Manual	16
k.	Territorial Development & Sales Quotas	Section 3.3 of FA	5, 6 & 12
l.	Ongoing Product/Service Purchases	Section 5 of FA	6 & 8
m.	Maintenance, Appearance & Remodeling Requirements	Sections 4, 5, 6 & 7 of FA & the Manual	8 & 11
n.	Insurance	Section 21 of FA	8
o.	Advertising	Section 7 of FA	6 & 11
p.	Indemnification	Sections 8.6 & 20.4 of FA	8 & 13
q.	Owner's Participation/Management/Staffing	Sections 4.2, 4.3, 4.5 & 4.7 of FA	15
r.	Records/Reports	Section 11 of FA	11
s.	Inspections/Audits	Section 12 of FA	11
t.	Transfer	Sections 13, 14 & 15 of FA	17
u.	Renewal	Sections 2.2, 2.3, 2.4 & 2.5 of FA	17
v.	Post-Termination Obligations	Section 19 of FA	17
w.	Non-Competition Covenants	Sections 10 & 19.7 of FA	17
x.	Dispute Resolution	Sections 22.6, 22.7 & 22.8 of FA	17

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guaranty any note, lease or obligation. We do not receive direct or indirect payments for placing financing. We do not have any practice or intent to sell, assign or discount to a third party all or part of any note, lease or other obligation of yours.

## **ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING**

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

### Pre-Opening Obligations

Before you open your Franchised Business, we (or our designee(s)) will provide the following assistance and services to you:

1. **Site Selection.** Your central office, cleaning plant, warehouse, office and/or other facilities related to the Franchised Business must be located inside the Territory, unless you have received our prior written consent to do otherwise. FRSTeam must approve the site for your Franchised Business location, because we want to confirm it will have adequate space to conduct your restoration activities, but you must find the site yourself. The site must either represent a dedicated division for the FRSTeam Franchised Business or provide adequate space to include a dedicated division for the FRSTeam Franchised Business. Any Franchised Business location that is leased must include a Lease Addendum in a form substantially as



set forth in the exhibits to the Franchise Agreement (See Section 5.3 of the Franchise Agreement and the Manual).

2. Initial Package. We will provide an initial package to you that includes some marketing materials and trademarked supplies (“Initial Package”).

3. Initial Training. We will provide you, your general manager (unless the Franchisee is functioning as the general manager), and a Sales Representative with our initial training program which you must complete to our satisfaction (See Section 4.1 of the Franchise Agreement).

4. Operating Manual. We will loan you the Manual that describes standards, specifications and procedures of the System, including minimum standards and requirements for constructing, equipping, furnishing, staffing and supplying the Franchised Business and management, training, operational and quality standards, procedures and techniques (See Sections 6.1 and 6.2 of the Franchise Agreement). The Table of Contents of the Manual is attached to this Disclosure Document as Exhibit F. The Manual contains a total of 472 pages. We may modify the Manual from time to time. Due to the confidential and proprietary nature of the Operating Manual, FRSTeam reserves the right to charge a \$500 fee for lost or stolen Manuals.

5. Opening Campaign. We will assist you with the initial opening advertising and marketing by providing advice and guidance.

We do not provide the above services to renewal or successor franchisees and may not provide all of the above services to franchisees that purchase existing Franchised Businesses.

#### Continuing Obligations

During your operation of the Franchised Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Computer System. We will provide you with the use of the FRSTaid 3.0 operating system, which is our software system. Each Franchisee will be required to purchase at least one software license for the FRSTaid 3.0 operating system.

2. Information Services. We may, to the extent we deem necessary, furnish guidance to you through the Manual, bulletins or other written materials and/or during telephone or email consultations and/or consultations at our headquarters. At your request, we will offer additional guidance and assistance (See Section 4.6 of the Franchise Agreement).

3. Advertising Program. We will maintain a general advertising program for all franchisees using the FRSTeam System (See Section 7.2 of the Franchise Agreement).

4. Proprietary Products. We may develop specifically designed proprietary products for you to use as part of the operation of the Franchised Business from time to time.

#### Local Advertising and Marketing

You will market the services of the Franchised Business using the techniques and procedures recommended by the Manual, primarily using direct mail solicitations, networking, and sales calls. You will market the services directly to insurance adjusters, general contractors of reconstruction projects, content cleaning companies, and representatives of third-party administrators located in your Territory. An opening inventory of promotional brochures is included in your Initial Package. We believe these will help



you begin your marketing program. You must spend between \$1,000 and \$10,000 before your first week of operation on initial advertising.

You must employ a full-time, dedicated person who will prepare and implement our local sales effort (the “Sales Representative”) who will also coordinate with our sales and marketing personnel to facilitate participation in available national or regional account programs. You may develop and use your own advertising materials, but you must receive our written approval before their use. In addition, any materials making use of the Proprietary Marks must adhere to the requirements as listed in the Style Guide for Proprietary Marks as outlined in the Manual. We ordinarily will approve or disapprove these materials within five days after we receive them.

Some advertising platforms are generated in house, but the choice of the advertising media will be at your discretion. However, print ads in local periodicals or other use of the Proprietary Marks will be subject to the requirements listed in the Style Guide in the Manual. FRSTeam reserves the right to approve or disapprove any materials or media it feels are not congruent with the Proprietary Marks. You may advertise on the Internet but must meet all requirements in the Style Guide and must receive written approval from FRSTeam (See Section 7.1 of the Franchise Agreement).

### *Advertising Fund*

We established the National Marketing Fund (the “Fund”) because we recognized the value of coordinated marketing and advertising. These activities will contribute to the goodwill and public image of the System. The Fund will be used on behalf of FRSTeam and/or the Franchisees for advertising and marketing, including, without limitation, any and all costs associated with developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs and activities of every kind and nature, through media now existing or hereafter developed, including at our discretion, preparing, producing and placing video, audio and written advertising materials and electronic media, employing national and regional sales and marketing personnel, conducting marketing research, customer surveys and customer satisfaction audits, advertising/public relations agency fees and expenses, production and media costs.

We or our designee will direct all advertising, promotional and public relations programs using our sole discretion over the concepts, materials and media used in such programs and activities and the placement and allocation thereof. The Franchisees acknowledge that, with respect to advertising, the Fund is intended to maximize general public recognition, acceptance and use of the System and that we and our designees undertake no obligation in administering the Fund to make expenditures which are equivalent or proportionate to each Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Fund. For a Territory with no more than 500,000 households, you must remit to us for each Accounting Period the greater of: (i) \$500; or (ii) two percent of your Gross Revenues (“Fund Contribution”). For a Territory with more than 500,000 households, you must remit to us for each Accounting Period the greater of: (i) \$800; or (ii) two percent of your Gross Revenues. The minimum monthly advertising fees may be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited to the greater of \$50 or 5% annually. These amounts are contributions to the Fund that will be maintained and administered by us for the FRSTeam Franchised Businesses. We reserve the right to defer or reduce the Fund Contribution upon 30 days’ prior written notice to you, to reduce or suspend contributions to and operations of the Fund for any length of time, and to terminate (and, if terminated, to reinstate) the Fund. We and our affiliates are not obligated to contribute to the Fund on the same basis as Franchisees for any FRSTeam business we own and operate. We do not act as Trustee or in any other fiduciary capacity with respect to the Fund.



The Fund may be accounted for separately from other funds and will not be used to defray any of its general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. We will not use the Fund to solicit new franchise sales. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Franchised Businesses to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay Fund expenses before other assets of the Fund are expended. We may prepare a periodic statement of monies collected and costs incurred by the Fund. Upon a Franchisee's written request, we will furnish an accounting statement of the Fund. We have the right to cause the Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in the Franchise Agreement.

We reserve the right to terminate the Fund and establish other reasonable methods for advertising and marketing the System. The Fund will not be terminated, however, until all monies in the Fund have been expended for the purposes described in Section 7.2 of the Franchise Agreement.

When collateral materials are produced, all FRSTeam Franchisees will receive an equitable portion of the materials.

The total income for the Fund for the fiscal year ended September 30, 2023 was \$2,095,991. The Fund was spent as follows: 92% on administrative expenses, 5% on national sales team support costs, and 3% on the solicitation of new Franchises.

#### *Advertising Cooperative*

You may be required to participate in any local or regional advertising cooperative for FRSTeam Franchised Businesses that is established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area, and will include all FRSTeam Businesses we own within the designated area. Franchisees in each cooperative will contribute an amount to the cooperative, not to exceed one percent of monthly Gross Revenues, for each FRSTeam Franchised Business that the franchisee owns that exists within the cooperative's area. Each FRSTeam Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative. We may require that each cooperative operate with governing documents, including any membership agreement that we may require, which will be made available in advance for your review. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative. We reserve the right to form, change, dissolve or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your Territory, you will be required to participate in compliance with the provisions of the Manual, which we may periodically modify in our discretion.

#### Computer System and Websites

FRSTeam is an authorized user of FRSTaid software and owns the proprietary name "FRSTaid," but the software is owned and hosted by Next Gear Solutions, LLC, a software company. FRSTeam is also authorized to assign new users to the system. This system is a web-based application. The one-time initial software setup fee for each office (good for the life of the system) is \$2,500, and \$350 for any secondary locations. The monthly software fee is \$510, and \$309 for any secondary locations.



You must also use the ERIS software currently required by RescueTech or such other software as we designate from time to time. FRSTeam (and its franchisees) are authorized to use the ERIS software through an agreement with RescueTech. The software is owned and managed by RescueTech, and FRSTeam is authorized to assign new users to the system. The system is a web-based customized database that is hosted on a QuickBase platform and includes fields, connections, data, UI, forms and reports. There is no startup fee. The monthly software fee is \$250 for up to four users, plus \$50 for each user thereafter.

Franchisor may require use of a specific accounting software and version thereof as set forth in the Manuals, and Franchisee will be solely responsible for any associated cost.

The Franchisee will be required to have a computer and to maintain a high-speed internet connection in order to run the web-based application. While no specific computer brand or hardware configuration is required, the computer must be able to connect to the internet using a standard web-based browser like Microsoft Edge. We estimate the cost for computer hardware to be between \$1,000 and \$2,000. The Software System will generate sales reports on items for which you will be billed monthly. You will also run basic reports on sales, customers, and employee activity. You must generate regular sales reports for us using the software system. In addition, we will have independent access to the information stored in the system, and we must be able to access your system at any time. The specifications for the software system are defined in the Manual.

Because the Software System is a web-based application, Franchisee has no contractual obligation to upgrade the computer system. FRSTeam is responsible for all upgrades to the web-based application and will bear the responsibility for maintenance, upgrades and repairs to the web-based application. You must simply ensure that you maintain your own computer equipment so that you may continue to access the web-based application.

There are no contractual limits on FRSTeam's access to the information on the web-based application. There are, however, contractual limits preventing FRSTeam from sharing certain parts of the information with any third parties.

Some insurance clients may require the use of specific billing software in order to service their work. While this is not currently a FRSTeam system requirement, it could be an insurance industry requirement, and as such is mentioned in this Disclosure Document.

As part of the Franchisee's local marketing, Franchisee will receive a FRSTeam email address that is dedicated to the Franchised Business. This email address will be maintained separately and apart from Franchisee's existing dry cleaning electronic address. The email address will be terminated upon expiration or termination of the Franchise Agreement.

We have the right to control all use of URL's, domain names, websites, addresses, metatags, links, email addresses and any other means of electronic identification or origin used in connection with the Proprietary Marks or System. We also have the right to designate, approve, control or limit all aspects of the Franchisee's use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, email, Websites, home pages, bulletin boards, chatrooms, linking, framing, online purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software. We have the right to monitor you and your employees' e-commerce activities. You must follow all of our policies and procedures for the use and regulation of e-commerce. We may require that you provide graphical, photographic, written or other forms of artistic or literary content to us for use in e-commerce activities associated with the Proprietary Marks or the System which we may designate. You



may restrict our use of e-commerce to a centralized website, portal or network or other form of e-commerce designated by us, operated by us, or our designee. We may require that you provide information to us via e-commerce. We may require you to coordinate your e-commerce activities with us. We may charge you our then-current fees for such e-commerce activities which we designate. We may require you to obtain the services of and pay the then-current fees for ISP and ASP services and the like. You recognize that between us and you, we own all rights to all interest in and to any data collected via e-commerce related to the System or the Proprietary Marks, including any customer data, click stream data, cookies, user data, hits and the like. Such information is deemed by us to be and constitutes our Confidential Information.

**Training Program**

You and your general manager must complete our initial training program to our satisfaction at no additional charge by us. We will provide you and your general manager up to eight days of initial training. Training at one of our Flagship Offices (3 to 5 days) in Hayward, California; Denver, Colorado; or other designated location covers operations and industry introduction, sales/marketing and System use. Subsequent training (up to 4 days) at your Franchised Business location covers operations, customer service and job coordinating. Your Sales Representative and all sales personnel must complete our sales training. We will provide Sales Representatives with four days of initial training, also at our training facilities. Initial training is scheduled on an as-needed basis and will be designated at the signing of a new Franchise Agreement. You must pay for all travel and living expenses for your employees that attend the initial training program. You are required to undergo the additional initial training for electronics restoration services as described in the second training table below. This additional initial training is covered by the additional \$10,000 fee which is included in the initial franchise fee that we describe in Item 5 and that we charge when you sign an Electronics Restoration Services Addendum with us. If you agree to provide contents restoration services, an additional training and administrative fee equal to \$30,000 will be charged for the contents restoration services, which fee is not currently included in the initial franchise fee.

We provide the following initial training programs:

**GENERAL TRAINING PROGRAM, INCLUDING FABRIC RESTORATION**

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
<b>Training for Management and Marketing</b>	4	0	Hayward, CA or Denver, CO or other designated location
Instruction and Orientation on Franchise Relationship	4	0	Hayward, CA or Denver, CO or other designated location
Restoration Dry Cleaning Introduction	8	0	Hayward, CA or Denver, CO or other designated location
Operations Management and Marketing, FRSTaid 3.0	8	0	Hayward, CA or Franchisee’s Location or other designated location
Operations-Job Coordinating	14	0	Hayward, CA or Denver, CO or other designated location

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Sales and Marketing	8	0	Hayward, CA or Franchisee's Location or other designated location
Training Progress Assessment/ Review/ Customization			
<b>Training for Management</b>			
Instruction and Orientation	0	2-3	Franchisee's Location
Job Flow Process (Job Coordinating), including Customer Service	0	12-16	Franchisee's Location
Job Flow Process (Production), including Inventory Through Billing	0	3-6	Franchisee's Location
Office Procedures, including Billing	0	3-6	Franchisee's Location
FRSTaid 3.0 Training	0	4-8 3-18	Franchisee's Location / Online
Training Progress/Assessment Review	0	4	Franchisee's Location
<b>TOTAL HOURS</b>	46	31-61	

Holly Murry, FRSTeam's President, is responsible for training. Ms. Murry has more than 27 years of experience in commercial dry cleaning and has been with FRSTeam since 2005. Her office is located in Denver, Colorado.

Ceilidh Hill is the Director of Franchise Operations serving as the primary link between FRSTeam LLC and the franchise community as well as direct oversight of the FRSTeam corporate Operations team. She has worked in the fabric restoration industry and commercial dry-cleaning industry for approximately 13 years. She joined Custom Commercial in 2008 and has been with FRSTeam since May 2016. Her office is located in Spanaway, Washington.

John Karman is a National Trainer providing support to the franchise community to maximize results while maintaining a consistent customer/client experience, operational compliance and confirm brand standards are being met. He joined FRSTeam in January 2022. His office is located in Spanaway, Washington.

Bobbie Jo Burnett is a Franchise Business Coach for FRSTeam with over 17 years of industry experience. She joined FRSTeam in July of 2021. She supports franchisees in their journey with contents and has a desire to serve, guide, and EMPOWER our community to new heights of success. Bobbie Jo will assist our franchisees with operational standards and compliance, gathering and analyzing data to track performance and identify potential improvement. Her office is located in Viola, Arkansas.

Jeff Waters is an experienced business leader with 35 years' experience in the Commercial Laundry/Dry Cleaning/Textile Restoration space. Jeff has been a successful entrepreneur for the last 20 years focusing on the retail dry cleaning and contents restoration industries. Jeff's success comes from a focus on constant improvement in customer service, employee retention, growth and profit improvement through a spartan attitude toward business expenses. His office is located in Tulsa, Oklahoma

### **ELECTRONICS SERVICES TRAINING**

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Electronics Restoration Introduction	1	0	Denver, CO
Operations Management & Marketing	9.25	0	Denver, CO
Job Flow Process (Job Coordinating)	4.25	0	Denver, CO
Job Flow Process (Billing & Documentation)	4	0	Denver, CO
Training Progress & Review	2	0	Denver, CO
Job Flow, Department Layout, Review	0	16	On-Site
<b>TOTAL HOURS</b>	<b>20.5</b>	<b>16</b>	

Cory Matthews and Wayne Oliva are responsible for electronics restoration services training. Cory Matthews is the Technical Director/Founder of RescueTech and has worked with IT equipment for the past 33 years. He has consulted on damage assessments, residential and commercial disaster recovery projects, and on-site electronic equipment cleanings. His office is in Denver, Colorado. Wayne Oliva is the Operations Director/Senior Technical Consultant for RescueTech. He has worked with home theater and computer equipment for the past 32 years. Since 2007, he has worked to recover IT and technical equipment from disasters including fire, water and other contaminants to minimize the loss for the customer and reduce business interruption. He has performed and consulted on countless damage assessments, residential and commercial disaster recovery projects, and on-site electronic equipment cleanings. His office is also in Denver, Colorado.

### **CONTENTS SERVICES TRAINING**

Subject	Hours of Classroom Training Owner/ Manager	Hours of Online Training Owner/ Manager	Hours of Classroom Training Field Staff	Hours of Online Training Field Staff	Location
Contents Restoration / Handling Introduction	1	0	3	0	San Diego, CA
Operations Management	6	0	0	0	San Diego, CA
Marketing	1	0	0	0	San Diego, CA



Subject	Hours of Classroom Training Owner/ Manager	Hours of Online Training Owner/ Manager	Hours of Classroom Training Field Staff	Hours of Online Training Field Staff	Location
Job Flow Process (Job Coordinating)	7	10	20.5	10	San Diego, CA or Online
Job Flow Process (Billing & Documentation)	3	0	0	0	San Diego, CA
Training Progress & Review	0	0	0	0	San Diego, CA
Job Flow, Department Layout, Review	1		0	0	San Diego, CA
<b>TOTAL HOURS</b>	<b>19</b>	<b>10</b>	<b>23.5</b>	<b>10</b>	

We also provide continuing training programs, as outlined in the operations Manual. You must attend periodic refresher training courses (one day), conferences (two days), and conventions (three days) at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum and location of any sessions. The curriculum for the events can include, but is not limited to, customer service, marketing, productivity and staff development. You must pay for all registration fees, travel and living expenses for you and your employees that you incur while attending the sessions.

#### Site Selection

The central office for the Franchised Business, cleaning plant, warehouse and other facilities relating to the Franchised Business must be located within the Territory unless we otherwise consent in writing. We must approve the site for the Franchised Business office, because we want to confirm that it will have adequate space to conduct your restoration activities, but you must find the site yourself. The site must either represent a dedicated division for the FRSTeam Franchised Business or provide adequate space to include a dedicated division for the FRSTeam Franchised Business. The Manual will provide information and suggestions to consider in your search for a site. Your selection should be based on its proximity to your business contacts, and you should consider whether reasonable rents are charged for the site. FRSTeam will review site approval submissions on a first-in basis. We will use our best efforts to approve or disapprove a site within 60 days of your submission to us of your proposed selection. If we do not approve the selected site, you must submit a new site for our written approval within a reasonable period of time after your notice of our disapproval of the original site. We will work with you on your choice of a site until we can reach agreement on the site. If we cannot reach agreement on a site, we reserve the right to terminate the Franchise Agreement. We do not have any special expertise in selecting sites. Our approval of a site is not a representation or warranty that the Franchised Business will be profitable or that your sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. You agree that our approval or disapproval of a proposed site does not impose any liability on us.

#### Length of Time to Open the Franchised Business

Franchisees typically open their businesses within 120 days after signing the Franchise Agreement or the first payment of any consideration. Factors affecting this length of time usually include normal



business startup considerations, equipment purchases and installation schedules, and completion of the initial training program. Should you not open the business within 180 days after signing the Franchise Agreement, FRSTeam has the right to terminate the Franchise Agreement.

### Advisory Committee

In 2006, we established the Franchisee Advisory Committee comprised of current Franchisees in good standing. The Franchisee Advisory Committee serves the following functions:

- a. Give input on budget ratios and spending for the Fund jointly with FRSTeam in order to ensure that Franchisees' interests are represented; and
- b. Serve as peer committee for other franchise owners and provide feedback on new and existing programs.

The term for the Franchisee Advisory Committee is two years. It consists of six members elected by their peers plus two members from FRSTeam.

## **ITEM 12 TERRITORY**

You are granted the right to operate your FRSTeam Franchised Business only at a specified location in a designated Territory described in the Franchise Agreement. We will identify the Territory using political boundaries, such as counties and cities, or zip code boundaries or a combination thereof. There is no minimum territory granted to you by radius, distance or population.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, during the term of the Franchise Agreement, we will not operate, nor grant a franchise to anyone else to operate, another franchised business in the Territory that markets or sells fabric restoration services, electronics restoration services, and/or contents restoration services (and such other services as may be added in the future), so long as you are authorized to provide those services or participate in a program and comply with the terms of the Franchise Agreement. However, other Franchised Businesses may market and sell fabric restoration services, electronics restoration services, or contents restoration services inside the Territory for services to be performed outside of the Territory or of the type Franchisor does not designate for Franchisee to build, market or sell within the Territory. If you are not authorized by us to provide a service or participate in a program or you do not comply with the terms of the Franchise Agreement, we may operate in the Territory and grant to others the right to operate a Franchised Business or grant to others the right to participate in programs and provide services in the Territory (for those services and/or programs you are not authorized to provide) or reduce the size or configuration or the number of clients in the Territory. You may service clients outside the Territory, but Franchisee may not locate a plant, warehouse or any other type of facility through which any aspect of the Franchised Business is operated, outside the Territory without our prior written consent. You may not market on the internet without our prior written approval.

### National Account Programs

We have developed a National Account Program through which we are able to serve multi-unit brokerage businesses (a "National Account") that have several offices located in multiple franchised territories and/or non-franchised territories. The National Account Program allows us to, at our sole option, contract with such businesses and offer special pricing options for the use of the System products and



services. You may choose to participate in the National Accounts Program to service National Accounts for which the ultimate client of the National Account is located in the Territory consistent with the then-current National Account Program Participation Agreement. However, we have the right to discontinue or terminate a National Account or the entire National Account Program. Further, we or a third party service provider we designate may begin servicing National Accounts in the Territory if we believe that you are: (i) not meeting our standards and specifications applicable to the National Accounts you are servicing or the National Account Program generally; (ii) you are in default of the Franchise Agreement; (iii) the National Account has requested that we or a third party we select service their clients; or (iv) you refuse to service the National Account. We may impose any restrictions and/or requirements as a condition to your acceptance of each National Account. We reserve the right to charge fees on national account revenue, and currently charge administrative fees on national account revenue pursuant to a National Account Participation Agreement. These fees are a required condition of participating in our National Account Program and these fees are subject to change annually. We may require you to conduct thorough background checks on all employees who will service any National Account and may require proof of compliance with this and other requirements at such intervals as we and/or the National Account dictates.

#### Rights Reserved by Franchisor

We (and our affiliates) retain the rights to:

- a. establish and grant to others the right to establish, Franchised Businesses anywhere other than the Territory regardless of the proximity of the office on any of the terms and conditions we deem appropriate;
- b. sell (or authorize to sell) products and services identified by the Proprietary Marks or other trade names, trademarks, service marks and commercial symbols for services other than marketing and selling fabric restoration services and, if applicable, electronics restoration services or contents restoration services;
- c. operate and allow others to operate, or offer or sell franchises or licenses for businesses which operate businesses other than the Franchised Business inside and outside of the Territory;
- d. market and sell and grant to others the right to market and sell specialty and emergency dry cleaning and laundry services for fabric and upholstery, electronics, and/or contents with or without using the Proprietary Marks where the services will be provided outside of the Territory;
- e. grant to others the right, inside or outside of the Territory, using the Proprietary Marks and the System to market and sell products and services of any type we have not authorized you to market or sell in the Territory;
- f. purchase, merge, acquire or affiliate with or be acquired by any other businesses, including competitors, having one or more facilities or locations, wherever located and to continue to operate under such other name after the date of such purchase, merger, acquisition or affiliation; and
- g. engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Franchise Agreement such as distributing, marketing and selling products and services identified by the Proprietary Marks or other marks in any channel of distribution (including via the Internet or other electronic media) within or outside of the Territory.

### Minimum Monthly Royalties

You are not required to meet any quotas to maintain the Franchised Business under the Franchise Agreement. However, you are required to pay minimum royalties. Specifically, you are required to pay a Royalty equal to the greater of six percent of Gross Revenues or an amount specified in an attachment to the Franchise Agreement as follows:

Territory with 500,000 or more Households. The monthly Royalty fees will be the greater of six percent of Gross Revenues from Fabric Restoration Services or the following amounts during the year(s) specified:

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$1,800
Third	\$2,100
Fourth +	\$2,400

Territory with fewer than 500,000 Households. The monthly Royalty fees will be the greater of six percent of Gross Revenues from Fabric Restoration Services or the following amounts during the year(s) specified:

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$900
Third	\$1,200
Fourth +	\$1,500

The minimum monthly Royalty for year five and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

- 1) If your market penetration for fabric restoration and dry-cleaning services (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.
- 2) If your market penetration rate for fabric restoration and dry-cleaning services is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

The fabric restoration and dry-cleaning services market penetration rate will be based on the average market penetration for fabric restoration and dry-cleaning services in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

In the event of a transfer, the minimum monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer.

There is an additional monthly minimum Royalty for electronics restoration services as follows:

Regardless of the size of the Territory, the minimum additional monthly Royalty fees will be the greater of six percent of Gross Revenues from electronics restoration services or the following amounts during the year(s) specified:

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$500
Third	\$650
Fourth +	\$800

The minimum additional monthly Royalty for each of the above timeframes will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

1) If your market penetration for ERS (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

2) If your market penetration rate for ERS is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

In the event of a transfer, the minimum additional monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer.

There is an additional monthly minimum Royalty for contents restoration services as follows:

Regardless of the size of the Territory, the minimum additional monthly Royalty fees will be the greater of six percent of Gross Revenues for contents restoration services, or the following amounts during the year(s) specified.

Year of Addendum Term	Minimum Additional Monthly Royalty
First	None
Second	\$1,000
Third	\$1,500
Fourth	\$2,000
Fifth +	\$2,500

The minimum additional monthly Royalty for year 6 and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:



1) If your market penetration for CRS (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

2) If your market penetration rate for CRS is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$500 per month.

The ERS market penetration rate will be based on the average market penetration for ERS in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated in the ERS for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

The minimum monthly advertising fees may be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited to the greater of \$50 or 5% annually



The term “Households” means that term used by the U.S. Census Bureau, and the number of Households in the Territory will be as reported in the most recent data published by the U.S. Census Bureau for the Territory.


In the event of a transfer, the minimum additional monthly Royalty Fee will be based upon the number of years the franchise territory has been in business prior to the transfer. Likewise, the minimum additional monthly Royalty Fee does not reset upon signing a renewal or successor franchise agreement.

**ITEM 13  
TRADEMARKS**

The Franchise Agreement and your payment of the Royalty fee grants you the non-exclusive right and license to operate your Franchised Business using our principal Proprietary Marks listed below. You may also use other future trademarks, service marks and logos we approve to identify your Franchised Business.

We have registered the following Proprietary Marks on the principal register at the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
	3,111,941	July 4, 2006
	3,190,210	December 26, 2006
<b>FRSTEAM</b>	3,199,760	January 16, 2007

Mark	Registration Number	Registration Date
	3,216,512	March 6, 2007

All affidavits of use which were required to be filed with respect the Proprietary Marks have been filed. No state trademark or service mark registrations have been filed. We intend, however, to begin a continuing practice of registering new trademarks and service marks for promotional or related advertising activities.

You must follow the rules contained in the Manual when you use the Proprietary Marks. You cannot use our trade name, trademarks or service marks as part of your corporate name or with modifying words, designs or symbols, except for those we specifically franchise for your use. You may not use FRSTeam’s name or the Proprietary Marks with the sale of an unauthorized product or service or in a manner that we have not authorized in writing.

With respect to the Proprietary Marks:

1. You must use only the Proprietary Marks we designate and will use them only in the manner we authorize and permit;
2. You must use the Proprietary Marks only for your operation of the Franchised Business at the office for the Franchised Business;
3. During the term of the Franchise, you must identify your Franchised Business as “Independently Owned and Operated.” You must include this language on, for example, your invoices, order forms, receipts, business cards and contracts, as well as in any signs at the Franchised Business;
4. Your right to use the Proprietary Marks is derived solely from the Franchise Agreement and is limited to the uses as are authorized under the Franchise Agreement, and any unauthorized use of the Marks will constitute an infringement of our rights;
5. You may not use the Marks to incur any obligation or indebtedness on our behalf;
6. You may not use the words or marks “FRSTeam,” “Fabric Restoration Service Team,” or any of the Proprietary Marks as part of your corporate or legal name or with any other business activity or venture;
7. While the Franchise Agreement is in effect, you may, however, use “FRSTeam,” and “Fabric Restoration Service Team” as part of a fictitious or assumed name, and if you do so, you must obtain the fictitious or assumed name registrations as are required under applicable law, and must do so at your sole expense. You must comply with all applicable laws in filing and maintaining any required trade name or fictitious name registrations and must execute any documents necessary to protect the Marks or maintain their validity and enforceability;

8. You must notify us of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Proprietary Marks or any confusingly similar form within 30 days of discovery or knowledge of the claim, demand or cause of action. If any litigation involving the Proprietary Marks is instituted or threatened against you, you must notify us in writing within five days after you receive notice of the litigation and must cooperate fully with us in defending or settling the litigation; we will take reasonable actions to defend or settle the litigation and will indemnify and hold you harmless against claims that your use of the Proprietary Marks, in accordance with the terms of the Franchise Agreement, infringes upon the rights of any other party, as well as the costs, including reasonable attorneys' fees, of defending against the claims;

9. If we decide, in our sole discretion, to modify or discontinue use of one of the Proprietary Marks, you must comply with our directions within a reasonable time after we give you notice of this change, and we will have no liability or obligation with respect to your modification or discontinuance of any of the Proprietary Marks;

10. In order to preserve the validity and integrity of the Proprietary Marks and any copyrighted materials and to ensure you are properly using them in the operation of your Franchised Business, we or our agents have the right to enter and inspect the premises of the office for the Franchised Business at all reasonable times. We also have the right to observe how you provide services to customers and conduct your operations, how you confer with your customers, to inspect any services you perform, and at your expense, to select or ask you to provide samples of inventory, equipment, advertising and other items, materials and supplies for inspection and evaluation purposes to make certain your services, products, inventory, materials, supplies, equipment and operations are satisfactory and meet our quality control and performance standards; and

11. All provisions of the Franchise Agreement governing the Proprietary Marks apply to all additional trademarks, service marks and commercial symbols we franchise you to use.

The Proprietary Marks with Registration Nos. 3,190,210, 3,199,760 and 3,111,941 are owned by Custom Commercial Dry Cleaners, Inc. and are licensed exclusively to us. Custom Commercial Dry Cleaners, Inc. has granted us an exclusive license (the "Trademark Franchise Agreement") to use the Proprietary Marks to franchise the System in the United States. The Trademark Franchise Agreement began on January 1, 2006 and is automatically renewable for one-year terms provided we are not in default or do not materially breach the Trademark Franchise Agreement by engaging in any activity which damages the Proprietary Marks or the goodwill of the System. If the Trademark Franchise Agreement is terminated, Custom Commercial Dry Cleaners, Inc. has agreed to license the use of the Proprietary Marks directly to our franchisees until such time as each franchise agreement expires or is otherwise terminated. The ownership of the trademarks have been transferred to FRSTeam, LLC.

You must notify us within 30 days of discovery or knowledge if you learn about an infringement or challenge to your use of any of our trade name, trademarks or service marks. If any litigation involving the trade names, trademarks or service marks is instituted or threatened against you, you should notify us in writing within five days after your receipt of notice of the litigation. You agree to cooperate fully in defending or settling the litigation. We will take action as we think reasonable and appropriate. We will indemnify and hold you harmless against any and all claims that your use of the trade names, trademarks or service marks in accordance with the terms of the Franchise Agreement infringes upon the rights of any other party, as well as the costs, including reasonable attorneys' fees, of defending against the claims.

If we decide to modify or discontinue a trademark or service mark, we will inform you. If this occurs, you must cease its use. You must not directly or indirectly contest our right to our trade names, trademarks, service marks, or business techniques that are part of our business.





There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, any state trademark administrator, or any court, and no pending infringement, opposition, or cancellation proceedings or material federal or state court litigation involving the Proprietary Marks. We are not aware of any pending proceeding in which someone alleges that we have interfered with their use of a Proprietary Mark, someone opposes the use of our trademarks, or someone seeks to cancel our trademarks. We are not aware of any threatened or pending material litigation involving the Proprietary Marks.

There are no infringing uses known to FRSTeam that could materially affect your use of the trade names and logotypes in this State.

#### **ITEM 14 PATENTS, COPYRIGHTS & PROPRIETARY INFORMATION**

There are no patents or copyrights that are material to the franchise.

We assert trade secret and copyright protection for our Manual, business forms, videos, proprietary software, CD Rom and other printed, digital and advertising material contained in the System. We have not registered these copyrights with the United States Registrar of Copyrights. You must use these items only in the way we specify and only while operating your Franchised Business.

Currently, there are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we intend to do so when this action is in the best interest of the System.

Our Manual and other materials contain our confidential information, including the instruction, methods, and techniques used in the key management of the Franchised Business: marketing and promotion, daily operations, personnel, and financial management.

You must tell us immediately if you learn about an infringement or challenge to our use of the copyrighted materials referred to in this Item 14. We will take the action that we deem appropriate. You also agree not to contest our interests in our copyrights or proprietary information.

If we decide to add, modify or discontinue the use of an item or process covered by a copyright, you must also do so.

We are not obligated to defend your use of these items or processes.

Whenever you are asked to do so by us, you must assign to us the copyright on all advertising, brochures and other materials created by you that are related to your Franchised Business or the System.

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

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement. The Franchise Agreement does not specifically obligate you to participate in the



direct operation of the Franchised Business. However, because the Franchised Business is a service business where personal contact with your customers is very important, we recommend that you be directly involved in the Franchised Business. If the Franchisee is other than a natural person, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in the franchisee entity) of Franchisee must execute and deliver to Franchisor a guaranty guarantying the obligations of the entity substantially identical to the form of Guaranty and Assumption of Obligations attached to the Franchise Agreement. We also require that the spouses of the franchise owners sign the Guaranty and Assumption of Obligations. If the Franchisee is an individual or group of individuals and he/she/they do not satisfy the financial or management qualifications to become a Franchisee based on his/her/their qualifications, we require the spouse(s) of the individual(s) to sign the Guaranty in order to satisfy our qualifications.

If the franchisee is a business entity, the manager of the Franchised Business must be an owner approved by us. In order for us to approve an owner, the franchisee must provide sufficient information to enable us, in our reasonable judgment, to determine that the owner is qualified to manage the Franchised Business. We may refuse to approve any person as a manager of the Franchised Business who, in our reasonable business judgment, is inexperienced or unqualified in managerial skills or operational capacity or capability, or who is otherwise unable to adhere fully to the obligations and requirements contained in the Franchise Agreement. Franchisor may also withhold its approval if the Franchisee does not provide the Franchisor with all information that we may reasonably request in order to reach such decision. It is understood that confidential information and materials are, in the normal course of business, imparted to franchisees and managers, and we will be under no obligation to approve someone who is an owner, or is affiliated with or manages cleaning businesses exclusively for the franchisee or one of its owners, of a firm that is competitive with us.

You must designate a general manager who will be our primary individual contact with the Franchised Business. You must employ at least one full-time, dedicated Sales Representative to solicit customers through telephone contacts and customer visits (this person may not be the owner unless approved in writing by the Franchisor). You, the general manager and the Sales Representative must successfully complete our initial training program before opening the Franchised Business. The general manager must not engage in any other business or activity that conflicts with their obligations to operate the Franchised Business. The general manager need not have any equity interest in your Franchised Business (See Sections 4.1, 4.2 and 4.3 of the Franchise Agreement for particulars regarding management of the Franchised Business). In the case of multiple owners, the owner with day-to-day responsibility and authority to run the Franchised Business and with whom we should communicate will be identified on the signature line as the managing owner.

You agree that during the term of the Franchise Agreement, except as otherwise approved in writing by us, you (if franchisee is an individual), a shareholder of a beneficial interest of securities of you (if you are a corporation), a member or manager owning a membership interest in you (if you are a limited liability company), a general partner of you (if you are a partnership) or your full-time manager will devote full time energy and best efforts to the management and operation of the Franchised Business.

If there is a change in the control of the franchisee for any reason whatsoever, the franchisee must promptly notify us of any such change, and such management change will be subject to re-approval in accordance with the provisions of the Franchise Agreement. If the franchisee becomes, is acquired by, or merges with or into a competitive business, or a competitive business obtains control over the franchisee, the franchisee must promptly notify us of any such change, and we will have the right to terminate the Franchise Agreement.

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

The Franchisee is permitted to offer and sell fabric restoration services and electronics restoration services and, if applicable, contents restoration services in accordance with our System and includes our standards and specifications. The System may be changed from time to time. By obtaining a franchise to operate a Franchised Business, you agree to offer and provide all of the restoration services that we require, and you must not perform any services that we have not authorized (such as any other insurance restoration services) unless obtaining our prior written approval to do so. Services that we have excluded from those that you may offer include general contracting and other content cleaning (unless you sign the addendum and comply with requirements to provide this service), such as furniture restoration, cleaning of permanently installed carpets, wall washing, and structural cleaning.

You may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Twitter or any other social or professional networking sites), crowdfunding campaigns or blogs or mention or discuss the FRSTeam franchise, us or any of our affiliates without our prior written consent and as subject to our online policy.

We may develop specially-designed proprietary products for the franchisee to use as part of the operation of the Franchised Business. The franchisee acknowledges that it will carry an adequate supply and maintain a representative inventory of such proprietary products as required by us. We reserve the right to develop, in the future, additional proprietary products which the franchisee will be required to offer through the Franchised Business.

Our System standards regulate the required or authorized services and service categories and supplies. There are no limits upon our right to change those services that are required or authorized, and we may do so at our discretion.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER & DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

Provision		Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 2.1	10 years
b.	Renewal or extension of the term	Sections 2.2 and 2.3	If you are in good standing, you may renew the franchise for up to two additional five-year terms.

Provision		Section in Franchise Agreement	Summary
c.	Requirements for franchisee to renew or extend	Sections 2.2 -2.4	You must: (1) give notice of your desire to renew the franchise at least six months before expiration of the then-current term; (2) correct any deficiencies provided in a notice to you by us; (3) perform any upgrades to image, appearance, equipping and stocking of the Franchised Business to bring it into compliance provided in a notice to you by us; and (4) sign our then-current Franchise Agreement, which may contain terms that are materially different from your original Franchise Agreement. Your Franchise Renewal Fee must be received at the signing of your new franchise agreement. If you elect to renew your Franchise Agreement but do not sign our then-current franchise agreement upon the expiration of your Franchise Agreement, then you will be charged a \$1,000 monthly fee until you execute our then-current Franchise Agreement for your renewal or successor term.
d.	Termination by franchisee	None	Not Applicable.
e.	Termination by franchisor without cause	None	Not Applicable.
f.	Termination by franchisor with cause	Sections 4.1, 18.1, 18.2 and 18.3	We can terminate you for a material breach of your obligations under the Franchise Agreement. If you do not comply with the terms of the Franchise Agreement, we may alternatively reduce the size or configuration of the Territory or the number of clients in the Territory.
g.	“Cause” defined - curable defaults	Sections 18.2 and 18.3	If we believe you breached the Franchise Agreement and your breach does not constitute “cause” as defined, you have, for example, up to 30 days to correct your failure to comply with procedures required by the Manual.
h.	“Cause” defined - non-curable defaults	Section 18.1	We may terminate you immediately if: (1) you made any material misrepresentation or omission to acquire the Franchised Business; (2) you become insolvent or make a general assignment for the benefit of your creditors or admit to insolvency, or your assets are seized; (3) a petition of bankruptcy is filed; (4) you do not locate and secure an approved location for the office; (5) you cease to do business or abandon operations for five or more consecutive business days; (6) a threat or danger to public health or safety exists; (7) you or an owner is convicted by a trial court of or plead or have pleaded no contest to a felony or other crime; (8) you make or attempt to make an unauthorized transfer of the Franchise Agreement or ownership interest; (9) you knowingly disclose or divulge the Manual, trade secrets or confidential information; (10) you fail to complete the required training; (11) you fail to commence operation of the Franchised Business within four months of signing the Franchise



Provision		Section in Franchise Agreement	Summary
			Agreement; (12) you or any affiliate becomes a competitive business, becomes affiliated with a competitive business, or refers clients or business to a competitive business; (13) you fail to maintain the required insurance after ten days' notice; (14) you fail to maintain any required license or permit; (15) you engage in dishonest, unethical, immoral or similar conduct that could have a material adverse effect on the goodwill associated with the Proprietary Marks; (16) you fail to pay any vendor and do not correct such failure within 30 days; (17) you understate Gross Revenues on three or more occasions within a three-year period by more than two percent or on one occasion by more than five percent; (18) you fail on three or more occasions within a three-year period to comply with the Franchise Agreement, or on two or more occasions within 18 months, whether or not cured after notice of default; (19) you are the cause of the loss of a National Account; (20) you or your assets are blocked under any ordinance, law or regulation relating to terrorist activities or you or your owners otherwise violate any such law, ordinance or regulation; (21) any Owner, or the spouse of an owner, breaches a Guaranty; (22) non-compliance with the Manual after 30 days to cure; or (23) you do not pay fees during 10-day cure period.
i.	Franchisee's obligations on termination / nonrenewal	Section 19	(1) You must cease operation of the Franchised Business; (2) you must immediately cease using our Proprietary Marks; (3) you must make modifications to de-identify the Franchised Business that we require; (4) you must return items for which services have been completed to customers and return items for which services have not been completed to us; (5) you must submit a current accounts receivable report of all jobs accepted on or prior to the termination date, whether or not completed, and you must also pay any amounts that that you owe us at that time; (6) you must pay us liquidated damages; (7) you must return the Manual, all confidential information, trade secrets and copyrights; (8) you must transfer the telephone and facsimile numbers, email address, client lists, National Accounts information, marketing materials, websites and social media webpage content relating to the Proprietary Marks or the System to us; (9) we have the right to purchase materials from you; (10) you must comply with a post-termination restriction
j.	Assignment of contract by franchisor	Section 13.1	There are no restrictions on our right or ability to assign the Franchise Agreement.

Provision		Section in Franchise Agreement	Summary
k.	“Transfer” by franchisee-defined	Sections 13.2 and 13.4	You have no power to assign the Franchised Business or to transfer, assign or encumber it to anyone without our permission, except collateral interests required by a lender.
l.	Franchisor approval of a transfer by franchisee	Sections 13.2 and 13.3	Any transfer requires our written consent, but our consent will not be unreasonably withheld.
m.	Conditions for franchisor approval of transfer	Sections 13.2, 13.3 and 13.4	<p>You have no right to transfer or assign the Franchised Business, and any new franchisee must qualify in accordance with and must sign our then-current franchise agreement.</p> <p>We will not unreasonably withhold our consent to a transfer of any of your interest in the Franchised Business. However, if the transfer will result in the transfer of a controlling interest: (1) the transferee must have the necessary business experience, aptitude and financial resources in our judgment; (2) you must pay to us what you owe us; (3) neither you nor the transferee may engage in any competitive business; (4) the transferee’s owner and manager must satisfactorily complete training; (5) the franchisee’s landlord must allow the franchisee to transfer the lease or sublease; (6) the transferee must sign a Guaranty of Performance; (7) the transferee must enter into a new franchise agreement for the unexpired term of the transferred Franchise Agreement and you or the transferee must pay to us a transfer fee equal to \$20,000; (8) you must sign a general release; (9) we determine that the terms of the sale will not adversely affect the transferee’s operation of the Franchised Business; (10) any transferee financing will be subordinate to all amounts owed to us; (11) you must correct any deficiencies and/or the transferee agrees to upgrade, remodel and refurbish the office(s); (12) you must comply with a post-termination restriction; (13) you must not identify yourself as a current or former FRSTeam Franchised Business or franchisee or use any Proprietary Mark; (14) you must cease to communicate with any National Account; and (15) you must obtain a business valuation and financial budget.</p>
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 15.1	We can match any offer you wish to accept. We will give you written notice of our intent to purchase in such an event. (1) we may substitute cash; (2) our credit is deemed equal to that of any proposed buyer; (3) we will have 60 additional days to close; (4) we are entitled to all representations and warranties given by the seller of the assets of a business or the ownership interests in an entity.

Provision		Section in Franchise Agreement	Summary
o.	Franchisor's option to purchase franchisee's business	Section 19.5	We can purchase signs, advertising materials, supplies, inventory and any other item bearing our Proprietary Marks, at your cost, upon termination within our discretion.
p.	Death or disability of franchisee	Section 14	Your ownership interest must be transferred to a third party within nine months of death or disability. Your legal heir, or if you are an entity, any owner of you, should promptly inform us how he or she intends to continue operation of the Franchised Business and appoint a successor within 30 days.
q.	Non-competition covenants during the term of the franchise	Section 10	You may not operate a competitive business or hold interests in or perform services for a competitive business. During the term, you, your owners, or any immediate family member may not: (1) engage in, perform services for or have an interest in a competitive business; or (2) solicit, divert, take away or interfere with any of the business, clients, contractors, referral sources, trade or patrons of ours, our affiliates or franchisees or prospective franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 19.6	For a period of two years, you may not directly or indirectly for yourself, or through or on behalf of or in conjunction with any other person, partnership, limited liability company, corporation or other entity, own maintain, engage in, consult with or have any interest in any business engaged in offering or providing services and related products and services the same as or similar to those sold by the Franchised Business: (1) at the offices of the Franchised Business; (2) within the Territory; or (c) within the territory of any other franchisee or licensee of the System.
s.	Modification of agreement	Section 22.2	Both parties must sign written modifications to the Franchise Agreement. The Manual is subject to change from time to time as we decide.
t.	Integration/merger clause	Sections 22.13 and 22.18	<p>The Franchise Agreement and all exhibits to the Franchise Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in the Franchise Agreement or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.</p> <p>You are entering into the Franchise Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees that are contrary to the terms contained in the Franchise Agreement, or in any disclosure document, prospectus, or other similar</p>



Provision		Section in Franchise Agreement	Summary
			document required or permitted to be given to you as required by applicable law. Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 22.6 and 22.7	The Franchise Agreement provides for mediation followed by binding arbitration of any dispute that might arise between us. The arbitration proceedings will be held in the city where our principal business office is located (currently, Alpharetta, Georgia). The Franchise Agreement also allows us to seek injunctive relief through the courts if property rights are to be protected. The injunctive relief proceedings will be held in the city where our principal business office is located, subject to applicable law.
v.	Choice of forum	Section 22.9	The arbitration and/or injunctive proceedings will be held in the city where our principal business office is located (currently, Alpharetta, Georgia). If we sue you for injunctive relief, we may do so in Alpharetta, Georgia as well as where you or the Franchised Business is located (subject to state law).
w.	Choice of law	Section 22.8	The laws of the State of Georgia.

## **ITEM 18 PUBLIC FIGURES**

We do not use any public figure to promote the Franchised Businesses.

## **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.

Provided below is an historic financial performance representation for the period ended September 30, 2023, which is based on information reported to us from the franchisees.



### General Description and Methodology

As of September 30, 2023, there were 49 FRSTeam facilities in operation in the US, 11 of which are company owned and operated facilities. 47 facilities were open and in operation for at least 12 months as of September 30, 2023, two franchise facilities were opened during the prior fiscal year, two company-owned facilities closed during the prior fiscal year, and one franchised closed during the prior fiscal year. The financial performance in this Item is based on the Gross Revenue statements submitted by 36 franchised locations and 11 company locations.

Other than as specifically disclosed in this Item 19, we do not make actual, average, projected or forecasted sales, expenses, profits, cash flow or financial performance information available to prospective franchisees.

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

#### A. Gross Revenue for FRSTeam Franchisees for the 12 Months Ending September 30, 2023

The table below presents the Gross Revenue reported by 36FRSTeam Franchises that operated the entire twelve-month period ending September 30, 2023.

TOTAL GROSS REVENUE								
	#	Min	Max	Median	Average	#above average	% above average	
Top Third	12	\$ 2,223,377	\$ 5,489,465	\$ 3,994,225	\$ 3,798,889	7	58%	
Middle Third	12	\$ 1,066,518	\$ 1,987,457	\$ 1,511,660	\$ 1,502,968	6	50%	
Bottom Third	12	\$ 228,174	\$ 1,065,660	\$ 728,093	\$ 680,747	6	50%	
Total	36			\$ 1,511,660	\$ 1,994,201	12	33%	

#### B. Gross Revenue for Company Owned FRSTeam Outlets for the 12 Months Ending September 30, 2023

The table below presents the Gross Revenue information for the 11 FRSTeam locations operated by the franchisor during the full twelve-month period ending September 30, 2023.



**TOTAL GROSS REVENUE - COMPANY OWNED**

Company Store	State	Fiscal Year 2023 Revenue
FRSTeam by Custom Commercial - Hayward	CA	4,428,164
FRSTeam by Custom Commercial - Washington	WA	4,029,989
FRSTeam by Custom Commercial - West Covina	CA	3,279,027
FRSTeam by Custom Commercial - Wildomar & Central Coast	CA	2,985,486
FRSTeam by Custom Commercial - Colorado	CO	2,906,070
FRSTeam by Custom Commercial - Sacramento	CA	2,528,823
FRSTeam by Custom Commercial – San Diego	CA	2,046,683
FRSTeam by Custom Commercial - Oregon	OR	1,759,060
FRSTeam by Custom Commercial – Orange County	CA	1,700,795
FRSTeam by Custom Commercial – Fresno	CA	1,431,096
FRSTeam by Custom Commercial - Eastern Washington	WA	1,051,607
<b>Total / Average</b>	11	2,558,800
<b># (%) above average</b>	5	(45%)

**C. Benchmarking Study for FRSTeam Franchise Businesses for the 12 months Ending December 31, 2022**

In 2023, we conducted a financial Benchmarking Study for FRSTeam franchisees. The Benchmarking Study was conducted solely on a voluntary basis and was offered only to franchisees who had been operating their FRSTeam franchises for at least twelve months at the time of the Benchmarking Study. As a result, one franchisee who joined the system in 2022 was ineligible to participate in the Benchmarking Study and three franchisees failed to provide sufficient reporting information to participate in the Benchmarking Study. Interested franchisees were required to submit their income statements for the year ending December 31, 2022 (“Benchmarking Reporting Period”). We then calculated certain financial metrics to allow participants to compare their financial performance against their peer group of FRSTeam franchisees. 29 reporting franchisees operating 33 Territories out of 37 (89%) FRSTeam franchised Territories as of December 31, 2022, participated in the Benchmarking Study (“Reporting Franchisees”). All of the 29 FRSTeam Reporting Franchisees were located in the United States. We have reviewed the composition of franchise participants and believe it contains a random, representative sampling of FRSTeam franchised Territories based on level of sales, years in the business and geography.

**Part 1: Average Gross Revenue less Average COGS and Average Certain expense of Reporting Franchisees Operating for the 12 months ending as December 31, 2022**

The Chart below reflects the average gross revenues, direct cost of revenues and certain expenses in the 2022 calendar year as reported by the 29 Reporting Franchisees. Four of the 29 reporting franchises contained in the chart below operate in multiple territories.

<b>Gross Revenue less Cost of Revenue and Certain Operating Expenses</b>	Average	% of Revenue
Gross Revenue	2,223,514	100.0%
Production Supplies	154,304	6.9%
Direct Labor and Services	639,123	28.7%
Other Costs of Revenue	24,366	1.1%
<b>Total Cost of Revenue</b>	<b>817,793</b>	<b>36.8%</b>
<b>Gross Profit Margin</b>	<b>1,405,721</b>	<b>63.2%</b>
Royalties	166,764	7.5%
Advertising & Marketing	20,579	0.9%
Automobile Expenses	87,967	4.0%
Bank Charges & Merchant Fees	8,297	0.4%
Insurance Expense	47,707	2.1%
Rent & Utilities	174,059	7.8%
Repairs & Maintenance	55,216	2.5%
Sales Commission Expense	22,962	1.0%
Salaries & Wages - Overhead	367,172	16.5%
Technology and Telephone	25,277	1.1%
Other Expenses	137,411	6.2%
<b>Total Operating Expenses</b>	<b>1,113,409</b>	<b>50.1%</b>
<b>Gross Revenue less Cost of Revenue and Certain Operating Expenses</b>	<b>292,312</b>	<b>13.1%</b>

“Average” means the respective amount is equal to the average amount generated or incurred by the 29 Reporting Franchisees that were open and operating on a full-time basis the twelve months ending December 31, 2022. “% of Revenue” is calculated by taking the respective amount and dividing it by the average Revenue.

“Gross Revenues” means all sales of services and products of every kind or nature performed, sold from, at or involving the facility’s operation or arising out of the facility’s operation or conduct of business, including all dues, fees, rents, rent security deposits or other assessments charged to and paid by Clients whether for cash or credit, but excluding all: (i) federal, state or municipal sales or service taxes collected from Clients and paid to the appropriate taxing authority; (ii) the amount of any cash refunds of any security deposit returned to a Client; and (iii) other exclusions as we authorize by prior written consent. Gross Revenues are deemed to have been received when the services or products from which they were derived are delivered or provided or at the time the relevant sale takes place, whichever occurs first, regardless of whether the Center has received the final payment (e.g., collection on a customer’s personal check).

The Gross Revenues figures above do not reflect other fixed and variable costs and expenses associated with operating the FRSTeam business, including the cost of sales, Monthly Branding Royalties, National Branding & Marketing Fees, salaries, automobile expenses, insurance costs and advertising and marketing



expenses, which must be deducted from the Gross Revenues to obtain your net income or profit. You should conduct an independent investigation of your potential Gross Revenues and the costs and expenses you will incur in operating your Irrigation Business. The franchisees listed in this disclosure document may be a valuable source of some of this information.

The median Gross Revenue was \$1,578,631, with a high of \$5,832,566 and a low of \$220,623. 13 of the 29 Reporting Franchisees (or 45%) met or exceeded the average.

“Production Supplies” includes all products utilized in packing, moving and cleaning of fabrics, contents and electronics including boxes, bags, cleaning supplies and packaging materials. The median cost of Production Supplies was \$93,245, and 5 of the 20 Reporting Franchisees (or 25%) met or exceeded the average.

“Direct Labor and Services” is all direct labor costs including payroll, payroll taxes for technicians, pressers, cleaners, inventory crews that are performing the packing, moving and cleaning services. Direct Labor and Services does not include “Salaries & Wages Overhead” (as defined in Part 9 below) for managers, sales staff, and other employees. The Cost of Labor and Services does not include benefits or unemployment insurance. Direct Labor and Services may also include the costs of subcontracting to special repair service partners and outside the median Cost of Labor was \$500,391, and 11 of the 29 Reporting Franchisees (or 38%) met or exceeded the average.

“Other Cost of Revenue” includes all other products and services utilized in repairing and cleaning fabrics, contents and electronics other than Production Supplies and Direct Labor and Services and may include costs of managing claims with insurance companies. The median cost of Other Cost of Revenue was \$6,057, and 6 of the 29 Reporting Franchisees (or 21%) met or exceeded the average.

“Royalties” was calculated by first determining the amount of Royalty that each of the 29 Reporting Franchisees would have paid under this FDD, and then taking the total average of such amount. The median cost of Royalties was \$118,397, and 13 of the 29 Reporting Franchisees (or 45%) met or exceeded the average.

“Advertising and Marketing” means the amount spent on advertising and marketing activities within their territories. The median Local Marketing Investment was \$6,828, and 7 of the 29 Reporting Franchisees (or 24%) met or exceeded the average.

“Automobile Expense” is reported vehicle related expenses including costs associated with operating service vehicles utilized by technicians to transport goods and people to homes for packing out damaged property for cleaning and storage and delivery of cleaned goods back to the homeowner. Costs include vehicle leases, fuel and vehicle maintenance. It does not include automobile insurance costs and if the Reporting Franchisees own the vehicle, it does not include depreciation expense associated with the vehicle. The median cost of Automobile Expense was \$61,472, and 13 of the 29 Reporting Franchisees (or 45%) met or exceeded the average.

“Bank Service Charges & Merchant Fees” means customary fees associated with maintaining a local banking relationship and accepting payment from customers via credit cards. The median cost Bank Service Charges & Merchant Fees was \$1,117, and 5 of the 29 Reporting Franchisees (or 17%) met or exceeded the average.

“Insurance” means the amount spent on insurance coverage policies required under this FDD. The median cost Insurance was \$30,536, and 13 of the 29 Reporting Franchisees (or 45%) met or exceeded the average.

“Rent & Utilities” include facilities rental expenses for warehouse, storage or office space and related utilities costs including electricity, water, gas or other utilities. The median cost of Rent and Utilities was \$164,374, and 11 of the 29 Reporting Franchisees (or 38%) met or exceeded the average.

“Repairs and Maintenance” include costs of repairing equipment and property associated with cleaning, storing and transporting damaged property. The median cost of Repairs and Maintenance was \$19,332, and 9 of the 21 Reporting Franchisees (or 31%) met or exceeded the average.

“Sales Commission Expense” means the compensation paid for sales commission to certain sales related employees. The median cost Sales Commission Expense was \$835, and 6 of the 29 Reporting Franchisees (or 21%) met or exceeded the average.

“Salaries & Wages Overhead” means compensation paid to either part-time or full-time office administration, sales staff, operations managers, branch managers, or other employees to answer phones, conduct sales consultations, assist in scheduling, manage labor and subcontractors, provide customer service, help maintain data in the field services IT platform, and sometimes light bookkeeping. In some Reporting franchisees this may include owner’s compensation. The median Salaries & Wages Overhead costs was \$246,214, and 10 of the 29 Reporting Franchisees (or 34%) met or exceeded the average. You are solely responsible for determining the levels of compensation and benefits you give to your employees.

“Technology and Telephone” means the amount spend on licensing the technology platform for office and field devices, billing and accounting software and maintaining a telephone, internet or VOIP phone system. The median cost Technology and Telephone was \$16,022, and 12 of the 29 Reporting Franchisees (or 41%) met or exceeded the average.

“Other Expense” means all other normal course operating expenses including bad debt, professional fees, business licenses, local business taxes, training and travel costs. The median cost of Other Expenses was \$103,655 and 9 of the 29 Reporting Franchisees (or 31%) met or exceeded the average.

“Total Revenue Less Total Cost of Revenue and Certain Operating Expenses” means the average total Gross Revenue minus Production Supplies, Direct labor and services, Other costs of Revenue, Royalties, Advertising and Marketing, Automobile Expense, Bank Charges & Merchant fees, Insurance expense, Rent and utilities, Repairs and Maintenance, Sales Commission Expense, Salaries and Wages for overhead employees, technology and telephone and other operating expenses. This amount does not equal the average gross profit of the 29 Reporting Franchisees that had been open and operating on a full-time basis the 12 months ending December 31, 2021, as they each incurred additional costs and expenses that are not reflected in this Part 1.

Part 2: Gross Profit Margin for 2022 Calendar Year

This section presents Gross Profit Margin information reported by the Reporting Franchisees during 2022.

Gross Profit Margin							
	#	Min	Max	Median	Average	# above average	% above average
Top Third	10	69.9%	87.9%	73.5%	76.4%	4	40.0%
Middle Third	9	61.1%	69.9%	64.9%	64.9%	4	44.4%
Bottom Third	10	31.6%	58.7%	52.0%	48.5%	6	60.0%

The Gross Profit Margin is defined as “Gross Profit” divided by the Gross Revenues of the operation for the full year of 2022. Gross Profit is equal to Gross Revenue less the Cost of Production Supplies (defined in Part 3 below), Cost of Labor and Services (defined in Part 5 below) and Other Cost of Revenue (defined in Part 6 below).

Part 3: Cost of Production Supplies as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Cost of Production Supplies (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

Production Supplies % of Revenue					
	#	Min	Max	Median	Average
Top Third	10	0.5%	3.6%	2.6%	2.4%
Middle Third	9	3.9%	6.9%	5.5%	5.4%
Bottom Third	10	8.2%	25.8%	10.4%	12.9%

The Cost of Production Supplies as a Percentage of Gross Revenue is calculated by taking all “Cost of Production Supplies” divided by the total Gross Revenues. “Cost of Production Supplies” includes all products utilized in packing, moving and cleaning of fabrics, contents and electronics including boxes, bags, cleaning supplies and packaging materials.

Part 4: Cost of Direct Labor and Services as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Cost of Labor (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

Direct Labor and Services					
	#	Min	Max	Median	Average
Top Third	10	1.4%	21.9%	15.7%	14.9%
Middle Third	9	22.6%	32.8%	28.1%	26.9%
Bottom Third	10	34.4%	57.4%	43.1%	44.2%

The Cost of Direct Labor and Services as a Percentage of Gross Revenue is calculated by taking “Cost of Direct Labor and Services” divided by the total Gross Revenues. “Cost of Direct Labor and Services” is all direct labor costs including payroll, payroll taxes for technicians, pressers, cleaners, inventory crews that are performing the packing, moving and cleaning services. Direct Labor and Services does not include Salaries and Wages Overhead (as defined below) for office managers, sales staff, and other employees. The Cost of Labor and Services does not include benefits or unemployment insurance. Direct Labor and Services may also include the costs of subcontracting to special repair service partners and outside

Part 5: Other Costs of Revenue as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents Other Cost of Revenue (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

Other Costs of revenue					
	#	Min	Max	Median	Average
Top Third	10	0.0%	0.0%	0.0%	0.0%
Middle Third	9	0.1%	0.7%	0.3%	0.3%
Bottom Third	10	0.9%	10.3%	1.8%	2.9%

The Other Costs of Revenue as a Percentage of Gross Revenue is calculated by taking “Other Costs of Revenue” divided by the total Gross Revenues. “Other Cost of Revenue” includes all other products and services utilized in repairing and cleaning fabrics, contents and electronics other than Production Supplies and Direct Labor and Services and may include costs of managing claims with insurance companies.

Part 6: Automobile Expense as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Automobile Expense (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

Automobile Expenses					
	#	Min	Max	Median	Average
Top Third	10	0.0%	3.0%	2.3%	1.7%
Middle Third	9	3.1%	4.1%	3.2%	3.4%
Bottom Third	10	4.1%	11.4%	6.3%	6.7%

The Automobile Expense as a Percentage of Gross Revenue is calculated by taking the Automobile Expense divided by the total Gross Revenues. “Automobile Expense” is reported vehicle related expenses including costs associated with operating service vehicles utilized by technicians to transport goods and people to homes for packing out damaged property for cleaning and storage and delivery of cleaned goods back to the homeowner. Costs include vehicle leases, fuel and vehicle maintenance. It does not include automobile insurance costs and if the Reporting Franchisees own the vehicle, it does not include depreciation expense associated with the vehicle.

Part 7: Insurance Expense as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Insurance Expense (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

Insurance Expenses					
	#	Min	Max	Median	Average
Top Third	10	0.0%	1.2%	0.7%	0.6%
Middle Third	9	1.3%	2.2%	1.7%	1.7%
Bottom Third	10	2.8%	5.7%	4.1%	4.0%

The Insurance Expense as a Percentage of Gross Revenue is calculated by taking the Insurance Expense divided by the total Gross Revenues. “Insurance” means the amount spent on insurance coverage policies required under this FDD.

#### Part 8: Rent and Utilities as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Rent and Utilities (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

<u>Rent &amp; Utilities</u>					
	#	Min	Max	Median	Average
Top Third	10	0.2%	6.0%	4.0%	3.9%
Middle Third	9	6.3%	8.6%	7.7%	7.6%
Bottom Third	10	8.9%	15.6%	11.5%	12.0%

The Rent and Utilities as a Percentage of Gross Revenue is calculated by taking the Rent and Utilities Expense divided by the total Gross Revenues. “Rent & Utilities” include facilities rental expenses for warehouse, storage or office space and related utilities costs including electricity, water, gas or other utilities.

#### Part 9: Salaries and Wages Overhead as a Percentage of Gross Revenue for 2022 Calendar Year

This section presents the Salaries and Wages Overhead (as defined below) as a percent of Gross Revenue for the Reporting Franchisees during 2022.

<u>Salaries and Wages - Overhead</u>					
	#	Min	Max	Median	Average
Top Third	10	0.0%	8.4%	3.2%	3.6%
Middle Third	9	8.7%	17.7%	11.8%	12.2%
Bottom Third	10	23.4%	49.3%	31.2%	33.3%

The Salaries and Wages Overhead as a Percentage of Gross Revenue is calculated by taking the Salaries and Wages Overhead Expense divided by the total Gross Revenues. “Salaries & Wages Overhead” means compensation paid to either part-time or full-time office administration, sales staff, operations managers, branch managers, or other employees to answer phones, conduct sales consultations, assist in scheduling, manage labor and subcontractors, provide customer service, help maintain data in the field services IT platform, and sometimes light bookkeeping. In some Reporting franchisees this may include owner’s compensation.

The financial information utilized in the benchmarking study was based entirely upon information voluntarily reported by the 29 FRSTeam Reporting Franchisees who participated in the benchmarking study, and none of this information has been audited or otherwise reviewed or investigated by us or by any independent accountant or auditing firm, and no one has audited, reviewed or otherwise evaluated this information for accuracy or expressed his/her opinion with regard to its content or form.

#### **D. National Account Revenue as a Percentage of Total Account Revenue for the Twelve Months Ending September 30, 2023**

The Franchisor, on behalf of its Franchisees and its Company owned operations, engages in national service contracts with certain Insurance Carriers (“National Accounts”) that refer homeowners



claims to FRSTeam for restoration services. For the twelve-month period ending September 30, 2023, National Accounts partnerships generated \$29,532,214 of Gross Revenue or 40.9% of total Gross Revenue generated by the 36 franchisees who operated for the full twelve-month period.

The amount of Gross Revenue generated from National Accounts varies by franchisee depending on the specific carriers, number of policy holders and claims referred to each franchisee in their specific franchise territories. The table below shows the Average of Gross Revenue percentage of National Account revenue by Franchisee. The Gross Revenue percentage is calculated by dividing the National Account Revenue for each franchisee by the total Gross Revenue for each franchisee for the twelve-month period.

NATIONAL ACCOUNT REVENUE AS PERCENTAGE OF TOTAL REVENUE							
	#	Min	Max	Median	Average	#above average	% above average
Top Third	12	53%	94%	65%	66%	6	50%
Middle Third	12	42%	53%	49%	48%	6	50%
Bottom Third	12	4%	42%	28%	28%	6	50%
Total	36			49%	47%	19	53%

The company owned stores generated \$13,248,917 or 47.1% of total revenue from National Accounts in the twelve-month period.

#### **E. Gross Revenue by Category as a Percent of Total Gross Revenue for the Twelve Months Ending September 30, 2023**

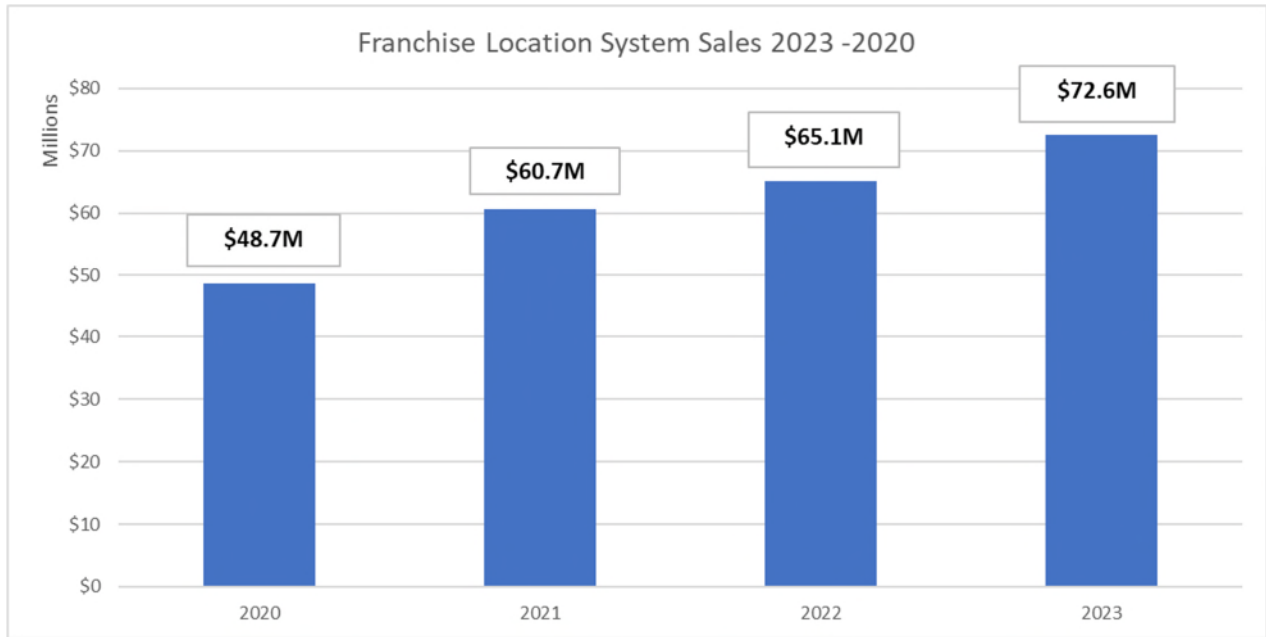
The information below expresses the different categories of damaged contents that FRSTeam franchisees and Company Owned operations perform restoration services on in a damage claim. The three primary categories include fabrics (e.g. clothes, bedding, draperies, etc.), electronics (e.g. televisions, computer equipment, stereo equipment, etc.) and hard contents (e.g. furniture and furnishings).

The mix of Gross Revenue between these categories by franchise location and company owned location varies. The percentage mix of gross revenue is calculated by dividing the Gross Revenue from each category by the total Gross Revenue for each franchise and company owned location.

REVENUE BY CATEGORY							
Stores	#	Fabrics		Electronics		Contents	
		Average	Median	Average	Median	Average	Median
Franchise Owned	36	64%	73%	14%	14%	22%	7%
Company Owned	11	42%	42%	11%	11%	46%	48%
Total	47	59%	56%	13%	14%	28%	28%

#### **F. Gross Revenue for Franchised Locations covering the Twelve Months Ending September 30, 2020, 2021, 2022 and 2023**

The chart below shows the total amount of Gross Revenue generated by franchised locations in each of the last four years ending September 30, 2020, 2021, 2022, and 2023.



The term “Gross Revenues” has the same meaning as described above.

Written substantiation for the financial performance representation in this Item 19 will be made available upon reasonable request.

Other than this Item 19, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor’s management by contacting Holly Murry at 2520 Northwinds Parkway, Suite 375, Alpharetta, GA 30009, (303) 333-9662; the Federal Trade Commission; and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS & FRANCHISEE INFORMATION

Table No. 1  
Systemwide Outlet Summary  
For Years September 30, 2021 to September 30, 2023<sup>(1)</sup>

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	37	37	0
	2022	37	37	0
	2023	37	38	+1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned	2021	9	10	+1
	2022	10	13	+3
	2023	13	11	-2
Total Outlets	2021	46	47	+1
	2022	47	50	+3
	2023	50	49	-1

(1) As of September 30, 2023, 49 franchised outlets offered or performed electronics restoration services under the Electronics Restoration Services Addendum. Total Company-Owned outlets are physical locations only.

Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years September 30, 2021 to September 30, 2023

State	Year	Number of Transfers
Missouri	2021	0
	2022	1
	2023	0
Nebraska	2021	0
	2022	1
	2023	0
Texas	2021	2
	2022	0
	2023	0
Totals	2021	2
	2022	2
	2023	0

Table No. 3  
Status of Franchised Outlets  
For Years September 30, 2021 to September 30, 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	1	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Florida	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	1	0	0	2
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Massachusetts	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Mississippi	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
North Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	0	0	1	0	0	1
	2023	1	1	0	0	0	0	2
Texas	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Wisconsin	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTAL	2021	37	1	0	0	1	0	37
	2022	37	1	0	1	0	0	37
	2023	37	2	0	1	0	0	38

Table No. 4  
Status of Company-Owned Outlets  
For Years September 30, 2021 to September 30, 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2021	3	0	0	0	1	0	4
	2022	4	3	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Idaho	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Oregon	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Washington	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TOTAL	2021	9	0	0	0	1	0	10
	2022	10	3	0	0	0	0	13
	2023	13	0	0	0	0	2	11

Table No. 5  
Projected Openings as of  
September 30, 2023 for 2024

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	0	0
California	1	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
North Carolina	0	0	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
Totals	1	1	0

Attached as Exhibit G to this Disclosure Document are the names, addresses and telephone numbers of all current franchisees as of September 30, 2023.

Also included in Exhibit G to this Disclosure Document are the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of the franchisees who have had an outlet terminated, transferred, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the Disclosure Document's issuance date.

If you buy this franchise, 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 franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the FRSTeam franchise system.

As of the date of issuance of this Disclosure Document, no trademark-specific franchisee organizations associated with the FRSTeam System are in existence. The following independent franchisee association has asked to be included in this Disclosure Document: Restoration Alliance Association, Inc.



**ITEM 21**  
**FINANCIAL STATEMENTS**

Empower Brands, LLC (formerly known as Lynx Franchising, LLC) has absolutely and unconditionally guaranteed to assume the duties and obligations to you of FRSTeam, LLC under the Franchise Agreement if FRSTeam, LLC becomes unable to perform its duties and obligations. The Guarantee of Performance is attached to this Disclosure Document in Exhibit B.

Attached to this Disclosure Document as Exhibit B are the audited consolidated financial statements and supplementary information of Empower Brands Franchising, LLC (formerly known as Lynx Franchising, LLC) for the years ended September 30, 2023, September 30, 2022, and September 30, 2021, as well as its unaudited financial statements dated December 31, 2023. Our fiscal year end is September 30.

**ITEM 22**  
**CONTRACTS**

The following contracts and related agreements are attached to this Disclosure Document:

- Exhibit A Franchise Agreement (including Electronic Funds Transfer Agreement, Guaranty and Assumption of Obligations, FRSTaid Enrollment, Lease Addendum, and National Account Participation Agreement)
- Exhibit A.VII Electronics Restoration Services Addendum
- Exhibit A. X Contents Restoration Services Addendum
- Exhibit C State Addenda and Agreement Riders
- Exhibit D Non-Disclosure Agreement
- Exhibit H Franchisee Disclosure Questionnaire

**ITEM 23**  
**RECEIPTS**

Two copies of a Receipt are attached to this Disclosure Document in Exhibit J. Please complete, sign and date both copies. Please return one signed copy to us (the copy marked “Franchisor’s Copy”) and retain the other one (the copy marked “Franchisee’s Copy”) for your own business records.

**EXHIBIT A**

**FRANCHISE AGREEMENT**





**FRSTEAM, LLC**

**FRANCHISE AGREEMENT**

Franchisee: \_\_\_\_\_

Franchisee #: \_\_\_\_\_

Franchised Location:

\_\_\_\_\_  
\_\_\_\_\_

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

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ATTACHMENTS:

- I. Business Details, Territory & Approved Location
- II. Territory
- III. Fees & Adjustments to Fees
- IV. Electronic Funds Transfer Agreement
- V. Guaranty & Assumption of Obligations
- VI. FRSTaid 3.0 Account Set-Up Form
- VII. Electronics Restoration Services Addendum (including the Eris Software Agreement)
- VIII. Contents Restoration Services Addendum
- IX. Lease Addendum
- X. National Account Participation Agreement

**FRSTEAM, LLC**

**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into as of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”), by and between FRSTeam, LLC, a California limited liability company (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

**Recitals**

WHEREAS, Franchisor and its predecessors have a concept and system for the cleaning and restoration of fabrics, electronics, and contents under the name “FRSTeam and Fabric Restoration Service Team,” which typically involves providing specialty and emergency dry cleaning and laundry services for fabrics and upholstery, electronics, and contents following smoke, mold, water and/or odor damage (the “Services”) from residential or commercial losses, such as house fires or other personal disasters (the “System”). Franchisor has spent resources, time and effort in the development and promotion of the System and businesses using the System; and

WHEREAS, Franchisor operates and grants to others the right to operate FRSTeam businesses (the “Businesses”) using the trade name, trademarks and service marks “FRST,” “FRSTeam,” “Fabric Restoration Service Team,” “The 1st name in Fabric Restoration,” and “Franchisor restore what others can’t,” and such other trade names, trademarks and service marks as are now or as may hereafter be designated by Franchisor in writing as part of the System (“Proprietary Marks”); and

WHEREAS, Franchisee desires to establish and operate a Business (the “Franchised Business”) under and using the System and using the Proprietary Marks in the territory described and at the location specified herein; and

WHEREAS, Franchisor is relying upon the business skill, financial capacity and character of Franchisee and its principals, and the guaranty by these principals of Franchisee’s obligations, if applicable, as attached to this Agreement; and

WHEREAS, Franchisee acknowledges that it has read this Agreement and Franchisor’s Franchise Disclosure Document (the “Disclosure Document”) and all exhibits thereto upon which it has exclusively relied, and that it has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees or agents that are contrary to the statements made in the Disclosure Document or the terms herein.

NOW, THEREFORE, the parties, in consideration of the premises and the undertakings and commitments of each party to the other party set forth herein, agree as follows:

**1. GRANT OF FRANCHISE**

1.1 Grant of Franchise. In consideration of Franchisee’s application to obtain a Franchised Business from Franchisor, and subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee as of the Effective Date (as defined above), a nonexclusive right and franchise (the “Franchise”) to use the Proprietary Marks and the System to market and sell only those Services approved by us in writing in accordance with Franchisor’s System that includes its standards and specifications and proprietary and confidential information at, and only at, the location specified in Attachment II hereto (the





“Approved Location” and including all alternate locations where work is or may in the future be performed or completed work is stored) which will serve as Franchisee’s FRSTeam Franchised Business office (the “Office”) and within the territory defined in Attachment II (the “Territory”) and to use solely in connection therewith, Franchisor’s System as it may be changed, improved and further developed from time to time. If work is performed or completed or pending work is stored at a location other than the Approved Location, you must provide notice of those locations and obtain our approval prior to use of those locations and all such locations must be included in your insurance coverage and meet brand standards. Franchisor reserves the right to revise, modify, amend or change the System, or any part thereof, from time to time. The grant of this Franchise is subject to Franchisee’s satisfying the requirements set forth in the Addendum to this Agreement. If any conflict exists between a map and the description of the Territory that is set forth in Attachment II, the narrative description will control.

1.2 Franchisor’s Territorial Restrictions. During the term of this Agreement, provided that Franchisee is not in default of and is in compliance, Franchisor will not operate or grant a franchise to anyone else to operate another Franchised Business in the Territory that markets or sells the Services, so long as you are authorized to provide those Services (fabric, electronics, and/or contents restoration and such other services as may be added in the future) or participate in a program (for example, the National Account Program) and comply with the terms of the Franchise Agreement. However, other Franchised Businesses may market and sell the Services inside the Territory for services to be performed outside of the Territory or of the type Franchisor does not designate for Franchisee to build, market or sell within the Territory. If you are not authorized by the Franchisor to provide any one or more of the Services or you are not authorized to participate in a program, or you do not comply with the terms of this Agreement, Franchisor may operate in the Territory and grant to others the right to operate a Franchised Business or grant to others the right to participate in programs and provide Services in the Territory (for those Services and/or programs you are not authorized to provide) or reduce the size or configuration or the number of clients in the Territory. Franchisee may service clients outside the Territory, but Franchisee may not locate a plant, warehouse or any other type of facility through which any aspect of the Franchised Business is operated, outside the Territory without Franchisor’s prior written consent.

Franchisor has developed a National Account Program through which Franchisor is able to serve multi-unit brokerage businesses (a “National Account”) that have several offices located in multiple franchised territories and/or non-franchised territories. Pursuant to the National Account Program, at Franchisor’s sole option, Franchisor may contract with such businesses and offer special pricing options for the use of the System products and Services. Franchisee may choose to participate in the National Account Program to service National Accounts for which the ultimate client of the National Account is located in the Territory consistent with the then-current National Account Program Participation Agreement. Franchisee is not required to participate in the National Account Program. However, Franchisor has the right to discontinue or terminate a National Account or the entire National Account Program. Further, we or a third party service provider we designate may begin servicing National Accounts in the Territory if Franchisor believes that: (i) Franchisee is not meeting Franchisor’s standards and specifications applicable to the National Accounts Franchisee is servicing or the National Account Program generally; (ii) Franchisee is in default of this Agreement; (iii) the National Account has requested that Franchisor or a third party it selects to service its clients; or (iv) Franchisee refuses to service the National Account. Franchisor may impose any restrictions and/or requirements as a condition to Franchisee’s acceptance of each National Account. We have the right to charge fees on National Account revenue and currently charge administrative fees on National Account revenue pursuant to a National Account Participation Agreement. These fees are a required condition of participating in our National Account Program and these fees are subject to change annually. Franchisor may require Franchisee to conduct thorough background checks on all employees who will service any National Account and may require proof of compliance with this and other requirements at such intervals as Franchisor and/or the National Account dictates.



1.3 Rights Reserved by Franchisor. Franchisor (and its affiliates) retain the rights to:

1.3.1 establish and grant to others the right to establish, Franchised Businesses anywhere other than the Territory, regardless of the proximity of the Office, on any terms and conditions Franchisor deems appropriate;

1.3.2 sell (or authorize others to sell) products and services identified by the Proprietary Marks or other trade names, trademarks, service marks and commercial symbols for services other than marketing and selling the Services;

1.3.3 operate and allow others to operate, or offer or sell franchises or licenses for businesses which operate businesses other than the Franchised Business inside and outside of the Territory;

1.3.4 market and sell and grant to others the right to market and sell the Services with or without using the Proprietary Marks;

1.3.5 grant to others the right, inside or outside of the Territory, using the Proprietary Marks and the System to market and sell products and services of any type Franchisor has not authorized you to market or sell in the Territory;

1.3.6 anywhere purchase, merge, acquire or affiliate with or be acquired by any other businesses, including competitors, having one or more facilities or locations, wherever located and to continue to operate under such other name after the date of such purchase, merger, acquisition or affiliation; and

1.3.7 engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement such as distributing, marketing and selling products and services identified by the Proprietary Marks or other marks in any channel of distribution (including via the Internet or other electronic media) within or outside of the Territory.

1.4 The Exercise of Franchisor's Judgment. Franchisor has the right to develop, operate and change the System in any manner not specifically prohibited by this Agreement. Whenever Franchisor has reserved in this Agreement the right to take or to withhold an action, or to grant or decline to grant Franchisee the right to take or omit an action, Franchisor may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on information then available to Franchisor and its judgment of what is best for Franchisor, FRSTeam Franchisees generally, or the franchise system at the time the decision is made, regardless of whether Franchisor could have made other reasonable or even arguably preferable alternative decisions or whether its decision promotes its financial or other individual interest. The terms of this paragraph define Franchisor's "Business Judgment."

1.5 Ownership of Franchisee. As a corporation, limited liability company, or general, limited, or limited liability partnership (each, an "Entity"), or sole proprietor, Franchisee agrees and represents that:

1.5.1 Franchisee has the authority to execute, deliver and perform its obligations under this Agreement and all related agreements and is duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation;

1.5.2 Franchisee's organizational documents, operating agreement or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of certain ownership interests in Franchisee, and all certificates and other documents representing ownership interests



in Franchisee will bear a legend (the wording of which Franchisor may prescribe) referring to this Agreement's restrictions;

1.5.3 Attachment I to this Agreement completely and accurately identifies all of Franchisee's owners and their interests in Franchisee as of the Effective Date;

1.5.4 Each owner, regardless of the size of his or her ownership interest (all such owners are called "Owners" and individually an "Owner"), must execute a Guaranty and Assumption of Obligations in the form attached to this Agreement, undertaking personally to be bound, jointly and severally, by all provisions in this Agreement and any ancillary agreements between Franchisee and Franchisor. Subject to Franchisor's rights and Franchisee's obligations under Section 13, Franchisee and its Owners agree to sign and deliver to Franchisor a revised Attachment I to reflect any permitted changes in the information that Attachment I now contains; and

1.5.5 Franchisee hereby represents and warrants to Franchisor that Franchisee is the sole owner of the Franchised Business. If Franchisee is other than a natural person, each principal owner of Franchisee (each, a "Managing Owner") will execute and deliver to Franchisor a guaranty substantially identical to the form of Guaranty and Assumption of Obligations attached to this Agreement. Franchisor requires the spouse(s) of the Owner(s) to sign the guaranty. If Franchisee is an individual or group of individuals and he/she/they do not satisfy the financial or management qualifications to become a Franchisee based on his/her/their qualifications, Franchisor requires the spouse(s) of the individual(s) to sign the guaranty in order to satisfy Franchisor's qualifications.

## 2. TERM AND RENEWAL

2.1 Initial Term. Except as otherwise provided in this Agreement, the initial term of this Agreement will begin on the Effective Date set forth above and will expire on the date which is TEN years from the Effective Date.

2.2 Additional Terms. If this is an initial term or Successor Term (defined below), Franchisee may, at Franchisee's option, renew this franchise for up to two consecutive additional periods of five years each (the "First Renewal Term" and "Second Renewal Term," respectively and sometimes referred to as a "Renewal Term"). At the end of the Second Renewal Term, subject to the provisions of this Section 2.2, this Agreement expires. We may elect to offer a successor franchise agreement ("Successor Franchise Agreement"). The Successor Franchise Agreement is not a renewal and may (and probably will) differ materially from this Agreement in financial and other ways and terms. Any provision of an agreement or any agreements that modify renewal agreements are not applicable to a Successor Franchise Agreement. The successor term will be a five-year or ten-year term ("Successor Term"), such Successor Term length determined in our discretion, with the ability to elect up to two renewal terms of five years each. The initial term, Successor Term, any renewal terms, and any month-to-month terms are collectively referred to as the "Term." If you fail to provide timely written notice of an election to obtain or decline a successor franchise agreement, either at the end of an initial term or a Successor Term, we may, in our discretion, allow this Agreement to expire or elect to extend the current franchise agreement, and you will be deemed to have consented to such extension on a month-to-month basis or upon notice from us for such longer period up to five years. Any renewal or offer of a new agreement is conditioned upon compliance with the following terms and conditions:

2.2.1 Franchisee will not then be in default of any material provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates, and Franchisee will have substantially complied with all of the material terms and conditions of such agreements during the term thereof;



2.2.2 Franchisee will have satisfied all monetary obligations owed by Franchisee to Franchisor and its parent subsidiaries and affiliates and will have met these obligations on a not overdue basis, as described in Section 3.5, throughout the term of this Agreement and any subsequent renewals;

2.2.3 Upon renewal, Franchisee will execute and deliver Franchisor's then-current form of franchise agreement to Franchisor, which franchise agreement will supersede in all respects this Agreement, and the terms of which may be materially different from the terms of this Agreement, including, without limitation, higher royalty and marketing fees;

2.2.4 Franchisee, including its manager, Sales Representative and other employees, will have complied with Franchisor's then-current qualification and training requirements and that Franchisee will have upgraded, at Franchisee's expense, the Franchised Business and the Office to conform to the then-current standards and specifications of Franchisor, including, without limitation, such remodeling and redecoration and such modifications to existing improvements as may be necessary to do so;

2.2.5 Franchisee will be required to pay a renewal fee equal to \$10,000 upon the execution of the then-current franchise agreement(s) for a Renewal Term; or a successor fee equal to \$20,000 for a 10-year Successor Term or \$10,000 for a five-year Successor Term;

2.2.6 Franchisee has completed and sent to Franchisor the forms and other information Franchisor then requires and demonstrates to Franchisor's satisfaction that Franchisee meets Franchisor's then-current financial and operational criteria for new FRSTeam franchisees; and

2.2.7 Franchisee and its Owners will sign the form of general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors and assigns. Failure to do so within 60 days of delivery of these documents to Franchisee (but no later than the expiration of this Agreement) will be deemed an election not to renew the Franchise.

2.2.8 If, when you want to extend the Term: (a) we are not offering new franchises; (b) are revising, amending or renewing the registration of our franchise offering; (c) are revising or amending our standard form of franchise agreement or franchise Disclosure Document; or (d) may not lawfully offer our then-current form of franchise agreement, we may offer to extend the Term on a month-to-month basis until we may lawfully offer and use our latest form of franchise agreement.

2.3 **Renewal.** If Franchisee desires to renew this Franchise at the expiration of this Agreement or the first renewal term, Franchisee will give Franchisor written notice of its desire to renew at least six months, but not more than 12 months, prior to the expiration of the term of this Agreement. Within 90 days after its receipt of such timely notice, Franchisor will furnish Franchisee with written notice of: (a) reasons which would cause Franchisor not to grant a renewal to Franchisee, including any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (b) Franchisor's then-current requirements relating to the image, appearance, equipping and stocking of the Franchised Business, and a schedule for effecting such upgrading or modifications in order to bring the Franchised Business in compliance therewith, as a condition of renewal. Renewal of the Franchise will be conditioned upon Franchisee's compliance with such requirements and continued compliance with all of the terms and conditions of this Agreement up until the date of termination. In the event of a failure to comply with the renewal requirements set forth in Section 2.2, we may, in our sole discretion, offer to renew a reduced territory size or offer to renew on the then-current terms without modification by prior agreements, in lieu of allowing the Agreement to expire without renewal.

2.4 Late Execution Fee. If you are granted the right to enter into a Renewal Term or a Successor Term, and you elect to do so but fail to comply with the requirement to timely execute the Successor Franchise Agreement or our then-current franchise agreement for the Renewal Term (as applicable), then in addition to all other rights and remedies available to us, you must pay us a monthly fee of \$1,000 for every full or partial month until you execute the Successor Franchise Agreement or our then-current franchise agreement for the Renewal Term.

2.5 Nonrenewal. Franchisor will give Franchisee written notice of its election not to renew the Franchise 90 days prior to the expiration of the initial term of this Agreement or any renewal term. Such notice will specify the reasons for nonrenewal.

2.6 Type of Agreement.

- Initial Term
- First Renewal Term
- Second Renewal Term
- Successor Term (5 Years)
- Successor Term (10 Years)

At the end of the second renewal term, this Agreement will expire and is not renewable thereafter. Upon expiration, we may offer you a successor agreement on the then-current terms, but are not obligated to do so.

### **3. FEES**

3.1 Initial Franchise Fee. Franchisee delivers herewith to Franchisor the initial franchise fee of \$35,000 or \$45,000, which fee is paid by Franchisee in consideration for Franchisor's execution and delivery of this Agreement. The initial franchise fee will be determined pursuant to that formula for such fees set forth in Attachment III attached hereto ("Fees and Adjustments to Fees").

3.2 Training. Franchisor will provide pre-opening sales and operations training for Franchisee, Franchisee's manager, and Franchisee's Sales Representative at a location selected by Franchisor at no cost to Franchisee. However, Franchisee will pay all travel, housing and food costs for such persons attending this training.

3.3 Royalty. In further consideration of the Franchise granted herein, Franchisee will pay to Franchisor throughout the term of this Agreement, without offset, credit or deduction of any nature, a continuing royalty fee ("Royalty") per Accounting Period (as defined herein) in an amount equal to the greater of six percent of monthly Gross Revenues, as defined in Section 3.9, or the monthly minimum Royalty fee specified in Attachment III (Fees and Adjustments to Fees) attached hereto.

3.4 National Account Fees. In consideration of the benefits of participating in the National Account Program, Franchisee will pay to Franchisor without offset, credit or deduction of any nature, for any period they choose to participate in the National Account Program, an administrative fee as specified in the then-current annual National Account Participation Agreement which is currently 3% of Gross



Revenues associated with National Account Program revenue. Such fee is not a royalty and is not subject to limitations on royalty amounts, if any. The fee is subject to modification on an annual basis. This fee is only required if you choose to participate in the National Account Program. This fee is in addition to the Royalty fee that applies to Gross Revenues related to National Account Program revenue.

3.5 When Payments Are Due. All payments required in accordance with this Agreement must be paid to Franchisor by the 15<sup>th</sup> day of each month for each immediately preceding Accounting Period. No later than the fifth business day following the end of each Accounting Period, Franchisee will submit to Franchisor a correct statement of Franchisee's Gross Revenues for the period just ended, together with any further reports required under Section 11 of this Agreement. At least one business day prior to payment, Franchisor will confirm to Franchisee the amount(s) to be paid through electronic withdrawal from Franchisee's account. Any payment or report not actually received by Franchisor on or before such date will be deemed overdue.

3.6 Electronic Fund Transfer. All Royalty fees, Fund Contributions (as defined in Section 7.2 below), amounts due to purchase items from Franchisor and other amounts that Franchisee owes to Franchisor will be paid via Electronic Funds Transfer ("EFT") from Franchisee's commercial bank account, as further described in the Manual (as defined in Section 4.1) and in accordance with Attachment IV. Franchisee will set up the EFT procedure with Franchisee's bank, and Franchisor will have access to Franchisee's bank account for the purpose of receiving payment for Royalty fees, Fund Contributions, amounts due for purchases by Franchisee from Franchisor and any other amounts which Franchisee owes to Franchisor. Franchisee will make deposits to the account to cover amounts owed to Franchisor for Royalty fees, Fund Contributions, and other monies owed to Franchisor. Deposits for all other amounts will be in accordance with the procedures set forth in the Manual.

3.6.1 If Franchisee fails to report Gross Revenues for any Accounting Period as required, or to record receipt of payments received within seven days of being cashed or deposited, Franchisor will be permitted to debit Franchisee's bank account for an amount equal to the greater of either: (i) the amount that was paid for the immediately preceding Accounting Period; or (ii) that amount that would be due based upon the data entered by Franchisee into FRSTaid 3.0 for that current Accounting Period. If the amount debited by Franchisor is greater than the amount actually owed by Franchisee (once the true and correct Gross Revenues for the Accounting Period is determined), Franchisor will credit the excess against the amount Franchisor will receive from Franchisee's account for the next following Accounting Period less any interest due.

3.6.2 Franchisor nonetheless reserves the right to require Franchisee to pay any Royalty fee, Fund Contribution, or other amount due to Franchisor by means other than EFT (e.g., by check) whenever Franchisor deems such appropriate, and Franchisee agrees to comply with such payment instructions.

3.7 Late Payment Service Fee and Interest. If Franchisee does not remit any Royalty fee, Fund Contribution, or amount due to Franchisor when due, a late payment fee will be imposed equal to five percent of the amount due or \$50, whichever is greater. This late payment fee will be imposed for each Accounting Period that the payment remains unpaid. Should Franchisee not remit payment when due for successive accounting periods, the late payment fee will be increased to five percent of the amount due or \$100, whichever is greater. Franchisee understands and agrees that this late payment fee is imposed to reimburse Franchisor for the additional accounting and management work necessary to handle such matters and does not constitute a penalty. In addition to the late payment fee, Franchisee will pay interest on any amount that remains unpaid for more than 30 days following its due date, and the rate of interest will be default interest of 18% per annum, or the maximum rate permitted by applicable law, from the day such amounts are originally due until the date paid. Franchisee further agrees that Franchisor may debit



Franchisee's account for both the late payment fees and interest on the amounts owed. Payment of late charges and interest is in addition to all other remedies Franchisor has hereunder and by law.

3.8 Late Reporting Service Fee. If Franchisee does not report Gross Revenues as required, or when due, a late reporting fee will be imposed for the initial delinquency equal to \$50. Should Franchisee have successive delinquencies in reporting Gross Revenues, then the late reporting fee will be increased to \$100. Franchisee understands and agrees that this late reporting fee is imposed to reimburse Franchisor for the additional accounting and management work necessary to handle such matters and does not constitute a penalty. In addition to the late reporting fee, Franchisee will pay interest on any amount that is reported more than 30 days delinquently following its due date, and the rate of interest will be default interest of 18% per annum, or the maximum rate permitted by applicable law, from the day such reporting was originally due. Franchisee further agrees that Franchisor may debit Franchisee's account for estimated amounts owed, the late reporting fee (as defined by Section 3.5.1 of the License Agreement) and late payment fees. Payment of late charges and interest is in addition to all other remedies Franchisor has hereunder and by law.

3.9 Definitions. For purposes of this Agreement, the following definitions are used.

3.9.1 "Gross Revenues" means all revenues, income and other consideration Franchisee derives from operating the Franchised Business, or from any other means that is in any way related to the Franchised Business or Franchisee's use of the Proprietary Marks or the System and whether from cash, check, barter, credit or debit card, wire or credit transactions; but excluding all federal, state or municipal sales, use or service taxes collected from clients and paid to the appropriate taxing authority. Gross Revenues will also include the proceeds from any business interruption insurance applicable to loss of revenues. Gross Revenues will be accounted for in accordance with generally accepted accounting principles.

3.9.2 "Accounting Period" means that period of each calendar month determined from the first day through the last day of the month. There is one Accounting Period each month.

3.9.3 Application of Payments. Notwithstanding any designation Franchisee might make, Franchisor has sole discretion to apply any of Franchisee's payments or payments received from national program accounts, for serviced rendered by the Franchisee, to any of Franchisee's past due indebtedness to Franchisor including against late payments and service fees and interest. As to you and/or any affiliate of yours, we can:

3.9.3.1 apply any payments received to any past due, current, future or other indebtedness of any kind in our Business Judgment, no matter how payment is designated by you, except that Fund (marketing fund) contributions may only be credited to the Fund;

3.9.3.2 set off, from any amounts that may be owed by us, any amount owed to us or any marketing fund; and

3.9.3.3 retain any amounts received for your account (and/or that of any affiliate of yours), whether rebates from suppliers, payment for national account work, or otherwise, as a payment against any amounts owed to us or any marketing fund.

We can exercise any of the foregoing rights in connection with amounts owed to or from us and/or any affiliate. For purpose of this Agreement, "affiliate" means any person or entity which controls, is controlled by or is under common control with another person or entity; in addition, as to the Franchisee,



any owner of any interest in the Franchisee or the Franchised Business, any employee or agent of the Franchisee, and/or any independent contractor performing functions for, or on behalf of, the Franchisee, and any entity controlled by any of the foregoing.

3.10 Discontinuance of Referrals. If Franchisee does not timely, unconditionally and fully pay amounts due to Franchisor under this Agreement, Franchisor may discontinue any services and/or referrals of business, including, without limitation, referrals of National Accounts to Franchisee, training, attendance to meetings or conventions without limiting any of its other rights under this Agreement.

#### **4. MANAGEMENT, STAFFING & TRAINING**

4.1 Initial Training Program. Franchisee will, as prescribed in the confidential operation manuals that describe the System (the “Manual”), employ qualified personnel sufficient to provide all services to be provided by the Franchised Business. The manager employed by Franchisee will, within four months of employment, attend and successfully complete, to Franchisor’s satisfaction, Franchisor’s manager training program. The four-month period may be extended if space in the training program is not available to Franchisee’s personnel during the specified period. All sales personnel, in addition to the Sales Representative, will complete Franchisor’s sales training courses. Franchisee must inform Franchisor when a change in management and sales personnel occurs. Franchisor may periodically make available other required or optional training courses to Franchisee’s personnel, as well as other programs, conferences, seminars and materials, and Franchisee will ensure that such personnel as Franchisor may direct will satisfactorily complete any required training within the time specified. All training will be provided at such times and locations and for such duration as Franchisor may designate, and at Franchisee’s sole expense. Prior to Franchisee or Franchisee’s employees attending any required or optional training program, Franchisee will pay to Franchisor the applicable tuition fees as specified in the Manual or otherwise in writing by Franchisor. Franchisee will also be responsible for Franchisee’s employees’ travel expenses and room, board and wages during any training. Franchisor reserves the right to require, as a condition of providing training, that personnel employed by Franchisee execute confidentiality agreements prepared by Franchisor. If Franchisor determines, in its sole discretion, that Franchisee is unable to satisfactorily complete the training programs, Franchisor will have the right to require that Franchisee successfully complete additional training or to terminate this Agreement in the manner herein provided.

4.2 Management of Franchised Business. Franchisee will at all times be responsible for management and oversight of the Franchised Business.

4.2.1 If Franchisee is a business Entity, the manager of the Franchised Business must be an Owner approved by Franchisor. In order for Franchisor to approve an Owner, Franchisee must provide sufficient information to enable Franchisor, in its reasonable judgment, to determine that the Owner is qualified to manage the Franchised Business. Franchisor may refuse to approve any person as a manager of the Franchised Business who, in Franchisor’s reasonable business judgment, is inexperienced or unqualified in managerial skills or operational capacity or capability, or who is otherwise unable to adhere fully to the obligations and requirements set forth in this Agreement. Franchisor may also withhold its approval if Franchisee does not provide Franchisor with all information that Franchisor may reasonably request in order to reach such decision. It is understood that confidential information and materials are, in the normal course of business, imparted to franchisees and managers, and Franchisor will be under no obligation to approve someone who is an Owner, or is affiliated with or manages cleaning businesses exclusively for Franchisee or one of its Owners, of a firm that is competitive with Franchisor.

4.2.2 If there is a change in the control of Franchisee for any reason whatsoever, Franchisee will promptly notify Franchisor of any such change, and such management change will be subject to re-approval in accordance with the provisions of this Section 4.2. If Franchisee becomes, is





acquired by, or merges with or into a Competitive Business (as defined below in Section 10 of this Agreement), or a Competitive Business obtains control over Franchisee, Franchisee will promptly notify Franchisor of any such change and Franchisor will have the right to terminate this Agreement.

4.3 Full-Time Management. Franchisee's manager will devote full time to the management and operation of the Franchised Business. Franchisee covenants and agrees that the Franchised Business will not, under any circumstance, be managed by a person or persons who has not successfully completed, within four months of employment in such capacity, Franchisor's management training program.

4.4 Professional Appearance is Required. Franchisee will cause all employees of Franchisee, while working at the Franchised Business, to be attired as specified in the Manual; to present a neat and clean appearance; and render competent and courteous service to clients of the Franchised Business.

4.5 Franchisee's Management is deemed Responsible. If the Franchised Business is not operated by Franchisee, but is operated by an Owner-manager approved by Franchisor: (i) the provisions of Sections 4.1, 4.2 and 4.3 relating to Franchisee's manager and other employees, will apply equally to the manager and other employees; and (ii) Franchisor will have the right to communicate directly with Franchisee's management as to matters relating to operation of the Franchised Business.

4.6 General Guidance. Franchisor may advise Franchisee from time to time regarding the operation of the Franchised Business based upon reports Franchisee submits to Franchisor or inspections made by Franchisor. In addition, Franchisor may, to the extent it deems necessary or appropriate, furnish guidance to Franchisee with respect to: (a) the System; (b) operating and management procedures and methods, standards and specifications utilized by FRSTeam Businesses; (c) furnishings, products, suppliers, materials, equipment, services and supplies for the Office; (d) dealing with clients, insurance companies, home owners, brokers and other individuals and organizations; (e) the marketing and sale of the services offered by FRSTeam Businesses and the use of the System; (f) use of contracts, forms and documents; (g) establishing and maintaining sales facilities, including décor and space planning, communications systems, equipment, materials and supplies used, and the attire and appearance of sales personnel; (h) employee training; and (i) administrative, bookkeeping and accounting procedures (unless Franchisor performs this function for Franchisee). Such guidance may, at Franchisor's discretion, be furnished in the Manual, bulletins or other written materials and/or during telephone or email consultations and/or consultations at Franchisor's headquarters. At Franchisee's request, Franchisor will furnish additional guidance and assistance. If Franchisee requests or Franchisor deems that Franchisee requires additional or special training for its employees at Franchisee's Office, all of the expenses that Franchisor incurs in connection with such training, including per diem charges and travel and living expenses for Franchisor's personnel, will be Franchisee's responsibility.

4.7 Personnel. Franchisee must train and supervise the Franchised Business employees in accordance with the specifications set forth in the Manual. All personnel must meet every requirement imposed by applicable federal, state and local law and those required by Franchisor as a condition to their employment; including, but not limited to, the requirement that all sales personnel who receive a commission in connection with the sale of products and services by the Franchised Business, obtain and maintain any required licenses for sales personnel. Franchisee must employ at least one full-time, dedicated Sales Representative to solicit customers through telephone contacts and customer visits (this person may not be the Owner unless approved in writing by the Franchisor). Franchisee must utilize the form of confidentiality agreement Franchisor designates for employees. Franchisee must also comply with all federal, state and local laws. Franchisee is liable to Franchisor for any unauthorized disclosure of such information by any of Franchisee's principal owners, officers, directors, employees, representatives or agents. Franchisee acknowledges that Franchisee is the sole and exclusive employer of the employees for

the Franchised Business and that Franchisee alone makes all hiring, firing, compensation, review and other decisions relating to such employment.

## **5. OPERATING PROCEDURES**

5.1 Only Approved Products and Services Will be Provided. Unless expressly authorized otherwise by Franchisor, Franchisee will use the Approved Location solely for the operation of the Franchised Business, and refrain from using or permitting the use of the Approved Location for any other purpose or activity at any time. Franchisee will not provide, or allow others to provide, any other products or Services at the Approved Location except as prescribed in the Manual or otherwise expressly permitted in writing by Franchisor.

5.2 Survey and Audit Participation. Franchisee agrees to participate in all client surveys and client satisfaction audits as Franchisor may prescribe for FRSTeam Franchisees.

5.3 Business Location. Franchisee may operate from an Office suitable for the operation of the Franchised Business in compliance with the Manual. If Franchisor, in its sole discretion, grants permission for relocation of the Office, any relocation will be at Franchisee's expense and Franchisor will have the right to charge Franchisee for any costs incurred by Franchisor including, but not limited to, legal and accounting fees incurred in providing such assistance. Any business location that is leased must include a Lease Addendum in a form substantially as set forth in the exhibits to this Agreement and must specifically allow us to access the site to remove personal property of third parties without charge. You agree that for any owned business location, FRSTeam has the right to access the premises to inspect or remove any personal property of third parties that FRSTeam deems necessary to protect the Franchise System at any reasonable time, without being guilty of trespass or liable for any tort and without any obligation to make any payments to any party to gain access or remove personal property. FRSTeam agrees to repair any damage caused by its entry.

5.4 Proprietary Products. Franchisor may develop specially designed proprietary products for Franchisee to use as part of the operation of the Franchised Business. Franchisee acknowledges that it will carry an adequate supply and maintain a representative inventory of such proprietary products as required by Franchisor. Franchisor reserves the right to develop, in the future, additional proprietary products which Franchisee will be required to offer through the Franchised Business.

5.5 Quality Standards. In order to maintain the high image and quality standards of Franchisor's programs and materials, Franchisee agrees to provide sufficient and competent personnel for the operation of the Franchised Business. Franchisee and all employees must meet any local, state and national licensing and certification and bond requirements, as applicable, as well as any applicable statutes that may apply to the Franchised Business. Training of employees is the sole responsibility of Franchisee and Franchisee is responsible and liable for all hiring decisions.

5.6 Ethics. Franchisee agrees to maintain a high moral and ethical standard in the operation and conduct of the Franchised Business so as to create and maintain goodwill among the public for the Proprietary Marks and supervise and evaluate the performance of Franchisee's professional and other staff to ensure that each render competent, efficient and quality service.

5.7 Dedication. Franchisee agrees that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (if Franchisee is an individual), a shareholder of a beneficial interest of securities of Franchisee (if Franchisee is a corporation), a member or manager owning a membership interest in Franchisee (if Franchisee is a limited liability company), a general partner of

Franchisee (if Franchisee is a partnership) or Franchisee's full-time manager will devote full-time energy and best efforts to the management and operation of the Franchised Business.

## **6. OPERATING STANDARDS**

6.1 Compliance with Franchisor's Standards. Franchisee understands and acknowledges that each and every standard, specification and procedure of the System is essential in order to maintain the exceptional quality of the products and services offered by the FRSTeam Businesses and to enhance public acceptance of, and demand for, these services. Franchisee will conduct the Franchised Business in strict conformity with the standards, specifications and procedures set forth in the Manual (as described below). Franchisee will not deviate from the requirements of the Manual, as it may be modified from time to time by Franchisor, and will not otherwise operate in any manner which reflects adversely on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's rights therein.

6.2 Manual. Franchisor has provided to Franchisee on loan a current copy of Franchisor's Manual (which may be in multiple volumes). The Manual may be in hard paper copy or it may be made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed which would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) is provided in a form other than paper copy, Franchisee will pay any and all costs to retrieve, review, use or access the Manual. The Manual contains, among other matters, minimum standards and requirements for constructing, equipping, furnishing, staffing and supplying the Franchised Business and management, training, operational and quality standards, procedures and techniques.

6.3 Compliance with Manual. Franchisee will conduct the Franchised Business in strict compliance with the Manual, as it may from time to time be modified by Franchisor. Franchisee will provide cleaning and restorative services in conformity with the standards and specifications prescribed in the Manual, which will at all times remain the property of Franchisor, to ensure the highest degree of quality and service. Franchisee agrees to offer only those products and services described in the Manual or otherwise approved in writing by Franchisor; to offer all required products and services in accordance with Franchisor's standards; and to discontinue offering any products and/or services as Franchisor may, in its discretion, disapprove in writing at any time. Franchisee will at all times treat the Manual, all revisions thereto, and any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein as confidential, and will use all reasonable efforts to maintain such information as confidential. Franchisee will not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

6.4 Revisions to the Manual. Franchisor may from time to time, in its sole discretion, revise in any way whatsoever the contents of the Manual. Franchisor will provide to Franchisee a copy of all revisions and additions to the Manual, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee will at all times ensure that Franchisee's copy of said Manual is kept current and up-to-date, and in the event of any dispute as to the contents of said Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's office will be controlling. Franchisee will maintain the Manual in a safe and secure location, will take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and will report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee will, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access.



6.5 Computer System. Franchisor may require Franchisee to acquire, license and use in developing and operating the Franchised Business a computer system consisting of the computer services, components, equipment, computer hardware and software, telecommunications equipment or services, photo and video equipment, or other operating or communications software and hardware Franchisor designates or approves for use by FRSTeam Businesses that Franchisor periodically specifies from time to time (collectively, the “Computer System”). Franchisor may require Franchisee to obtain specified computer and communications hardware, equipment, components or software and services and may modify specifications for and components of the Computer System from time to time. Franchisor may require Franchisee to acquire the highest speed communications capabilities available in the Territory. Franchisor’s modifications and specifications for components, equipment, services and operating or communications of the Computer System may require Franchisee to incur costs to purchase, lease or license new or modified software or computer or communications hardware, equipment, components or software and to obtain service and support for the Computer System during the term of the Franchise Agreement. Franchisee agrees to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications), operating it in accordance with the System, and ensuring that it is compatible with and capable of participation in and performing the functions Franchisor designates for the Franchised Business and engaging in any form of e-commerce Franchisor designates or approves. Within 60 days after Franchisee receives notice from Franchisor, Franchisee must obtain the components of the Computer System that Franchisor designates and requires. Franchisor reserves the right to charge a reasonable systems fee for modifications of and enhancements made to any proprietary software that Franchisor licenses to Franchisee and other maintenance and support services that Franchisor or its affiliates furnish to Franchisee related to the Computer System. From time to time, upon notice to Franchisee, Franchisee must enter into the then-current form of such Computer System or software-related agreements as Franchisor may designate. Franchisee must not use the Computer System for any purposes not authorized by Franchisor.

## 7. ADVERTISING AND MARKETING

7.1 Local Marketing. Franchisee will be responsible, at its own expense, for providing local advertising, marketing, promotional and public relations programs and activities for the Franchised Business, all in accordance with the Manual or otherwise in writing by Franchisor. All advertising and marketing materials must meet Franchisor’s then-current standards and specifications set forth in the Manual. Franchisor may offer and sell advertising, marketing and promotional materials at any time. Franchisee has no obligation to purchase any such materials or forms from Franchisor.

7.1.1 If Franchisee develops any advertising materials for use, Franchisee will submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including (without limitation) any materials in digital, electronic or computerized form (including materials to be made available through a computer or telecommunications network such as the Internet), which have not previously been provided or approved by Franchisor.

Franchisee may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Twitter or any other social or professional networking sites, crowdfunding campaigns or blogs) or mention or discuss the FRSTeam franchise, us or any of our affiliates without our prior written consent and as subject to our online policy.

7.1.2 Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Franchised Business and approved by Franchisor may be used by Franchisor and other FRSTeam Businesses and/or franchisees without any compensation or other form of payment to Franchisee.



7.1.3 Franchisee will employ a full-time, dedicated person who will prepare and implement Franchisee's local sales effort (the "Sales Representative") who will also protect the Proprietary Marks, the System and the reputation of the brand. The Sales Representative will also coordinate with Franchisor's sales and sales and marketing personnel to facilitate participation in available national or regional account programs. Franchisor's written waiver is required if a Sales Representative is not designated due to particular circumstances. The Sales Representative must meet the qualifications and requirements designated by Franchisor from time to time.

7.2 Advertising Fund. Recognizing the value of marketing and advertising programs for all System franchisees, Franchisee agrees that Franchisor or its designee will establish and maintain a marketing fund (the "Fund") to be administered as follows:

7.2.1 The Fund will be used on behalf of Franchisor and/or System franchisees for advertising and marketing, including, without limitation, any and all costs associated with developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs and activities of every kind and nature, through media now existing or hereafter developed, including at Franchisor's discretion, employing national and regional sales and marketing personnel, conducting marketing research, customer surveys and customer satisfaction audits, advertising/public relations agency fees and expenses, production and media costs.

7.2.2 Franchisor or its designee will direct all advertising, promotional and public relations programs using Franchisor's sole discretion over the concepts, materials and media used in such programs and activities and the placement and allocation thereof. Franchisee acknowledges that, with respect to advertising, the Fund is intended to maximize general public recognition, acceptance and use of the System and that Franchisor and its designees undertake no obligation in administering the Fund to make expenditures which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Fund. Franchisor does not act as trustee or in any other fiduciary capacity with respect to the Fund.

7.2.3 Franchisee will remit to Franchisor for each Accounting Period the amount set forth in Attachment III attached hereto as a contribution to the Fund that will be maintained and administered by Franchisor for the FRSTeam Businesses ("Fund Contribution"). The minimum monthly advertising fees may be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited to the greater of \$50 or 5% annually. Franchisor reserves the right to defer or reduce the Fund Contribution upon 30 days' prior written notice to Franchisee, to reduce or suspend contributions to and operations of the Fund for any length of time, and to terminate (and, if terminated, to reinstate) the Fund. Franchisor and its affiliates are not obligated to contribute to the Fund on the same basis as Franchisees for any Business Franchisor owns and operates.

7.2.4 The Fund may be accounted for separately from other funds and will not be used to defray any of its general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as Franchisor may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Fund. Franchisor may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Franchised Businesses to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay Fund expenses before other assets of the Fund are expended. Franchisor may prepare a periodic statement of monies collected and costs incurred by the Fund and furnish the statement



to Franchisee upon written request. Franchisor has the right to cause the Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such entity will have all of the rights and duties specified in this Agreement.

7.2.5 Franchisor reserves the right to terminate the Fund and establish other reasonable methods for advertising and marketing the System. The Fund will not be terminated, however, until all monies in the Fund have been expended for the purposes described in this Section 7.2.

7.2.6 When collateral materials are produced, all FRSTeam Franchisees will receive an equitable portion of the materials.

7.3 Opening Campaign. In connection with the initial opening of the Franchised Business, Franchisee will conduct an advertising and marketing campaign as prescribed by Franchisor in the Manual or as otherwise agreed upon by Franchisee and Franchisor.

7.4 Advertising Campaigns. Franchisor may establish and coordinate cooperative advertising, marketing and sales programs, customer satisfaction programs, and other programs or activities among FRSTeam Businesses (including those owned by Franchisor or its affiliates). These programs or activities may be on a local, regional or national basis or based on the market orientation of FRSTeam Businesses. Franchisee will participate in such programs and activities as Franchisor may prescribe, and such programs and activities may (at Franchisor's option) be paid for partially or wholly by the Fund or outside the Fund on a pro rata or other equitable basis by the participants.

7.5 Telephone Number. As part of Franchisee's local marketing, Franchisee will acquire and maintain a telephone number (the "Business Number") and a facsimile number that are dedicated to the Franchised Business separate and apart from Franchisee's existing dry cleaning telephone and facsimile numbers. Franchisee will maintain a 24-hour answering service on the Business Number and a facsimile number for receiving job notifications. Franchisee must continually list the Business Number in the "White Pages" of the primary telephone directory servicing the Territory. Franchisee must sign and deliver to Franchisor the form of Conditional Assignment of Telephone Numbers and Listings in the form required by Franchisor.

7.6 Electronic Address and Websites. As part of Franchisee's local marketing, Franchisee will receive a FRSTeam email address (the "Email Address") that is dedicated to the Franchised Business. This Email Address will be maintained separately and apart from Franchisee's existing dry cleaning electronic address. The email address will be terminated upon expiration or termination of this Agreement. Franchisor has the right to control all use of URL's, domain names, websites, addresses, metatags, links, email addresses and any other means of electronic identification or origin used in connection with the Proprietary Marks or System ("e-names"). Franchisor also has the right to designate, approve, control or limit all aspects of Franchisee's use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, email, websites, home pages, bulletin boards, chatrooms, linking, framing, online purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software (collectively, "e-commerce"). Franchisor has the right to monitor Franchisee and Franchisee's employees' e-commerce activities. Franchisee must follow all of Franchisor's policies and procedures for the use and regulation of e-commerce. Franchisor may require that Franchisee provide graphical, photographic, written or other forms of artistic or literary content to Franchisor for use in e-commerce activities associated with the Proprietary Marks or the System which Franchisor may designate. Franchisor may restrict Franchisee's use of e-commerce to a centralized website, portal or network or other form of e-commerce designated by Franchisor operated by Franchisor or its designee. Franchisor may



require that Franchisee provide information to Franchisor via e-commerce. Franchisor may require Franchisee to coordinate its e-commerce activities with Franchisor. Franchisor may charge Franchisee its then-current fees for such e-commerce activities which Franchisor designates. Franchisor may require Franchisee to obtain the services of and pay the then-current fees for ISP and ASP services and the like. Franchisee recognizes and agrees that between Franchisor and Franchisee, Franchisor owns all rights to all interest in and to any data collected via e-commerce related to the System or the Proprietary Marks, including any customer data, click-stream data, cookies, user data, hits and the like: such information is deemed by Franchisor to be and constitutes its Confidential Information (defined below in Section 9.1).

## **8. PROPRIETARY MARKS AND COPYRIGHTS**

8.1 Ownership and Goodwill of Proprietary Marks. Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the operation of the Franchised Business pursuant to and in compliance with this Agreement and the System Franchisor prescribes from time to time during the term of this Agreement. Franchisee's unauthorized use of the Proprietary Marks is a breach of this Agreement and an infringement of Franchisor's rights in and to the Proprietary Marks. Franchisee acknowledges and agrees that its usage of the Proprietary Marks and any goodwill established by such use will be exclusively for Franchisor's benefit. This Agreement does not confer any goodwill or other interests in the Proprietary Marks upon Franchisee (other than the right to operate the Franchised Business in compliance with this Agreement). All provisions of this Agreement applicable to the Proprietary Marks apply to any additional proprietary trademarks and service marks, logos, designs, artwork and commercial symbols Franchisor authorizes Franchisee to use during the term of this Agreement.

8.2 Limitations on Franchisee's Use of Proprietary Marks. Franchisee agrees to use only the Proprietary Marks Franchisor designates as the sole identification of the Franchised Business, except that Franchisee agrees to identify itself as an independent owner in any manner Franchisor prescribes. Franchisee may not use any Proprietary Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos Franchisor licenses to Franchisee), or in any modified form, without Franchisor's prior written approval. Franchisee may not use any Proprietary Mark in connection with the performance or sale of any unauthorized services or products or in any other manner without Franchisor's prior written approval. Franchisee may not use any Proprietary Marks in any advertising concerning the transfer, sale or other disposition of the Franchised Business or an ownership interest in Franchisee without Franchisor's prior written approval. Franchisee agrees to use or display the Proprietary Marks prominently in the manner Franchisor prescribes at the Franchised Business, on materials Franchisor designates and in connection with advertising and marketing materials or activities (such as speeches, press releases, interviews and the like). Franchisee must follow all of Franchisor's policies and procedures for conducting marketing activities, speeches, interviews, press releases and the like in a manner Franchisor approves from time to time (e.g., in the Manual). Franchisee agrees to give such notices of trademark and service mark registrations as Franchisor specifies and to obtain any fictitious or assumed name registrations required under applicable law. Franchisee understands and agrees that its use is limited to use within the Territory.

8.3 Copyrights. Franchisee recognizes that the System, the Manual and various other materials Franchisor gives to Franchisee are subject to copyrights Franchisor claims, owns and/or licenses from others. Franchisee's right to use the System, the Manual and other information provided by Franchisor, including any information capable of being rendered into tangible form that Franchisor claims as its copyrights, including spreadsheets, pro forma documents, forms, marketing materials, manuals, pricing lists, vendor lists, modifications to software, the website, and any marketing materials, advertisements, TV ads, radio commercials and the like, closing starts and stop documents, scheduling documents, training materials and the like (look, feel and content) (collectively, the "Copyrights") are derived solely from this Agreement and limited to Franchisee's operation of the Franchised Business. Franchisee, its agents',



employees' and affiliates' unauthorized copying, transmission, use or derivative of the Copyrights in any manner will be a breach of this Agreement and constitute Franchisee's and their infringement of Franchisor's rights in and to the Copyrights. This Agreement does not confer any rights to the Copyrights in Franchisee other than the right to use them in connection with the operation of the Franchised Business. Franchisee must follow all of the policies and procedures Franchisor designates from time to time for the protection of any copyrights and any other materials which could be subject to copyright protection. All provisions of this Agreement applicable to Franchisee's use of the Copyrights apply to any additional Copyrights Franchisor authorizes Franchisee to use during the term of this Agreement. Franchisee must place copyright notices on all of the materials that Franchisor designates in the manner Franchisor requires. Franchisee recognizes that Franchisor will grant other franchisees the right to use the Copyrights as well. Franchisee agrees to sign and deliver to Franchisor such forms of copyright assignments or licenses Franchisor specifies for the Copyrights. Franchisor may, and Franchisee must, assist Franchisor with Franchisee's efforts to file in its name, and indicating its ownership in, copyright registrations on all copyrightable materials created or modified by Franchisee. Franchisor may, without notice to Franchisee, immediately suspend or terminate Franchisee's access to or use of any services, Copyrights or other information or systems contemplated under this Agreement if Franchisor determines that Franchisee, its agents, employees or affiliates have violated Franchisor's Copyrights or otherwise breached this Agreement with respect to protecting Franchisor's Confidential Information (defined below in Section 9.1).

8.4 Notification of Infringements and Claims. Franchisee agrees to notify Franchisor immediately, in writing, of any apparent infringement or challenge to Franchisee's use of any Proprietary Mark or Copyright, or of any claim by any person of any rights in any Proprietary Mark or Copyright. Franchisee agrees not to communicate with any person other than Franchisor, its attorneys and Franchisee's attorneys in connection with any such infringement, challenge or claim. Franchisor has sole discretion to take such action as it deems appropriate. Franchisor has the right to control exclusively any dispute, litigation, U.S. Patent and Trademark Office or U.S. Copyright Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Proprietary Mark or Copyright, including the right to direct any settlement of such claim. Franchisee agrees to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of Franchisor's attorneys, may be necessary or advisable to protect and maintain Franchisor's interests in any dispute, litigation, Patent and Trademark Office or Copyright Office proceeding or any other proceeding or otherwise to protect and maintain Franchisor's interests in the Proprietary Marks or Copyrights. Franchisee may not at any time during the term of this Agreement or thereafter, contest the validity or ownership of any of the Proprietary Marks or Copyrights, or assist any person in contesting the validity of ownership of any of the Proprietary Marks or Copyrights.

8.5 Discontinuance. If it becomes advisable at any time for Franchisor to modify or discontinue the use of any Proprietary Marks, and/or for Franchisee's Franchised Business to use one or more additional or substitute trademarks or service marks, Franchisee agrees to comply with Franchisor's directions, within a reasonable time after receiving notice, to modify or otherwise discontinue the use of such Proprietary Marks, or use one or more additional trademarks or service marks. Franchisee must immediately modify or discontinue the use of any Copyrights as Franchisor directs from time to time. Franchisor will use commercially reasonable efforts to give Franchisee as much notice as possible before requiring Franchisee to stop use of any of the Proprietary Marks or Copyrights. Franchisor has no liability or obligation to Franchisee for such modification or discontinuance.

8.6 Indemnification. Notwithstanding Section 20.4, Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for all damages for which Franchisee is held liable to third parties in any proceeding arising out of Franchisee's authorized use of any Proprietary Mark or Copyright Franchisor develops, pursuant to and in compliance with this Agreement, resulting from claims by third parties that Franchisee's use of the Proprietary Marks or Copyrights Franchisor develops infringes their





trademark rights or Copyrights, and for all costs Franchisee reasonably incurs in the defense of any such claim in which Franchisee is named as a party, so long as Franchisee has timely notified Franchisor of the claim and has otherwise complied with the terms of this Agreement. Franchisor will not indemnify Franchisee against the consequences of Franchisee's use of the Proprietary Marks or Copyrights: (a) for any Proprietary Marks or other Copyrights which Franchisee develops or submits to Franchisor (regardless if they become, or have become, Franchisor's property); or (b) unless Franchisee's use of such Proprietary Marks or Copyrights was and is in accordance with the requirements of this Agreement. Franchisee must provide written notice to Franchisor of any such claim within ten days of Franchisee's receipt of such notice and Franchisee must tender the defense of the claim to Franchisor. Franchisor will have the right to defend any such claim and if it does so, Franchisor will have no obligation to indemnify or reimburse Franchisee for any fees or disbursements of any attorney retained by Franchisee. If Franchisor elects to defend the claim, Franchisor will have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. Franchisor is not responsible to Franchisee for any other claims of any nature arising out of or related to the Copyrights, regardless of whether the loss associated is by Franchisee, any of its clients or third parties.

## 9. CONFIDENTIAL INFORMATION

9.1 Types of Confidential Information. Franchisor has developed and acquired (and will continue to develop and acquire) certain confidential and proprietary information relating to the development and operation of FRSTeam Businesses (the "Confidential Information"), which includes (without limitation): (a) the System, the System standards, specifications and the know-how related to their use; (b) the characteristics of products and services provided by FRSTeam Businesses; (c) forms, materials and information relating to supplies; (d) marketing, advertising and promotional programs for FRSTeam Businesses; (e) obtaining clients and servicing clients of FRSTeam Businesses; client lists (including non-public information about clients); (f) the selection, testing and training of personnel and other employees of FRSTeam Businesses; (g) all information contained in and contents of the Manual; (h) any software, e-commerce methods, hardware, processes, databases, methods or techniques Franchisor makes available or recommends for FRSTeam Businesses; (i) promotional and marketing programs involving restoration of fabric, upholstery, electronics, hard goods, contents, and other services in disaster recovery situations; (j) methods, techniques, formats, specifications, procedures, information, financial information, systems related to, knowledge of and experience in the development, operation and franchising of FRSTeam Businesses; (k) the knowledge of suppliers, manufacturers, distributors or service providers of certain products, materials, supplies, equipment, services and forms, and prices, rebates and discounts; (l) the knowledge of business methods, processes, software, hardware, equipment services, forms, procedures, specifications and information related to, used by, or comprising any required business management systems; (m) knowledge of the existence of National Account contracts, their terms and requirements, and the content of any such agreement or related service level specifications or information sheets; and (n) the content of any works in which Franchisor claims Copyrights, unless Franchisor specifically states in the Manual that Franchisor allows for public dissemination of that content and does not deem it to be Confidential Information.

9.2 Disclosure and Limitations on Use. Franchisor will disclose much of the Confidential Information to Franchisee and personnel of the Franchised Business by furnishing the Manual and other information to Franchisee and by providing training, guidance and assistance to Franchisee. In addition, in the course of the operation of the Franchised Business, Franchisee or Franchisee's employees may develop ideas, concepts, methods, plans, techniques or improvements ("Improvements") relating to the Franchised Business, which Franchisee agrees to disclose to Franchisor. Franchisor will be deemed to own the Improvements and may use them and authorize Franchisee and others to use them in the operation of FRSTeam Businesses. Improvements will then also constitute Confidential Information.



9.3 Confidentiality Obligations. Franchisee agrees that its relationship with Franchisor does not vest in Franchisee any interest in the Confidential Information other than the right to use it in the development and operation of the Franchised Business, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. Franchisee acknowledges and agrees that the Confidential Information is proprietary, includes trade secrets belonging to Franchisor and is disclosed to Franchisee or authorized for Franchisee's use solely on the condition that Franchisee agrees, and Franchisee therefore does agree, that Franchisee: (a) will not use, copy, transmit or allow others to access the Confidential Information in any other business or capacity, or allow unauthorized persons access to the Confidential Information; (b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) will not make any form of unauthorized (electronic or hard copy) copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manual; and (d) will adopt and implement all procedures Franchisor may prescribe from time to time to prevent unauthorized use, copying, transmission, storage or disclosure of the Confidential Information, including restrictions on disclosure to Franchisee's employees and the use of nondisclosure agreements Franchisor may prescribe for employees or others who have access to the Confidential Information.

9.4 Exceptions to Confidentiality. The restrictions on Franchisee's disclosure and use of the Confidential Information will not apply to the following: (a) disclosure or use of information, processes or techniques which are generally known and used in the fabric and upholstery restoration business (as long as the availability is not because of a disclosure by Franchisee), provided that Franchisee has first given Franchisor written notice of its intended disclosure and/or use; (b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent Franchisee is legally compelled to disclose it, provided that Franchisee has first given Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor that the information required to be disclosed will be treated confidentially; and (c) disclosure of the Confidential Information to clients of the Franchised Business so long as the Confidential Information disclosed was intended for use with clients and is actually used for that purpose.

9.5 Remedies. Due to the special nature of the Confidential Information, Proprietary Marks and Manual of Franchisor, Franchisee acknowledges that Franchisor will be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary Confidential Information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate.

9.6 Duty to Notify. Franchisee must promptly notify Franchisor when Franchisee learns of an unauthorized use of the Confidential Information. Franchisor, in its discretion, may respond to this information as Franchisor deems appropriate.

## **10. EXCLUSIVE RELATIONSHIP**

Franchisee acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among FRSTeam Businesses if owners of FRSTeam Businesses were permitted to hold interests in or perform Services for a Competitive Business (defined below). Franchisee also acknowledges that Franchisor has entered into this Agreement with Franchisee in consideration of and reliance upon Franchisee's agreement to deal exclusively with Franchisor. Franchisee agrees that during the term of the Franchise Agreement, neither Franchisee nor any member of Franchisee's immediate family (and if Franchisee is a corporation or partnership, neither its shareholders, officers, directors, partners nor any members of their immediate families) will directly or indirectly: (a) engage in, perform services for, or have an interest in, a Competitive Business, wherever located; or (b) solicit, divert, take away, or interfere with



any of the business, clients, contractors, referral sources, trade or patrons of Franchisor, its affiliates or franchise owners or franchise prospects as such may exist throughout the term of this Agreement. The term “Competitive Business” as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any business that provides the Services with respect to residential or commercial losses (whether or not related to a loss event and regardless of insurance coverage status), including, but not limited to, fires, floods, or other disasters and any related services.

## **11. ACCOUNTING AND RECORDS**

Franchisee agrees to establish and maintain, at its own expense, a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats Franchisor prescribes from time to time. Franchisee may be required to use the Computer System to maintain sales data and other information and to generate the reports Franchisor requires. Franchisor may require use of a specific accounting software and version thereof as set forth in the Manual, and Franchisee will be solely responsible for any associated cost.

Franchisee agrees to give Franchisor in the manner and format Franchisor prescribes from time to time: (a) on or before the fifth day of each Accounting Period, a report on the Franchised Business’ Gross Revenues during the preceding Accounting Period; (b) within 20 days after the end of each Accounting Period, the operating statements, unaudited financial statements, statistical reports, customer lists, and other information Franchisor requests regarding Franchisee and the Franchised Business covering the previous Accounting Period and the calendar year-to-date. This includes any client-specific information that Franchisee receives or generates from operating the Franchised Business. Franchisor may use that client-specific information for any business purposes it desires and will be deemed to own all such customer-specific information; (c) no later than March 15<sup>th</sup> following the end of the Franchised Business’ fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the Franchised Business as of the end of that fiscal year (all unaudited); and (d) within 15 days after Franchisor’s request, exact copies of federal and state income tax returns, sales tax returns, purchase records, and any other forms, records, books and other information Franchisor periodically requires relating to the Franchised Business.

Franchisee agrees to verify and sign each report and financial statement in the manner Franchisor prescribes. Franchisor may disclose data derived from these reports. Franchisor also may, as often as it deems appropriate (including on a daily, continuous basis), access the Computer System and retrieve all information relating to the Franchised Business’ operation.

Franchisee agrees to preserve and maintain all records in a secure location at the Office during the term of this Agreement and for at least five years after their preparation (or longer if required by law), including, but not limited to, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers. This requirement survives the termination or expiration of this Agreement and Franchisor may demand that Franchisee produce to Franchisor the originals of all such documentation during and/or after the term of this Agreement as Franchisor requires. Franchisor may require Franchisee to have audited financial statements prepared annually during the remaining portion of the term if: (i) Franchisor ever sends to Franchisee a formal notice of default regarding Franchisee’s failure to comply with its reporting or payment obligations; (ii) Franchisee understates the Franchised Business’ Gross Revenues three times or more over an 18-month period by more than two percent on each occasion (whether or not Franchisor sends Franchisee formal notice of default); or (iii) Franchisee understates the Franchised Business’ Gross Revenues by more than five percent on any one occasion (whether or not Franchisor sends Franchisee formal notice of default).

**11.1 Reports to Franchisor.** Franchisee will use Franchisor’s then-current Computer System to maintain customer records for the Franchised Business. Franchisee will verify and sign each report and



financial statement in the manner prescribed by Franchisor. Franchisor may disclose data derived from these reports without specifically identifying Franchisee or the Franchised Business (unless Franchisee consents to such identification). In addition, Franchisee will establish and maintain, at Franchisee's expense, an accounting system that conforms to the requirements and formats that Franchisor prescribed from time to time in the Manual.

11.2 Inspection and Audit of Records. Franchisor has the right, at any time during business hours, to examine, audit and copy, at its expense, all books, records and files of Franchisee related to the operation of the Franchised Business, including, not to the exclusion of other items, any and all financial statements, reports, income tax records, sales tax records, payroll records, software databases and other records. Franchisee agrees to cooperate fully with Franchisor's representatives and agents who conduct an inspection or audit.

11.2.1 If any inspection or audit discloses an understatement of Gross Revenues, Franchisor may debit Franchisee's bank account as provided in Section 3.6 for the amounts due, together with interest at the rate of default interest of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, and all late fees from the date originally due until the date of payment.

11.2.2 If any inspection or audit determines that Gross Revenues were understated by at least two percent during any Accounting Period, Franchisee will, in addition to the payment required under subsection (a) above, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees).

11.2.3 The foregoing remedies will be in addition to any other remedies Franchisor may have. If an inspection reveals that Franchisee overpaid amounts due to Franchisor, the amount of any such overpayment, without interest, will be credited against future payments due and payable to Franchisor by Franchisee hereunder.

## **12. INSPECTIONS AND AUDITS**

12.1 Franchisor's Right to Inspect. To determine whether Franchisee and the Franchised Business are complying with this Agreement and the System and Brand Standards, Franchisor or its designated agents have the right at any time during Franchisee's regular business hours, and without prior notice to Franchisee, to: (a) inspect the Office or Office(s); (b) observe the operations of the Franchised Business in the Office and in the field for such consecutive or intermittent periods as Franchisor deems necessary; (c) interview personnel, brokers, National Accounts, suppliers, subcontractors, service providers and clients of the Franchised Business; and (d) inspect, access and copy any books, records and documents relating to the operation of the Franchised Business. Franchisee agrees to cooperate with Franchisor fully in connection with any such inspections, observations and interviews. Franchisee agrees to present to its clients such evaluation forms that Franchisor periodically prescribes and to participate and/or request all clients to participate in any surveys performed by Franchisor or on its behalf. Franchisee must immediately correct or repair any unsatisfactory conditions Franchisor specifies.

12.2 Franchisor's Right to Audit. You and we agree that our right to audit is integral to ensuring compliance with brand standards and ensuring adherence to contractual obligations for payment of proper fees. We and/or our agents will have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit, or cause to be inspected and audited, or require you to provide copies of the following records to us without charge: the business records, bookkeeping and accounting records, licensing applications and reports, sales, payroll and income tax records and returns, and other records of the Franchised Business (and such documents of any corporation or partnership which is the owner under this Agreement) relating in any way to your Franchised Business, and the books and records of any other



business in which Franchisee or its owners have a financial interest or to require that you send copies of these records to us upon request. You agree to provide such other data, information and supporting records for your Franchised Business as we reasonably may request from time to time, including, without limitation, copies of your sales tax returns and your income tax returns relating to your Franchised Business and your personal income tax returns (and hereby waive, to the extent not prohibited by applicable law, any right to object to disclosure of any tax returns). Franchisee agrees to cooperate fully with Franchisor's representatives and independent accountants Franchisor hires to conduct any such inspection or audit. If Franchisor's inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records or other information Franchisor requires, or to furnish such items on a timely basis, or if the information provided to Franchisor or maintained by Franchisee is not accurate by a factor understating the amount due Franchisor by two percent or more, Franchisee agrees to reimburse Franchisor for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of Franchisor's employees. Franchisee also must immediately pay Franchisor any deficiency in the amounts Franchisee owes Franchisor, including late fees and interest. The foregoing remedies are in addition to its other remedies and rights under this Agreement and applicable law.

### **13. TRANSFERABILITY OF INTEREST**

13.1 By Franchisor. Franchisee acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Franchisee represents that Franchisee has not signed this Agreement in reliance on any particular owner, director, officer or employee remaining with Franchisor in that capacity. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement. Such an assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement.

13.2 By Franchisee. Franchisee acknowledges and understands that the rights and duties this Agreement creates are personal to Franchisee (and its Owners) and that Franchisor has granted Franchisee the Franchise to operate the Franchised Business in reliance upon Franchisor's perceptions of Franchisee's (and Franchisee's Owners') collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (or any interest in this Agreement), the Office(s) or substantially all of the assets of Franchisee, a controlling ownership interest in Franchisee, a controlling ownership interest in an Entity that owns a controlling ownership interest in Franchisee, nor actual management control of the Office's operation may be transferred without Franchisor's prior written approval, which Franchisor will not unreasonably withhold or delay if the transfer conditions contained in this Section 13 are satisfied. A transfer of the Franchised Business' ownership, possession or management control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer of the Office(s) must include all assets of the Franchised Business, the Offices and the Approved Locations. Any transfer without Franchisor's required approval is a breach of this Agreement and has no effect, meaning that Franchisee (and its Owners) will continue to be obligated to Franchisor for all of its obligations under this Agreement.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct or indirect assignment, sale, transfer, pledge, mortgage, encumbrance, gift or other disposition of any interest in:

- a. this Agreement;
- b. Franchisee;



- c. the Office or substantially all of its assets or its management control; or
- d. Franchisee's Owners (if Franchisee is an Entity).

An assignment, sale, transfer, pledge, mortgage, encumbrance, gift or other disposition includes, but is not limited to, the following events:

- a. transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- b. merger or consolidation or issuance of additional securities or other forms of ownership interest;
- c. any sale of a security convertible to an ownership interest;
- d. transfer of an interest in Franchisee, this Agreement, the Office(s) or substantially all of its assets, or Franchisee's Owners in a divorce, insolvency or Entity dissolution proceeding, or otherwise by operation of law;
- e. if one of Franchisee's Owners, or an Owner of one of its Owners, dies, a transfer of an interest in Franchisee, this Agreement, the Office or substantially all of its assets, or Franchisee's Owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- f. pledge of this Agreement (to someone other than Franchisor) or of an ownership interest in Franchisee or its Owners as security, foreclosure upon the Office(s), or Franchisee's transfer, surrender, or loss of the Office's possession, control or management. Franchisee may grant a security interest (including a purchase money security interest) in the Office's assets (not including this Agreement) to a lender that finances the acquisition, development and/or operation of the Office without having to obtain Franchisor's prior written approval. Franchisee may not pledge this Agreement (to someone other than Franchisor) or a controlling ownership interest in Franchisee or Franchisee's Owners as security unless, as a condition of that pledge, the pledgee agrees that it will not exercise its secured party rights without first satisfying any conditions Franchisor reasonably imposes at that time to ensure the continued operation of the Office and the Franchised Business in compliance with this Agreement and the System, and that there will be no violation of any material provision of this Agreement.

13.3 Conditions for Approval of Transfer. If Franchisee (and its Owners) are in substantial compliance with this Agreement, then, subject to the other provisions of this Section 13, Franchisor will approve a transfer that meets all of the requirements in this Section 13.3.

If the proposed transfer is of this Agreement or a controlling ownership interest in Franchisee or in an Entity that owns or controls Franchisee, or is one of a series of transfers (regardless of the time period over which these transfers take place) that in the aggregate transfer this Agreement or a controlling ownership interest in Franchisee or in an Entity that owns a controlling ownership interest in Franchisee (except that the requirements in Section 13.3.6 apply to any Transfer regardless of percentage ownership being transferred), then Franchisor will not unreasonably withhold or delay its approval if all of the following conditions are met before or concurrently with the proposed transfer's effective date:

13.3.1 the transferee has the necessary business experience, aptitude and financial resources to operate the Franchised Business in Franchisor's judgment and the transfer is not to a Competitive Business;



13.3.2 Franchisee has paid all Royalty fees, Fund Contributions and other amounts owed to Franchisor, its affiliates and third-party vendors; has submitted all required reports and statements; and has not violated any material provision of this Agreement, any leases, or any other agreement with Franchisor during both the 60-day period before Franchisee requested Franchisor's consent to the transfer and the period between Franchisee's request and the transfer's proposed effective date;

13.3.3 neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business, wherever located or operating;

13.3.4 the transferee's Owner and manager satisfactorily complete required training within the timeframe Franchisor specifies;

13.3.5 Franchisee's landlord allows Franchisee to transfer the lease(s) or sublease for each Approved Location to the transferee for the expected Franchise term;

13.3.6 the transferee will (if the transfer is of this Agreement), or Franchisee will (if the transfer is of any interest in Franchisee or in an Entity that owns an interest in Franchisee), sign Franchisor's then-current form of franchise agreement and related documents (including the Guaranty and Assumption of Obligations that the transferee's principal and other owners must sign), any and all of the provisions of which, including the Territory definition and the Royalty and Fund Contributions, may differ materially from any and all of those contained in this Agreement, provided, however, the term of the new franchise agreement signed will be equal to the remainder of the initial term or renewal term;

13.3.7 Franchisee or the transferee pays Franchisor a transfer fee, equal to \$20,000;

13.3.8 Franchisee (and, if applicable, Franchisee's transferring Owners) sign a general release, in a form satisfactory to us, of any and all claims against Franchisor and its owners, affiliates, officers, directors, employees and agents;

13.3.9 Franchisee will provide Franchisor with a true and complete copy of the purchase and sale agreement or similar documentation covering the transaction, and Franchisor will have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Franchised Business;

13.3.10 If Franchisee or its Owners finance any part of the purchase price, Franchisee and/or its Owners agree that all of the transferee's obligations under promissory notes, agreements or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay Royalty fees, Fund Contributions and other amounts due to Franchisor, its affiliates and third-party vendors, and otherwise to comply with this Agreement;

13.3.11 Franchisee has corrected any existing Franchised Business deficiencies of which Franchisor has notified Franchisee on a punch-list or in other communications; and/or (b) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel and refurbish the Office(s) according to the then-current requirements and specifications for FRSTeam Offices within the time period Franchisor specifies (consistent with Section 6 above) following the transfer's effective date (Franchisor will advise the transferee, before the transfer's effective date, of the specific actions that it must take and the time period within which it must do so);

13.3.12 Franchisee and Franchisee's transferring Owners (and its Owners' spouses) will not, for two years beginning on the transfer's effective date, engage in any of the activities proscribed in Subsection 19.7 below;

13.3.13 Franchisee and Franchisee's transferring Owners will not, directly or indirectly, at any time or in any manner (except with respect to other FRSTeam Offices Franchisee lawfully owns and operates) identify itself or themselves in any business as a current or former FRSTeam Franchised Business or Office or as one of Franchisor's franchisees; use any Proprietary Mark, any colorable imitation of a Proprietary Mark, or other indicia of a FRSTeam Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with Franchisor;

13.3.14 Franchisee will cease to communicate with any National Account unless authorized by Franchisor; and

13.3.15 Transferee has performed a business valuation and prepared a financial budget/pro forma, preferably working in conjunction with an experienced financial advisor.

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee and that Franchisor's contact with potential transferees to protect Franchisor's business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding the nature of Franchisee's operation of the Office(s), and to withhold consent to economically questionable transactions. Franchisee waives any claim that the actions Franchisor takes in good faith to protect Franchisor's business interests in connection with a proposed transfer constitutes tortious interference with contractual or business relationships. Similarly, Franchisor may review all information regarding the Office(s) that Franchisee gives the proposed transferee, correct any information that Franchisor believes is inaccurate, and give the transferee copies of any reports Franchisee has given Franchisor or Franchisor has made regarding the Franchised Business, Clients and/or the Office(s).

13.4 Transfer to a Wholly Owned Corporation or a Limited Liability Company. Despite Subsection 13.3 above, if Franchisee is in substantial compliance with this Agreement, Franchisee may transfer this Agreement to an Entity that conducts no business other than the Franchised Business in which Franchisee's Owners maintain management control, and of which Franchisee and/or its current Owners own and control 100% of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Office's assets are owned, and the Franchised Business is conducted, only by that single Entity. The Entity must expressly assume all of Franchisee's obligations under this Agreement. Transfers of ownership interests in the Entity are subject to Sections 13.2 and 13.3 above. Franchisee will remain liable under this Agreement as if the transfer to the Entity did not occur.

13.5 Effect of Consent to Transfer. Franchisor's consent to a transfer of this Agreement and the Office, or any interest in Franchisee or its Owners, is not a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the Franchised Business', the Office's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or Franchisee's Owners) or of Franchisor's right to demand the transferee's full compliance with this Agreement.



## **14. TRANSFER UPON DEATH OR DISABILITY**

14.1 Transfer Upon Death or Disability. Upon Franchisee's death or disability (or the death or disability of an Owner of Franchisee if Franchisee is an Entity), Franchisee or the Owner's executor, administrator, conservator, guardian or other personal representative must transfer his or her ownership interest in Franchisee to a third party. That transfer must be completed within a reasonable time, not to exceed nine months from the date of death or disability, and is subject to all of the terms and conditions in Sections 13 and 14. Failure to transfer the ownership interest in Franchisee or its Owner within this time period is a breach of this Agreement. The term "disability" means the inability of a person to perform his or her normal responsibilities at the Franchised Business for a consecutive period of at least 90 days or for a total of 180 days during any 12-month period.

14.2 Operation Upon Death or Disability. If Franchisee or one of its Owners was the manager of the Franchised Business at the time of his/her/its death or disability, then within 30 days after such death or disability, Franchisee or its Owner's executor or other personal representative must appoint a qualified manager to operate the Franchised Business. Such manager will be required to complete Franchisor's management training program to Franchisor's satisfaction. In addition, if, at any time following the death or disability of Franchisee or one of its Owners, Franchisor determines, in Franchisor's judgment, that the Franchised Business is not being managed properly, Franchisor or its designee may, but need not, assume the Franchised Business' management (or appoint a third party to assume its management). All funds from the Franchised Business' operation while it is under its (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. Franchisor may charge Franchisee (in addition to the Royalty fees, Fund Contributions and other amounts due under this Agreement) five percent of the Franchised Business' Gross Revenues while it is under Franchisor's (or the third party's) management. Franchisor (or a third party) has a duty to utilize only reasonable efforts and, provided Franchisor is not grossly negligent and does not commit an act of willful misconduct, will not be liable to Franchisee or its Owners for any debts, losses or obligations the Franchised Business incurs, or to any of Franchisee's creditors for any products, other assets or services the Franchised Business purchases while Franchisor (or a third party) manages it.

If Franchisor assumes the Franchised Business' management (or appoints a third party to assume its management), Franchisor will operate the Franchised Business for up to 90 days. Franchisor will periodically evaluate whether or not Franchisee or a manager selected by Franchisee and approved by Franchisor is capable of resuming the Franchised Business' operation and will periodically discuss the Franchised Business' status with Franchisee or, if applicable, the appropriate heirs or personal representative.

## **15. FRANCHISOR'S RIGHT OF FIRST REFUSAL**

15.1 Right of First Refusal. If Franchisee, or an Owner with a 50% or greater interest in the Franchised Business, at any time determines to sell or transfer for consideration an interest in this Agreement and the Franchised Business, or a controlling ownership interest in Franchisee or in the Entity that owns a controlling ownership interest in Franchisee (except to or among Franchisee's current Owners or between a current owner and his or her immediate family member, which are not subject to this Subsection), in a transaction that otherwise would be allowed under Sections 13.2 and 13.3 above, Franchisee (or Franchisee's Owners) agree to obtain from a responsible and fully disclosed buyer, and send to Franchisor, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in Franchisee (or in the Entity that owns a controlling ownership interest in Franchisee) or in this Agreement and the Franchised Business. The offer must include details of the proposed sale's payment terms and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the



proposed buyer must submit with its offer an earnest money deposit equal to five percent or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 13.2 and 13.3 above and therefore may not proceed. Franchisor may require Franchisee (or Franchisee's Owners) to send Franchisor copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. Franchisor has the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

Franchisor may, by written notice delivered to Franchisee or Franchisee's selling Owner(s) within 30 days after Franchisor receives both an exact copy of the offer and all other information Franchisor requests, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

15.1.1 Franchisor may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately held Entity);

15.1.2 Franchisor's (or its designee's) credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, Franchisor or its designee may provide promissory notes with the same terms as those offered by the proposed buyer);

15.1.3 Franchisor will have 60 additional days to close the transaction after notifying Franchisee of its election to purchase;

15.1.4 Franchisor must receive, and Franchisee and its Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including, without limitation, representations and warranties regarding:

15.1.4.1 ownership and condition of and title to ownership interests and/or assets;

15.1.4.2 liens and encumbrances relating to ownership interests and/or assets;  
and

15.1.4.3 validity of contracts and the liabilities, contingent or otherwise, of the Entity whose assets or ownership interests are being purchased; and

15.1.5 if the price offered to Franchisee or Franchisee's selling Owner(s) for the interest proposed to be transferred includes all or a portion of the transfer fee referenced in Section 13.3.7 above, Franchisor or its designee may reduce the purchase price Franchisor must pay (if Franchisor exercises the right of first refusal) by the amount of that transfer fee (or portion of the transfer fee).

Once Franchisee or its selling Owner(s) submits the offer and related information to Franchisor triggering the start of the 30-day decision period referenced above, Franchisor has the full 30-day period to decide whether to exercise the right of first refusal and may choose to do so even if Franchisee or Franchisee's selling Owner(s) changes his, her or its mind during that period and prefers after all not to sell the particular interest that is the subject of the offer. Franchisee and its selling Owner(s) may not withdraw or revoke Franchisee's offer for any reason during the 30-day period, and Franchisor (or its designee) may exercise the right to purchase the particular interest in accordance with the terms of this Section.

If Franchisor exercises its right of first refusal, Franchisee and its selling owner(s) agree that, for two years beginning on the closing date, Franchisee and they will be bound by the non-competition covenant contained in Section 19.6 below.

If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to the proposed buyer on the original offer's terms, but only if Franchisor otherwise approves the transfer in accordance with, and Franchisee (and its Owners) and the transferee comply with the conditions in, Sections 13.3 and 13.4 above. This means that, even if Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed by Franchisor under Sections 13.3 and 13.4 above, Franchisee (or its Owners) may not move forward with the transfer at all.

If Franchisee does not complete the sale to the proposed buyer within 60 days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal, or if there is a material change in the terms of the sale (which Franchisee agrees to tell Franchisor promptly), Franchisor or its designee will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or its receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's or its designee's option.

15.2 Forced Transfer. If a Competitive Business attempts to acquire the Franchised Business or Franchisee by foreclosure, judicial or legal process, such as execution and levy, or by any other means, Franchisor will have the right to purchase the Franchised Business upon written notice to Franchisee. If the parties are unable to agree as to a purchase price and terms within 30 days of Franchisor's notice, the fair market value of Approved Location and related property will be determined by an appraiser as set forth below. This provision will survive the termination of this Agreement.

15.3 Competition by Franchisee. If Franchisee or any of its affiliates becomes a Competitive Business, Franchisee will so notify Franchisor providing the data required pursuant to Section 15.1, or if Franchisor otherwise determines that Franchisee or any of its affiliates has become a Competitive Business, Franchisor will so notify Franchisee and assert that Franchisor has the rights set forth above in Section 15.1. Provided Franchisor has received sufficient pricing and other data to allow an informed decision, Franchisor will make its election thereunder within 30 days of Franchisor's receipt of such notice from Franchisee or within 30 days of Franchisor's giving notice to Franchisee in which Franchisor asserts that Franchisee or any of its affiliates has become a Competitive Business. Franchisor reserves all rights set forth in Section 10 and Section 18.1.

## **16. PUBLIC OFFERINGS**

Despite any other provisions in this Agreement, Franchisee (and its Owners) may not, without Franchisor's prior written consent, which Franchisor may grant or withhold for any or no reason, attempt to raise or secure funds by selling or offering to sell any ownership interest in Franchisee (including, without limitation, common or preferred stock, bonds, debentures, membership interests, or general or limited partnership interests), regardless of its size, in a public offering for which a registration statement must be filed with the Securities Exchange Commission or with any similar state regulatory authority having jurisdiction over the sale of securities where registration is required as a condition of the sale of securities in that state. If Franchisor chooses to consent to such a transaction, then, in addition to all other conditions that Franchisor may require Franchisee to satisfy (as provided in this Section 16 and elsewhere in this Agreement), Franchisor may require Franchisee to pay Franchisor at least \$10,000, or any greater amount of which Franchisor advises Franchisee, plus its out-of-pocket expenses, to review the offering materials that Franchisee prepares for the transaction. However, Franchisor's review will be only to ensure its appropriate use of the Proprietary Marks and its accurate description of Franchisee and its relationship and



its rights under this Agreement. Franchisee's review will not be for the purposes of opining on the substantive aspects of the transaction or the legal adequacy of the offering materials.

## **17. FRANCHISEES; COMPLIANCE WITH LAWS**

17.1 Franchises. Franchisee will timely obtain and continue in effect during the term of this Agreement any permit, certificate or franchise necessary for the full and proper conduct of the Franchised Business, including, without limitation, a franchise to do business, a fictitious name registration, a sales tax permit, and a hazardous materials permit. Copies of all inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the Franchised Business which indicate a failure to meet or maintain governmental standards or less than full compliance with any applicable law, rule or regulation, must be forwarded to Franchisor by Franchisee within five days of Franchisee's receipt thereof.

17.2 Compliance with Laws. Franchisee and any affiliate will comply with all federal, state and local laws, rules and regulations, including, without limitation, all laws concerning pollution or protection of the environment, public health and safety, employee health and safety, and, particularly, those laws relating to emissions, discharges, releases or threatened release of chemical, industrial, hazardous or toxic materials or wastes (including any fraction or derivative thereof) into ambient air, surface water, ground water or lands, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or hauling of such substances.

## **18. DEFAULT AND TERMINATION**

18.1 Immediate Termination of Agreement. Franchisee will be deemed to be in default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder without affording Franchisee any opportunity to cure the default, effective immediately upon Franchisee's receipt or first refusal of delivery of notice by Franchisor upon the occurrence of any one or more of the following:

18.1.1 Franchisee (or any of its Owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Franchised Business or the Office;

18.1.2 Franchisee becomes insolvent or makes a general assignment for the benefit of Franchisee's creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; Franchisee consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of the assets of the Franchised Business; the Office or Franchised Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of Franchisee, the Franchised Business or the Office(s) is not vacated within 30 days following the order's entry;

18.1.3 A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee or Franchisee is adjudicated bankrupt;

18.1.4 Franchisee does not locate and secure an Approved Location for the Office as required under this Agreement and does not timely commence operating the Office or operates the Office before Franchisor notifies Franchisee that the Office meets Franchisor's standards and specifications;

18.1.5 Franchisee ceases to do business at an Approved Location, or ceases to operate the Franchised Business under the Proprietary Marks and System or loses ownership or possession or the right to possession of the Office or otherwise forfeits the right to conduct the Franchised Business at the Office



or abandons or fails to actively operate the Office for five or more consecutive business days or surrenders or transfers control of the Approved Location or any Office without Franchisor's prior written consent;

18.1.6 A threat or danger to public health or safety results from the construction, maintenance or operation of the Franchised Business, and the immediate closure of the Franchised Business is reasonably determined by Franchisor to be essential to avoid substantial liability or loss of goodwill;

18.1.7 Franchisee (or an Owner of Franchisee) is convicted by a trial court of, or plead or have pleaded no contest to, a felony or any other crime or offense that is likely, in the reasonable opinion of Franchisor, to adversely affect the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

18.1.8 Franchisee (or any Owner) makes or attempts to make an unauthorized transfer of this Agreement or any interest in Franchisee, the Office, or the Franchised Business (or in an Entity that has a controlling ownership interest in Franchisee);

18.1.9 Franchisee (or any of its Owners) knowingly discloses or divulges the contents of the Manual or other trade secret, Confidential Information, Computer System information including accompanying documentation;

18.1.10 Franchisee and/or Franchisee's manager fail to complete (except for reasons constituting force majeure), within the time specified by Franchisor, the training required pursuant to this Agreement;

18.1.11 Franchisee fails to commence operation of the Franchised Business within four months following the execution and delivery of this Agreement;

18.1.12 Franchisee or any of its affiliates becomes a Competitive Business (as defined in Section 10), becomes affiliated with a Competitive Business or refers clients or business to a Competitive Business;

18.1.13 Franchisee fails to maintain the required insurance coverage and does not correct the failure within ten days after Franchisor delivers written notice of that failure to Franchisee;

18.1.14 Franchisee fails to maintain any licenses or permits required to operate the Franchised Business, as a result of which Franchisee would be legally obligated to cease operations, and Franchisee fails to secure such licenses and permits within the timeframe mandated by law;

18.1.15 Franchisee (or any of its Owners) engages in any dishonest, unethical, immoral or similar conduct as a result of which Franchisee's association with the Office or the Franchised Business (or the Owner's association with Franchisee) could, in Franchisor's reasonable opinion, have a material adverse effect on the goodwill associated with the Proprietary Marks;

18.1.16 Franchisee fails to pay any vendors to the Franchised Business any amounts due for purchases from them and does not correct the failure within 30 days after the vendor delivers written notice of that failure to Franchisee, unless Franchisee is in good faith contesting its liability for those amounts, Franchisee notifies Franchisor in writing of the reason for non-payment, and Franchisor agrees that Franchisee has a legitimate reason for the non-payment (although Franchisor may, but has no obligation to, pay the vendor by debiting Franchisee's EFT);



18.1.17 Franchisee understates the Franchised Business' Gross Revenues on: (i) three or more occasions within a three-year period by more than two percent on each occasion; or (ii) by more than five percent on any one occasion;

18.1.18 Franchisee (or any of its Owners): (i) fails on three or more separate occasions within any three-year period to comply with this Agreement, whether or not Franchisee corrects the failures after Franchisor's delivery of notice to Franchisee; or (ii) fails on two or more separate occasions within any 18 consecutive-month period to comply with the same obligation under this Agreement, whether or not Franchisee corrects the failures after Franchisor's delivery of notice to Franchisee;

18.1.19 Franchisee causes, directly or indirectly, the loss of National Accounts clients whether within or outside of the Territory;

18.1.20 Franchisee or any of its Owner's assets, property or interests are blocked under any law, ordinance or regulation relating to terrorist activities, or Franchisee or any of its Owners otherwise violate any such law, ordinance or regulation; or

18.1.21 If any Owner, or the spouse of an owner, breaches a Guaranty.

18.2 Noncompliance with Manual. Franchisee will be in default under this Agreement for any failure to comply with any requirements imposed by this Agreement or the Manual that are not specified in Sections 18.1 or 18.3, or to carry out the terms of this Agreement in good faith. Franchisee will have 30 days, or such additional time as Franchisor, in Franchisor's sole discretion, deems appropriate to remedy a default governed by this Section. If such a default is not cured within that time (or such longer period as Franchisor, in its sole discretion, deems appropriate), Franchisor will have the right to terminate this Agreement upon notice to Franchisee.

18.3 Nonpayment of Fees or Charges. Franchisee recognizes and agrees that Franchisee's failure or repeated delay in making prompt payments in accordance with the terms of this Agreement and/or any agreements, leases, invoices or statements for purchase or lease of equipment, inventories, supplies, ingredients, or other goods or services will be detrimental to the reputation and credit standing of Franchisee, Franchisor and other FRSTeam Businesses. Franchisee agrees to pay when due all amounts owed by Franchisee in connection with the Franchised Business. Franchisee will be in default under this Agreement for any failure to timely pay the fees and/or charges that are imposed by or required under this Agreement or the Manual. Except as specifically provided otherwise in this Agreement, Franchisee will have ten business days after Franchisee's receipt from Franchisor (or first refusal of delivery) of a written notice of default within which to pay any delinquent fees or charges or to provide evidence of payment to Franchisor. If any such default is not cured within that time, Franchisor will have the right to terminate this Agreement upon notice to Franchisee or to enforce its right not to provide National Accounts under Section 3.10 and/or to reduce the size or configuration of the Territory or the number of clients in the Territory as provided in Section 1.2.

## **19. OBLIGATIONS UPON TERMINATION**

19.1 Franchisee's Obligations Upon Termination. Upon the termination or expiration of this Agreement, Franchisee will forthwith comply with all of the following:

19.1.1 Franchisee will immediately cease operation of the Franchised Business as a FRSTeam Business and will not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.



19.1.2 Franchisee will immediately and permanently cease to use, by advertising or in any other manner whatsoever, the trade name, trademarks and service marks “FRSTeam,” “Fabric Restoration Service Team,” “The 1st name in Fabric Restoration,” and “FRSTeam restore what others can’t,” all variations thereof and all other Proprietary Marks of Franchisor, any other identifying characteristics and marks of the System, and all Confidential Information, including, without limitation, confidential methods, procedures and techniques associated with the System. Franchisee will forthwith remove from its place of business, and discontinue using for any purpose, any and all signs, equipment, advertising materials, stationery, supplies, forms or other articles which display the Proprietary Marks or any distinctive features or designs associated with the System. Any signs containing the Proprietary Marks which Franchisee is unable to remove within one day of expiration or termination of this Agreement will be completely covered by Franchisee until the time of their removal, and, in all events, removal of such signs will occur within 72 hours of termination of this Agreement and the Franchise granted hereby.

19.1.3 Franchisee will, at its expense, immediately make such modifications or alterations (except structural changes) as may be necessary to distinguish the Offices so clearly from their former appearance and other businesses operated under the System and Proprietary Marks so as to prevent any possibility of confusion therewith by the public, and to prevent the operation of any business at the Office by Franchisee or others in derogation of this Section (including, without limitation, removal of all distinctive physical features identifying businesses in the System, removal of all distinctive signs and emblems, and changing of telephone numbers and other directory listings). Franchisee will, at Franchisee’s expense, make such specific additional changes as Franchisor may reasonably request for this purpose. Until all modifications and alterations required by this Section are completed, Franchisee will: (i) maintain a conspicuous sign at the Office in a form specified by Franchisor stating that any business located there is no longer associated with Franchisor, and (ii) until Franchisee has changed the telephone numbers used by the Franchised Business, Franchisor may, and may require Franchisee to, advise all clients, National Accounts and prospective clients contacting the business by telephone that the business is no longer associated with Franchisor. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor.

19.1.4 Franchisee acknowledges and agrees that performance of all customer services in a workmanlike and timely manner, and prompt return of all customers’ fabrics, upholsteries, electronics, contents, and other items for which services have been completed, consistent with Franchisor’s System and Manual, is essential to maintain the goodwill associated with the Proprietary Marks. Therefore, (i) Franchisee will immediately return to customers all fabrics, upholsteries, electronics, contents, and other items for which services have been completed; (ii) upon Franchisor’s request, Franchisee will immediately deliver to Franchisor (or to its designee) at such address as Franchisor may designate, all customer fabrics, upholsteries, electronics, contents, and other items for which services have not yet been completed. Franchisee acknowledges and agrees that its failure to do so will cause irreparable harm to Franchisor. Franchisor will be entitled to compensation for such unperformed or partially performed customer services, and on completion of any such partially performed services and payment from the customer, Franchisor will pay a reasonable pro-rata share for any services that were partially performed by Franchisee prior to termination or expiration.

19.1.5 Franchisee will immediately submit a current accounts receivable report including such information as Franchisor requests relating to all jobs accepted on or prior to the date of termination, whether or not completed. Franchisee will remit to Franchisor all payments Franchisor deems due on all accounts Franchisee obtained prior to termination or expiration, and Franchisee will owe Franchisor Royalties on such accounts whether or not Franchisee collected payment based upon such information, including the outstanding receivables report. This final payment will be due within 30 days of the termination or expiration date.

19.2 Liquidated Damages. Upon Franchisor’s termination of this Agreement according to its terms and conditions or Franchisee’s termination of this Agreement without cause, Franchisee agrees to pay to Franchisor within 15 days after the effective date of this Agreement’s termination, in addition to the amounts owed under Section 18 above, liquidated damages equal to the product of: (1) the total Royalties that Franchisee was obligated to pay Franchisor on the Franchised Business’ Gross Revenues during the previous 364 days the Franchised Business operated; (2) multiplied by three (unless there were less than three years remaining in this Agreement’s term at the time of termination, in which case the Royalties will be multiplied by the number of years, or portion of years, remaining). Franchisor, Franchisee, and each of Franchisee’s Owners acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor will incur as a result of this Agreement’s termination and the loss of Royalty payments due to, among other things, the complications of determining how much the Royalty payments would have grown over what would have been the remaining term of this Agreement and the expenses Franchisor would save from not having to provide services to Franchisee. Franchisor, Franchisee, and each of Franchisee’s Owners consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. This liquidated damages provision covers only Franchisor’s damages from the loss of the Royalty. It does not cover any other damages to which Franchisor might be entitled as a result of Franchisee’s actions or inaction. Franchisee and each of its Owners agree that this liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty section.

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Initials

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Initials

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Initials

19.3 Return of Manual, Confidential Information and Copyrights. Franchisee will immediately turn over to Franchisor the Manual(s), Confidential Information, and all information for which Franchisor claims a copyright, instructions, software and accompanying documentation, all other materials provided by Franchisor related to operation of the Franchised Business, and all copies thereof (all of which are acknowledged to be Franchisor’s property). Franchisee will retain no copy or record of any of the foregoing, excepting only Franchisee’s copy of this Agreement and any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

19.4 Delivery of Telephone and Facsimile Numbers, Email Address and Client Lists. Franchisee will immediately transfer to Franchisor the client and potential client lists, National Accounts Information, and all other similar marketing materials used by Franchisee in the operation of the Franchised Business, including all websites and social media webpage content relating to the Proprietary Marks or the System. Franchisee will direct the telephone company(ies) through which Franchisee obtained or operated the telephone and/or facsimile numbers and directory listings used in the Franchised Business to transfer these numbers to Franchisor, and Franchisee will authorize and not interfere with the transfer of the telephone numbers and directory listings and will cooperate with and assist Franchisor in providing any written instructions to accomplish the transfer of the telephone and/or facsimile numbers to Franchisor (including pursuant to a Conditional Assignment of Telephone Number(s)). If necessary, in the interim, Franchisee will instruct the telephone company, at Franchisor’s request, to forward all calls made to Franchisee’s numbers to numbers specified by Franchisor. Franchisee will transfer and/or direct the host server through which Franchisee registered the electronic email address used in the Franchised Business to transfer this electronic address to Franchisor, and Franchisee will cooperate with and assist Franchisor in providing any instructions to accomplish the transfer of the electronic address to Franchisor. If Franchisee fails to take these actions and sign whatever documents Franchisor deems appropriate on Franchisee’s behalf as we deem appropriate, Franchisor may take whatever action and sign whatever documents necessary to affect these events.



19.5 Franchisor's Right to Purchase Materials. Other than the contracts assigned to Franchisor (and the turnover of related inventory) pursuant to Section 19.1 above, Franchisor will have the right, but not the duty, to be exercised by notice of intent to do so within 30 days after termination or expiration, to purchase any and all signs, advertising materials, supplies and inventory and any other item bearing Franchisor's Proprietary Marks, at Franchisee's cost. With respect to any purchase by Franchisor as provided herein, Franchisor will have the right to set off all amounts due from Franchisee under this Agreement. If Franchisor does not exercise such right, all materials bearing the Proprietary Marks must be destroyed at Franchisor's direction within such timeframe as Franchisor designates.

19.6 Noncompetition After Termination. Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable training and Confidential Information including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of Franchisor and the System. Franchisee may not sell, trade or otherwise profit in any way from any Confidential Information, including client lists, prospective client lists and National Accounts, at any time after the expiration or termination of this Agreement. Accordingly, Franchisee agrees that Franchisee will not, for a period of two years after the expiration or termination of this Agreement, regardless of the cause of termination or expiration, either directly or indirectly for himself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, corporation or other entity, own, maintain, engage in, consult with or have any interest in any business engaged in offering or providing services and related products and services the same as, or similar to, the type sold or offered by the Franchised Businesses: (a) at the Office(s); or (b) within the Territory; or (c) the territory of any other franchisee or licensee of the System.

These restrictions also apply after transfers, as provided in Section 13.3 above. If any person restricted by this Section refuses voluntarily to comply with these obligations, the two-year period will be tolled, if applicable, for the period during which a restricted person is in breach of this Section and will resume when that person resumes compliance. Franchisee and its Owners expressly acknowledge that Franchisee possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, Franchisor's enforcing the covenants made in this Section will not deprive Franchisee or its Owners of its personal goodwill or ability to earn a living.

In order to give effect to the obligations in this Section, Franchisee and its Owners acknowledge and agree that neither Franchisee nor the Owners will seek to violate this Section through any other person with whom Franchisee or its Owners are acting in concert or participating in connection with the prohibited activities and that Franchisor may enforce the restrictions in this Section by taking action against Franchisee, its Owners, and all other persons with whom Franchisee or its Owners are acting in concert or participating in connection with the prohibited activities.

The foregoing covenant will be construed as independent of any other covenant or provision of this Agreement, including the liquidated damages provision in Section 19.2 above. The liquidated damages provision covers only Franchisor's damages from the loss of the Royalty. For the avoidance of doubt, Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement, including the covenant provided for in this Section 19.6.

If all or any portion of this covenant is held unreasonable or unenforceable by a final decision of a court or agency having valid jurisdiction, Franchisee will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.



19.7 Obligations Survive Termination. All of Franchisor's and Franchisee's (and Franchisee's Owners') obligations that survive this Agreement's termination or expiration will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full.

## 20. RELATIONSHIP OF THE PARTIES

20.1 Independent Contractor. Nothing in this Agreement creates a fiduciary relationship between the parties hereto. Franchisee is a licensee of the system and Proprietary Marks, and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose whatsoever. During the term of this Agreement and any extensions hereof, Franchisee will hold itself out to the public as an independent contractor operating the business pursuant to a Franchise from Franchisor and as an authorized user of the Proprietary Marks that are owned by Franchisor. Franchisee will take such affirmative action as may be necessary to do so, including, without limitation, exhibiting notices of that fact at the Franchised Business. Franchisee will conspicuously identify itself in all dealings with clients, suppliers, public officials, its personnel and others as the owner of a Franchised Business that Franchisor has granted and will place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as Franchisor may require from time to time and at a conspicuous place at the Office(s). You agree that, because you are an independent contractor and not our employee, you and not us, in connection with all income you earn from, or in connection with, the Franchised Business, are solely obligated to make all periodic filings and payments for all federal and state taxes, payments or filings required to be paid or made (including all income, unemployment and payroll taxes, such as FICA, FUTA and SECA payments). This acknowledgement and agreement has materially induced us to enter this Agreement and but for your making this acknowledgement and agreement, we would not have done so. You will operate the Franchised Business, and otherwise act in connection therewith, as an independent contractor and will not act, or omit to act, in any manner that will cause you or your employees to be considered our employees for any purpose.

20.2 No Liability for Acts of Other Party. Franchisee agrees not to employ any of the Proprietary Marks in signing any contract or applying for any license or permit, or in any manner that may result in Franchisor's liability for any of Franchisee's indebtedness or obligations, and that Franchisee will not use the Proprietary Marks in any way Franchisor has not expressly authorized. Neither Franchisor nor Franchisee (or its Owners) will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that their respective relationship is other than franchisor and franchisee, or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. Franchisor will not be obligated for any damages to any person or property directly or indirectly arising out of Franchisee's operation of the Franchised Business conducted pursuant to this Agreement. Franchisor does not exercise any direction or control over the employment policies or employment decisions of Franchisee. All employees of Franchisee are solely employees of Franchisee, not Franchisor. Franchisee is not Franchisor's agent for any purpose in regard to Franchisee's employees or otherwise.

20.3 Taxes and Regulations. Franchisor will have no liability for any federal, state, local or foreign: (a) payroll or property taxes; (b) sales, use, excise, privilege, occupation or any other transactional taxes; (c) business activity taxes, whether calculated with respect to capital, net income, gross receipts, services provided or some other basis or combination thereof; or (d) any other taxes or similar exactions no matter how designated, whether any such amount described in clauses (a) through (d) above is levied upon Franchisee, the Franchised Business or the Office(s) in connection with the operation of the Franchised Business (except any taxes Franchisor is required by law to collect from Franchisee). Payment of all such taxes are the Franchisee's responsibility. Franchisor will not be liable or responsible for Franchisee's compliance (or failure to comply) with any and all laws, rules and regulations imposed by any federal, state or local government agency.



20.4 Indemnification of Franchisor. Under no circumstances will we be liable for any act, error, omission, debt or any other obligation of yours. Franchisee agrees to protect, defend and indemnify Franchisor, and all of Franchisor's past, present and future stockholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys, agents and designees, the Fund, and the Franchisee Advisory Committee and its individual members (collectively, the "Indemnified Parties"), and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or business entity, or to any property arising out of, directly or indirectly, as a result of, or in connection with, or is based upon or related to: (a) Franchisee's operation of the Franchised Business; and/or (b) Franchisee's failure to perform under this Agreement or under any contract between Franchisee and any customer; and/or (c) this Agreement, the activities conducted in connection with the Franchised Business, the relationship between us and you, or your or your employee's actions or inaction (a "Claim"). Franchisee agrees to provide Franchisor with prompt notice of, and will cooperate with Franchisor in connection with, any claims for which the Indemnified Parties, or any of them, seek indemnification. WE WILL HAVE THE RIGHT TO CONTROL ALL LITIGATION, AND DEFEND AND/OR SETTLE ANY CLAIM AGAINST AND/OR INCLUDING US AND/OR THE INDEMNIFIED PARTIES OR AFFECTING OUR AND/OR THEIR INTERESTS, IN SUCH MANNER AS WE DEEM APPROPRIATE IN OUR SOLE DISCRETION, WITHOUT AFFECTING OUR RIGHTS UNDER THIS INDEMNITY.

Franchisee agrees to protect and defend the Indemnified Parties in any litigation or proceeding alleging or resulting in a Claim. Franchisor will nonetheless have the right, through counsel of its choice at Franchisee's expense, to control the defense or response to any such action if it could affect the interests of Franchisor, and such undertaking by Franchisor will not, in any manner or form, diminish Franchisee's obligations to Franchisor hereunder. Under no circumstances will Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this indemnification provision and against Franchisee, and the failure of Franchisor to pursue such recovery or mitigate such loss will in no way reduce the amounts recoverable by Franchisor from Franchisee.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses in order to maintain and recover fully a claim against Franchisee under this subparagraph. Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

20.5 Litigation. Franchisee will notify Franchisor in writing within five days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

## 21. **INSURANCE**

21.1 Types Required. Franchisee, at its expense, will at all times during the term of this Agreement procure and maintain such insurance as may be required by the laws, regulations or ordinances of the state, county and/or municipal entity where the Franchised Business is located, and in any event no less than the following:



### 21.1.1 Property Insurance.

21.1.1.1 Franchisee will maintain coverage for the owned assets of the Franchised Business including, but not limited to, buildings, equipment, furniture, fixtures, computer systems, tenant improvements, materials and supplies, in an amount equal to the full replacement cost of such property.

21.1.1.2 Franchisee will maintain business interruption coverage for 12 months. Franchisee's coverage limits should be closely reviewed to ensure enough coverage exists for the worst possible shutdown scenario. Coverage on an "actual loss sustained" basis is preferred in most cases.

21.1.1.3 The types of losses covered should be as broad as possible to include so-called "all risks" insurance that is readily available in most areas. Businesses in areas prone to catastrophic events should also consider special perils coverage such as earthquake and flood.

21.1.1.4 Franchisees will maintain "boiler and machinery" coverage to protect against accidental breakdown to equipment and resulting loss of business.

### 21.1.2 Bailee Insurance.

21.1.2.1 Franchisee will maintain liability for damage to client's property in Franchisee's care, custody or control.

21.1.2.2 Franchisee will arrange this coverage on a replacement cost basis, rather than the "actual cash value" of the clients' goods, which necessitates deductions for depreciation.

21.1.2.3 The insurance must be sufficient to cover a complete loss to all property at any one location. Franchisee should closely evaluate the value of clients' property in Franchisee's care, custody or control to ensure that adequate coverage is present.

21.1.2.4 Coverage must be adequate to cover high-valued items, such as leather and furs, and policies should provide adequate coverage for these types of items rather than limit coverage for such items.

21.1.2.5 Coverage must include a customer's property that is in transit, or is at a temporary storage location.

21.1.2.6 Beware of clauses that exclude or limit coverage, for example, for damage to property that is stored for a fee. Property may typically be covered while it is being processed, but it might otherwise be excluded if it is being stored and a fee is charged.

21.1.3 Crime Insurance. Franchisee will maintain coverage for employee theft of money and property, with minimum limits of \$50,000, as well as coverage for theft and forgery of company checks and some amount of coverage for theft, disappearance or destruction of money and checks.

### 21.1.4 Liability Insurance.

21.1.4.1 Franchisee will maintain Basic Commercial General Liability insurance, with limits that are at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

21.1.4.2 Franchisee will maintain insurance for “property damage,” “bodily injury,” and “personal and advertising injury.”

21.1.4.3 Franchisee will maintain commercial “excess liability” or “umbrella liability” policy, with a limit of at least \$1,000,000.

21.1.4.4 While Franchisor may, but is not required to, negotiate national contracts to the best of its ability, Franchisee understands and agrees that such contracts may require Franchisee to maintain liability insurance at levels of \$3,000,000 to \$5,000,000.

#### 21.1.5 Automobile Insurance.

21.1.5.1 Franchisee will maintain insurance for owned, hired and non-owned (employee-owned) automobiles that are used for business purposes. Policy coverage must be at least \$1,000,000 for bodily injury and property damage, and higher limits are strongly recommended.

21.1.5.2 Other coverage such as medical payments, uninsured motorist coverage, and rental reimbursement insurance should be considered.

21.1.6 Workers’ Compensation Insurance. Franchisee must comply with the workers’ compensation insurance laws of the state(s) in which the Franchised Business is operated.

21.1.7 Cyber Insurance. Franchisee will maintain Cyber Insurance that includes first party coverage in an amount not less than \$250,000 per occurrence/\$250,000 in the aggregate.

21.1.8 Other Insurance Coverage. Franchisee will maintain employer’s liability insurance with limits of at least \$500,000, with a waiver of subrogation endorsement to claims against Franchisor. There are a variety of other insurance coverages that a business may need depending upon its facts and circumstances. These could include environmental liability insurance, directors’ and officers’ liability insurance, pension bonds and fiduciary liability insurance for employee savings plans, to name several. Franchisee understands and agrees to review such matters with an experienced independent insurance broker to ensure that a comprehensive insurance program is developed for the Franchised Business.

21.2 Coverage Requirements. Franchisee must maintain the insurance coverage in the minimum amounts Franchisor prescribes from time to time in the Manual or otherwise. Franchisor may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes and circumstances. Your Approved Location and any other location where work is performed or any items are stored (whether before or after work is performed) must be included and listed on your insurance.

21.3 Policy Terms. All insurance policies must: (a) contain no provision which in any way limits or reduces coverage for Franchisor in the event of any claim by Franchisor or any of its affiliates, directors, officers or agents; (b) extend to provide indemnity for all obligations assumed by Franchisee under this Agreement and all items for which Franchisee is required to indemnify Franchisor under the provisions of this Agreement or otherwise; (c) name Franchisor as an additional insured; (d) be non-contributory and contain a waiver of the insurance company’s right of subrogation against Franchisor where permitted; (e) provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured; (f) provide that the insurance



company will provide Franchisor with at least 30 days' prior written notice of termination, expiration, cancellation or material modification of any policy; and (g) provide that Franchisee cannot reduce the policy limits, restrict coverage, cancel or otherwise alter or amend the policies without Franchisor's prior written consent.

21.4 Evidence of Coverage. On or before the expiration of the term of each insurance policy, Franchisee must furnish Franchisor with a copy of each new, renewal or replacement policy Franchisee has obtained to extend its coverage, and upon request evidence of the premium payment. If Franchisee does not maintain the required insurance coverage, or does not furnish Franchisor with satisfactory evidence of insurance coverage and premium payments, Franchisor may obtain, at its option and in addition to its other rights and remedies under this Agreement, any required insurance coverage on Franchisee's behalf. If Franchisor does so, Franchisee must fully cooperate with Franchisor in its effort to obtain the insurance policies and must promptly sign all forms required to obtain or maintain the insurance. Franchisee must also allow any inspections of the Franchised Business, the Office(s), and the business conducted in the field required to obtain or maintain the insurance. Finally, Franchisee must pay Franchisor, on demand, any costs and premiums Franchisor incurs in obtaining insurance on Franchisee's behalf. Neither Franchisee's obligation to maintain insurance coverage nor Franchisor's maintenance of insurance on Franchisee's behalf will reduce or absolve Franchisee of any obligations of indemnification described in this Agreement.

## 22. GENERAL PROVISIONS

22.1 Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement is severable and if for any reason any provision or part of a provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, un-appealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable by reducing any part or all of it, Franchisor and Franchisee agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of Franchisor's refusal to enter into a renewal franchise, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and Franchisor may modify such invalid or unenforceable provision or System standard to the extent required to be valid and enforceable, or delete the unlawful provision in its entirety. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement as though it were separately articulated in and made a part of this Agreement.

22.2 Amendment. Subject to Franchisor's right to periodically modify the System and the Manual, the provisions of this Agreement may be modified only by written agreement between the parties.

22.3 Waiver of Obligations. Franchisor and Franchisee may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of notice to the other or such other effective date stated in the notice of waiver. Any waiver



Franchisor or Franchisee grants will be without prejudice to any other rights Franchisor or Franchisee may have, will be subject to Franchisor's and Franchisee's continuing review, and may be revoked by the party granting the waiver at any time and for any reason; provided, however, that any waived breach may not later be used as a ground for terminating this Agreement. Any waiver must be in writing to be enforceable. Franchisor's failure to complain or declare that Franchisee is in breach of the terms of this Agreement, or Franchisor's failure to give or withhold its approval as provided in this Agreement will not, except as otherwise provided in this Agreement, constitute a waiver of such breach or of such right to withhold Franchisor's approval. Franchisor will not be deemed to waive or impair any of its rights under this Agreement because of Franchisor's waiver of or failure to exercise any right, whether of the same, similar or different nature, with other FRSTeam Businesses or because of the existence of franchise or license agreements for other FRSTeam Businesses which contain provisions different from those contained in this Agreement.

22.4 Costs and Attorneys' Fees. If a claim for amounts owed by Franchisee to Franchisor or any of Franchisor's affiliates is asserted in any legal or arbitration proceeding or if either Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees and costs and disbursements, whether incurred prior to, or in preparation for, or in contemplation of, the filing of a written demand or claim, action, hearing or proceeding to enforce the obligations of the parties under this Agreement.

22.5 Cumulative Rights. Franchisor's and Franchisee's rights under this Agreement are cumulative, and no exercise or enforcement of any right or remedy will preclude Franchisor's or Franchisee's exercise or enforcement of any other right or remedy under this Agreement which Franchisor or Franchisee is entitled by law to exercise or enforce.

22.6 Mediation. Franchisor and Franchisee acknowledge that during the term of this Agreement disputes may arise between the parties that may be resolvable through mediation. To facilitate such resolution, Franchisor and Franchisee agree that, prior to filing any judicial or arbitration proceeding except for injunctive and related relief as provided in Section 22.7, each party will submit the dispute between them to non-binding mediation within the major metropolitan area where Franchisor's headquarters is located (which is currently Alpharetta, Georgia). The mediation will be conducted by one mediator with at least seven years of substantive experience in franchise law, who will be appointed under the American Arbitration Association's Commercial Mediation Rules and who will conduct the mediation in accordance with such rules. Mediation must be conducted on an individual, not a class-wide, basis; only Franchisor (and/or its affiliates and its and their respective owners, officers, directors, agents and employees) and Franchisee (and/or its Owners, guarantors, affiliates, officers, directors, agents and employees, if applicable) may be the parties to any mediation proceeding described in this Section; and no such mediation proceeding may be consolidated with any other mediation proceeding between Franchisor and any other person, corporation, limited liability company or partnership. Franchisor and Franchisee agree that statements made by Franchisor, Franchisee or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. We will pay the costs of the first four hours of any mediation, and no mediation is required to extend beyond such four-hour period. Each party will bear its own costs and expenses of conducting the mediation and after the first four hours, share equally the costs of any third parties who are required to participate in the mediation. If any dispute between the parties cannot be resolved through mediation within 45 days following the appointment of the mediator, the parties agree to submit such dispute to arbitration, subject to the terms and conditions of Section 22.7.

22.7 Arbitration. All disputes between Franchisor and its affiliates, and their respective owners, officers, directors, agents and employees, and Franchisee (and/or its Owners, guarantors, affiliates, officers,



directors, agents and employees, if applicable) arising out of or related to this Agreement or any provision of this Agreement (including the validity and scope of the arbitration obligation under this Section, which Franchisor and Franchisee acknowledge is to be determined by an arbitrator, not a court), any other agreement between Franchisor (or its affiliate) and Franchisee, or any aspect of the relationship between Franchisor and Franchisee, will be determined exclusively by binding arbitration to be conducted by one arbitrator with at least seven years of substantive experience in franchise law under the then-current commercial arbitration rules of the American Arbitration Association. Arbitration proceedings must be held exclusively in the County in which the headquarters of Franchisor is located (which is currently Fulton County). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the award may be entered in any court of competent jurisdiction.

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisor or Franchisee and will not have the right to declare any Proprietary Mark, generic or otherwise, invalid. Except as described in Section 22.11, Franchisor and Franchisee and its Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between Franchisor and Franchisee, the party making a claim will be limited to equitable relief and to recovery of any actual damages he, she or it sustains.

Arbitration must be conducted on an individual, not a class-wide, basis; only Franchisor (and/or its affiliates and its and their respective owners, officers, directors, agents and employees) and Franchisee (and/or its Owners, guarantors, affiliates, officers, directors, agents and employees, if applicable) may be the parties to any arbitration proceeding described in this Section; and no such arbitration proceeding may be consolidated with any other arbitration proceeding between Franchisor and any other person, corporation, limited liability company or partnership. Notwithstanding the foregoing or anything to the contrary in this Section, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 22.7, then all parties agree that this arbitration clause will not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 22 (excluding this Section 22.7).

Notwithstanding anything to the contrary contained in this Section, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, Franchisor and Franchisee agree to contemporaneously submit their dispute to arbitration on the merits according to this Section. The provisions of this Section will continue in full force and effect notwithstanding the termination or expiration of this Agreement and are intended to benefit and bind certain third-party non-signatories.

**22.8 Governing Law.** All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act 15 U.S.C. §§ 1051 et seq.), the United States Copyright Act, or other federal law, this Agreement, the Franchise and all claims arising from the relationship between Franchisor and Franchisee will be governed by the laws of the State of Georgia, without regard to its conflict of laws principles. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency. Any franchise statute may only apply if its jurisdictional requirements have been independently satisfied.





22.9 Consent to Jurisdiction. Subject to Franchisor's and Franchisee's arbitration obligations in Section 22.7, Franchisee and its Owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Franchisor and Franchisee must be commenced in the federal and state courts in the County where the Franchisor's headquarters is located (which is currently Alpharetta, Georgia). The courts specified in this Section 22.9 will have exclusive jurisdiction over all disputes, and venue will lie in Fulton County, Georgia, and will be determined according to the laws of Georgia. Franchisee (and each Owner) irrevocably submits to the jurisdiction of such courts and waives any objection Franchisee may have to either jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order, or for temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Franchisee resides or the Office is located.

22.10 Waiver of Jury Trial. FRANCHISEE (AND ITS OWNERS) AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER FRANCHISEE (OR ITS OWNERS) OR FRANCHISOR.

22.11 Waiver of Punitive Damages. FRANCHISOR AND FRANCHISEE AND ITS OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE OR IT SUSTAINS.

22.12 Limitations of Claims. EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S NON-PAYMENT OF AMOUNTS DUE UNDER THIS AGREEMENT, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP WITH FRANCHISEE WILL BE BARRED UNLESS AN ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS.

22.13 Construction. This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between Franchisor and Franchisee, and there are no oral or other written understandings, representations or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. Any policies that Franchisor adopts and implements from time to time to guide its decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor. Except as provided in the indemnification and arbitration sections, nothing in this Agreement is intended, or will be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. The headings of the sections are for convenience only and do not define, limit or construe the contents of such sections. Any time period or deadline imposed on the parties under this Agreement will be extended or delayed as is reasonably necessary upon the occurrence of a force majeure (although all payments due under this Agreement must continue to be made). This Agreement may be executed in multiple copies, each of which will be deemed an original. If two or more persons are at any time "Franchisee" under this Agreement, their obligations and liabilities to Franchisor will be joint and several.

22.14 Notices. Any notice, demand or other communication required or desired to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made

for all purposes if made in writing and (a) hand delivered, (b) sent by a national recognized overnight courier or (c) sent by electronic mail, as follows :

Notices to FRANCHISOR: FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009  
Attn: General Counsel  
Email: [legal@empowerfranchising.com](mailto:legal@empowerfranchising.com)

Notices to FRANCHISEE: Name: \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Email: \_\_\_\_\_

A party may change the party's address by giving notice of the address change in accordance with this Section.

22.15 Time. Time is of the essence of this Agreement and each and every provision.

22.16 Binding Effect. The delivery of this Agreement to Franchisee is not an offer. Therefore, this Agreement will not be binding upon Franchisor until it is first signed by Franchisee, tendered to Franchisor for its acceptance, and signed by Franchisor. Once accepted by Franchisor, this Agreement is binding upon and will inure to the benefit of Franchisor and Franchisee and Franchisor's and Franchisee's respective successors and permitted assigns.

22.17 Varying Standards. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, in its sole and absolute discretion and as Franchisor may deem in the best interests of all concerned in any specific instance, to vary standards and license agreement provisions for any licensee or prospective licensee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such licensee's business. Franchisee will not have the right to complain about a variation from standard specifications and practices granted to any other licensee and will not be entitled to require Franchisor to grant Franchisee a like or similar variation.

22.18 Franchisee Acknowledgments. Franchisee acknowledges:

22.18.1 That Franchisee has independently investigated the FRSTeam franchise opportunity and recognize that, like any other business, the nature of a FRSTeam Business will evolve and change over time.

22.18.2 That an investment in a FRSTeam Business involves business risks that could result in the loss of a significant portion or all of Franchisee's investment.

22.18.3 That the business abilities and efforts of Franchisee's owners and other principals, management and staff are vital to Franchisee's success.

22.18.4 That attracting and retaining clients for the FRSTeam Franchised Business will require Franchisee to provide quality services, to sell quality products, to have a high level of customer service, and to adhere strictly to its System. Franchisee is committed to maintaining the System standards.

22.18.5 You specifically acknowledge that you have not received or relied on (nor have we or anyone else provided) any statements, promises or representations that you will succeed in the Franchised Business or at any location; achieve any particular sales, retail or other pricing levels, income or other levels of performance; earn any particular amount, including any amount in excess of your initial franchise fee or other payments to us; or receive any rights, goods or services not expressly set forth in this Agreement.

22.18.6 You represent, warrant and agree that no contingency, prior requirement or otherwise (including, but not limited to, obtaining financing) exists with respect to you fully performing any or all of your obligations under this Agreement. You further represent to us, as an inducement to our entering into this franchise relationship, that you have made no misrepresentations or material omissions in obtaining the Franchise.

22.18.7 You acknowledge that you have not received or relied on (nor have we or anyone else provided, except as may have been contained in the Disclosure Document received by you) information outside of Item 19 of the Disclosure Document and the Disclosure Document to make your decision. You have not received or relied on:

22.18.7.1 any sales, income or other projections of any kind or nature; or

22.18.7.2 any statements, representations, charts, calculations or other materials which stated or suggested any level or range of retail or other pricing levels, sales, income, profits or cash flow; or

22.18.7.3 any representations as to any profits you may realize in the operations of the Franchised Business or any working capital or other funds necessary to reach any 'break-even' or any other financial level.

If any such information, promises, representations and/or warranties have been provided to you, they are unauthorized and inherently unreliable. You agree to advise us of the delivery of any such information. You must not rely upon any such information, nor will we be bound by it. We do not, nor do we attempt to, predict, forecast or project future performance, revenues or profits of you or any franchisee. We are unable to reliably predict the performance of a Franchised Business even operated by us, and certainly cannot predict results for your Franchised Business.

You understand and agree that Franchised Businesses are separate and distinct from us and are independently owned and operated and that while we strongly encourage you to speak with such Franchisees in connection with your evaluation of this franchise opportunity, they do not act as our agents or representatives in providing any information to you, and we will have no obligations or liabilities with respect to (and you should not rely on) any information, opinions or otherwise they may provide to you.

22.18.8 You acknowledge that you (and each of your owners) has received, fully read and understood, and all questions have been answered regarding: (1) a copy of our Disclosure Document with all exhibits at least 14 calendar days (or 10 business days, depending on the state) before signing any binding agreement or paying any fees (whichever occurred first); and (2) a copy of this Agreement and all other agreements complete and in form ready to sign at least five full business days, or seven full days (depending upon the state you or your assigned Territory are in) prior to signing any binding documents or paying any sums (whichever occurred first).

22.18.9 You understand, acknowledge and agree that: (1) we may have offered Franchises in the past, may currently be offering Franchises, and/or may offer Franchises in the future on economic and/or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents; and (2) we can, from time to time, deal with our franchisees on differing economic and/or other terms (including making special arrangements for payments of amounts due, waiving defaults and/or otherwise) to suit individual business circumstances, in each case in our Business Judgment and without being required to offer similar terms to other Franchisees, such flexibility being a practical necessity to respond to distinct business situations.

22.18.10 That in all of their dealings with Franchisee, its officers, directors, employees and agents, act only in a representative, and not in an individual, capacity and that business dealings between Franchisor and Franchisee and them as a result of this Agreement are deemed to be only between Franchisor and Franchisee.

22.18.11 That Franchisee has represented to Franchisor, to induce its entry into this Agreement, that all statements Franchisee has made and all information Franchisee has given Franchisor is accurate and complete and that Franchisee has made no misrepresentations or material omissions in obtaining the Franchise.

22.18.12 That Franchisee has read this Agreement and its Disclosure Document and understands and accepts that this Agreement's terms are reasonably necessary for Franchisor to maintain high standards of quality and service as a FRSTeam business organization as the uniformity of those standards at each FRSTeam Franchised Business, and to protect and preserve the goodwill of the Proprietary Marks.

22.18.13 That Franchisor may restrict the brands and sites of various services, products and other items and services needed to operate FRSTeam Franchised Businesses, as provided in various sections of this Agreement.

22.18.14 That Franchisor has not made, and that Franchisee has not relied upon, any representation, warranty or other claim regarding the FRSTeam franchise opportunity, other than those made in this Agreement and its Disclosure Document, and that Franchisee has independently evaluated the franchise opportunity, including by using Franchisee's own business professionals and legal advisors, and has relied solely upon those evaluations in deciding to sign this Agreement.

22.18.15 That Franchisee has had the opportunity, and has been advised by Franchisor, to have this Agreement and all other agreements and materials that Franchisor has given or made available to Franchisee reviewed by an attorney and that Franchisee has either done so or chosen not to do so.

22.18.16 That Franchisee has a net worth that is sufficient to invest in the FRSTeam franchise opportunity represented by this Agreement, and Franchisee will have sufficient funds to meet all of Franchisee's obligations under this Agreement.

22.18.17 That Franchisee may not receive leads and/or jobs from national account programs offered by us from time to time, and that You may be removed from participation in any such program, if you fail to remain in Good Standing, or based on customer complaints as set forth in Section 1.2. You further acknowledged and agree that if you do receive such leads or jobs (a) national account customers may choose to distribute leads or jobs to multiple vendors in a market and direct work to specific vendors; (b) lead and/or job volume varies greatly across the United States, and that some geographic regions may have few or no leads/jobs; and (c) if you are unable, unwilling, or reject a lead in your territory, or if a national account requests a specific vendor to perform services in your territory, we may assign that

lead/job and that the vendor so assigned may perform Services related to that assignment in your territory without violation of any provision of this or any other agreement.

22.18.18 You understand that we are relying on you to bring forward in writing at this time any matters inconsistent with the representations contained in this Section 22.18.1. – 17. You agree that if any of the statements or matters set forth in this Section 22.18.1. – 17 are not true, correct and complete that you will make a written statement regarding such in the space provided below so that we can address and resolve any such issue(s) at this time.

Identification of any matters inconsistent with the representations contained in Section 22.18.1. – 17:

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22.18.19 You acknowledge and agree that our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity, and that no other persons and/or entities other than us has or will have any duties or obligations to you.

22.19 Compliance with Anti-Terrorism Laws. Franchisee and its Owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, certify, represent and warrant that none of Franchisees' property or interests is subject to being blocked under, and that Franchisee and Franchisee's Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee and/or Franchisee's Owners, or any blocking of Franchisee's owners' assets under the Anti-Terrorism Laws will constitute good cause for immediate termination of this Agreement.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement on the day and year first above written.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name & Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name & Title)

**ATTACHMENT I TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**BUSINESS DETAILS, TERRITORY & APPROVED LOCATION**

1. Effective Date:
2. Approved Location for the Franchised Business (including all alternate locations where work is or may in the future be performed or completed work is stored):
3. Is the Approved Location owned or leased (and by or from whom)?
4. Date for commencement of renovation of the Franchise Location:
5. Date for opening of the Franchised Business:
6. Name and type of entity that will operate the Franchised Business:
7. Equity Interest(s) in Franchise or Franchisee (Name(s), Address (es), and percentage(s) of ownership):
8. Fiscal Year End Date:
9. Training Dates:
10. DBA Statement:
11. Start-up Kit List - attached

**ATTACHMENT 1 TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**BUSINESS DETAILS, TERRITORY & APPROVED LOCATION**

1. Effective Date: This Attachment is current & complete as of \_\_\_\_\_
2. Formation & Principals. You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list of your managing members, directors and officers, as applicable, as of the effective date shown above:

Name of Each Managing Member/Director/Officer	Position(s) Held
_____	_____
_____	_____
_____	_____
_____	_____

3. Owners. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	Percentage/ Description of Interest
_____	_____
_____	_____
_____	_____

4. Name and Address of Person to Receive Notices for Franchisee:
- (a) Name: \_\_\_\_\_
- (b) Postal Address: \_\_\_\_\_



(c) E-mail Address: \_\_\_\_\_

5. Identification of Manager. Your Manager as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). You may not change the Manager without our prior written approval.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

Address:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

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

**ATTACHMENT II TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**TERRITORY DEFINITION**

The Territory referred to in Section 1.1. of the Franchise Agreement is described as follows:

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If the Territory is identified by counties, cities or other political subdivisions, political boundaries will be considered fixed as of the Effective Date and will not change, notwithstanding a political reorganization or change to such boundaries. If the Territory is identified specifically by zip codes, the Territory will include all geographic areas covered by such zip codes as of the Effective Date (Map & County List Attached).

The address of the Approved Location which will serve as the Office is [include all alternate locations where work is performed or stored]:

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**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

Address:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Printed Name & Title)

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

**ATTACHMENT III TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**FEES & ADJUSTMENTS TO FEES**

1. Initial Franchise Fee.

a. The Initial Franchise Fee paid pursuant to Section 3.1 is \$35,000 for a Territory with no more than 500,000 Households, and \$45,000 for a Territory with more than 500,000 Households.

b. The term “Households” will have the meaning used by the U.S. Census Bureau, and the number of Households in the Territory will be as reported in the most recent data published by the U. S. Census Bureau for the Territory.

2. Continuing Royalty Fee & Adjustment Thereto. The Royalty fee payable pursuant to Section 3.3 will be six percent of Gross Revenues for each Accounting Period, subject to the following adjustments for each Franchised Business. If you are providing contents restoration services, Franchisee is responsible for payment of all Royalty and ad Fund amounts due on Gross Revenues derived from contents restoration services revenues.

a. Territory with 500,000 or more Households. The monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$1,800
Third	\$2,100
Fourth +	\$2,400

b. Territory with less than 500,000 Households. The monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Franchise Term	Minimum Monthly Royalty
First	None
Second	\$900
Third	\$1,200
Fourth +	\$1,500

The minimum monthly Royalty for year five and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

i. If your market penetration for fabric restoration and dry-cleaning services (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

ii. If your market penetration rate for fabric restoration and dry-cleaning services is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

The fabric restoration and dry-cleaning services market penetration rate will be based on the average market penetration for fabric restoration and dry cleaning services in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

3. Fund Contribution. The continuing Fund Contribution payable pursuant to Section 7.2.3 will be as follows for each Accounting Period (subject to an annual increase on January 1 of each year in the term of the greater of \$50 or 5%):

a. For a Territory with no more than 500,000 Households, the greater of: (i) \$500, or (ii) two percent of Franchisee’s Gross Revenues; and

b. For a Territory with more than 500,000 Households, the greater of: (i) \$800, or (ii) two percent of Franchisee’s Gross Revenues.

c. The term “Households” will have the meaning given to it in Section 1 of this Attachment.

4. Annually after the first initial term, a Franchisee’s minimums will be adjusted to conform to the then-current number of Households in its Territory based on the most recent available data.

5. National Account Program Fee as specified annually in the National Account Participation Agreement, currently set at 3% of National Account Program revenue, subject to certain discounts as set forth in the National Account Participation Agreement, as updated annually.

6. If Franchisee acquired the Franchised Business as a result of a transfer, then the minimum Royalty Fees will be based upon the number of years the Franchised Business had been in operation prior to the transfer.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

Address:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Printed Name & Title)

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

**ATTACHMENT IV TO  
FRSTEAM, LLC FRANCHISE AGREEMENT  
ELECTRONIC FUNDS TRANSFER AGREEMENT**

**FRSTeam Franchisee:** \_\_\_\_\_

I, Managing Owner of the below referenced FRSTeam Franchised Business, authorize FRSTeam, LLC, herein referred as Franchisor, to debit from the Franchised Business bank account, the amount due for Royalty fees and Fund Contribution fees due to Franchisor. Royalty fees and advertising Fund Contribution fees will be based on Gross Revenues for the Accounting Period as defined in the Franchise Agreement. Additional fees, such as software user fees, late payment fees, or fees for items or supplies purchased from Franchisor may also be debited from the Franchised Business bank account on the date such fees accrue. Amounts due to Franchisor for Royalty fees and Fund Contribution fees will be debited from the Franchised Business bank account on the 15<sup>th</sup> of each month (or the next banking day if the date falls on a weekend or holiday).

**FRANCHISEE’S BANK INFORMATION**

FEIN/SSN: \_\_\_\_\_

Bank Name: \_\_\_\_\_

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

Bank Account Name: \_\_\_\_\_

Bank Account Number: \_\_\_\_\_

Bank Routing Number: \_\_\_\_\_

**FRANCHISEE:**

Dated: \_\_\_\_\_, \_\_\_\_\_  
a/an \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Printed Name & Title)

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

**ATTACHMENT V TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**GUARANTY & ASSUMPTION OF OBLIGATIONS**

This Guaranty & Assumption of Obligations (“Guaranty”) is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”) by (list each guarantor):

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In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Franchise Agreement”), dated as of the Effective Date, by FRSTeam, LLC, a California corporation (“we”, “us” or “Franchisor”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, personally and unconditionally: (a) guarantees to Franchisor and Franchisor’s successors and assigns, for the term of the Franchise Agreement (including, but not limited to, extensions) and afterward as provided in the Franchise Agreement, that franchisee (“Franchisee”) will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement (including, but not limited to, any amendments or modifications of the Franchise Agreement); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement (including, but not limited to, any amendments or modifications of the Franchise Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, but not limited to, the non-competition, confidentiality, transfer and arbitration requirements. Owners are the beneficial owners or spouses of the beneficial owners of all of the equity interest, membership interest or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s Owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Guaranty as a condition to our entering into the Franchise Agreement with Franchisee.

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a FRSTeam franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our confidential information (“Confidential Information”) are hereby incorporated into this Guaranty by reference, and Owners agree to comply with each obligation as though fully set forth in this Guaranty as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Guaranty as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will also be deemed Confidential Information for purposes of this Guaranty.

Owners acknowledge that they could circumvent the purpose of this Guaranty by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child or



grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of this Guaranty if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in the paragraphs below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

Owners acknowledge that as a participant in our System, they will receive proprietary and Confidential Information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Guaranty by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Guaranty as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Guaranty as we may seek against Franchisee under the Franchise Agreement.

The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant referenced in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Guaranty without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, but not limited to, the acceptance of any partial payment or performance or the compromise or release of any claims (including, but not limited to, the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Franchise Agreement (including, but not limited to, extensions), for so long as any performance is or might be owed under the Franchise Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and despite the transfer of any interest in the Franchise Agreement or Franchisee, each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) all rights to require Franchisor to proceed against Franchisee for any payment



required under the Franchise Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty, or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, any right to participate in, any security now or hereafter held by Franchisor; and (iv) acceptance and notice of acceptance by Franchisor of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. Franchisor will have no present or future duty or obligation to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to Franchisor. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Franchise Agreement or any indebtedness or obligation of Franchisee, or settle, adjust, release or compromise any claims against Franchisee or any other guarantor, make advances for the purpose of performing any obligations of Franchisee under the Franchise Agreement, assign the Franchise Agreement or the right to receive any sum payable under the Franchise Agreement, and the undersigned each hereby jointly and severally waive notice of same. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Franchise Agreement.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned will reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the arbitration obligations and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Franchise Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in the state or federal court of general jurisdiction in the location of Franchisor's headquarters (which is currently Alpharetta, Georgia), and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of, or venue in, those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees and agents of such entities against and from all losses, damages, costs and expenses which we or they may sustain, incur or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter or thing required by the Franchise Agreement.

Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.





Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Guaranty and the Franchise Agreement.

Any notices given under this Guaranty shall be in writing and delivered in accordance with the provisions of the Franchise Agreement. Our current address for all communications under this Guaranty is:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

The current address of each Owner for all communications under this Guaranty is designated on the signature page of this Guaranty. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

This Guaranty constitutes the entire, full and complete agreement between the parties with regard to the guaranty and related obligations under this Guaranty and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties relating to the matters covered by this Guaranty, other than those in this Guaranty. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Guaranty may be implied into this Guaranty. Except for unilateral reduction of the scope of the covenants permitted in this Guaranty (or as otherwise expressly provided in this Guaranty), no amendment, change or variance from this Guaranty will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

Each provision of this Guaranty, and any portions thereof, will be considered severable. If any provision of this Guaranty or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Guaranty will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

Nothing in this Guaranty is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Guaranty.

Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

This Guaranty may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Guaranty is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

References to “Franchisor” or “the undersigned” or “you” or “Owner” include the respective parties' heirs, successors, assigns or transferees.

Our failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative.

You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

In the event of any discrepancy between this Guaranty and the Franchise Agreement, this Guaranty shall control.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature as of the Effective Date.

Signatures and addresses of each Guarantor

Percentage of Ownership in Franchisee (or designation as a spouse of an Owner)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ATTACHMENT VI TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**FRSTAIID ENROLLMENT**

FRSTeam is an authorized user of FRSTaid software, and owns the proprietary name “FRSTaid.” Software is owned and hosted by Next Gear Solutions, LLC (“NGS”).

**LIMITATIONS & LIABILITIES**

FRSTeam is not responsible for damages resulting from Franchisee’s use of FRSTaid. Franchisee is responsible for purchase and maintenance of all components and services necessary to use FRSTaid. Because FRSTaid is web-based, Franchisee must have working internet access. As part of FRSTaid development, there are periodic upgrades. During upgrades, FRSTeam is not responsible for unforeseen damages of any kind, including downtime or loss of use. Franchisee may not customize or change FRSTaid software. FRSTeam will have full access to all data entered into the software. Should Franchisee no longer hold a FRSTeam Franchise, violate terms of the FRSTeam Franchise Agreement, or fail to make payments when due to FRSTeam, access to FRSTaid may be terminated.

**BILLING INFORMATION**

FRSTeam does not mark up the FRSTaid setup cost or monthly service fees. The monthly service fees are set by contract under a Software License Agreement with NGS. There is no cost to add, change or remove a user from the system. Following is the breakdown of costs to purchase a FRSTaid license (in U.S. dollars). These fees may change after November 30, 2025 when a new contract with NGS is executed.

- New license one-time setup fee: \$2,500, and \$350 for any secondary locations.
- Monthly software service fee: \$510, and \$309 for any secondary locations.
- National Claim Center dispatch fees: currently, \$15 per claim.
- Sales tax: Current Tax Rate may apply.

Total due: \$\_\_\_\_\_

**I authorize FRSTeam to debit my account in the amount stated above, for the purchase of a FRSTaid license.**

Name: \_\_\_\_\_ (Please Print) \_\_\_\_\_ (Date)

Name: \_\_\_\_\_ (Signature) \_\_\_\_\_ (Franchise #(s))

**ATTACHMENT VII TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**ELECTRONICS RESTORATION SERVICES ADDENDUM**

This Addendum is entered into as of \_\_\_\_\_, 20\_\_\_\_ (the “Addendum Effective Date”) between FRSTeam, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

WHEREAS, on or about \_\_\_\_\_, 20\_\_\_\_, Franchisor and Franchisee entered into a FRSTeam Franchise Agreement (as amended, the “Franchise Agreement”). Except as otherwise expressly provided in this Addendum, all defined terms used herein will have the meanings given to them in the Franchise Agreement.

WHEREAS, Franchisor has entered into an arrangement with RescueTech, Inc. (“RescueTech”), enabling Franchisor to offer and perform Electronics Restoration Services (as defined below) using the experience, know-how and technology of RescueTech, and to grant the right to its franchisees to offer and perform such services in conjunction with their existing fabric and/or contents restoration services.

WHEREAS, Franchisee desires to add Electronics Restoration Services (defined below in Section 1) to the Services offered and performed under the Franchise Agreement.

WHEREAS, Franchisee acknowledges that offering and performing Electronics Restoration Services will require additional training and investment in equipment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree as follows:

1. Electronics Restoration Services will be added to the definition of Services in the Franchise Agreement. “Electronics Restoration Services” or “ERS” will mean the deodorization decontamination, cleaning or other processing or handling of electronic equipment, tools, appliances and electronic media, including televisions, stereos, AV equipment, video game systems, computers, tablets, printers, home theater systems, exercise equipment, toys, drones, power tools, cameras, camcorders, etc., as well as, in a commercial setting, machinery and equipment that uses electronic power, such as printers, copiers, hospital or dental equipment, and manufacturing machinery.

2. For the avoidance of doubt, Gross Revenues will include all revenues, income and other consideration Franchisee derives from the performance of Electronics Restoration Services. Franchisee acknowledges and agrees that Franchisee will be required under Section 11 of the Franchise Agreement to report Gross Revenues derived from Electronics Restoration Services separately from its other Gross Revenues, as further detailed in the Manual. In addition, Franchisee acknowledges that it is responsible for payment of all Royalty and advertising Fund amounts due on Gross Revenues derived from Electronics Restoration Services. The advertising Fund Contribution is: (a) for a Territory with 0 to 500,000 Households, the greater of \$500 or 2% of Gross Revenues; and (b) for a Territory with greater than 500,000 Households, the greater of \$800 or 2% of Gross Revenues; the ongoing Royalty on Electronics Restoration Services is six percent of Gross Revenues (and is not counted towards or subject to any Royalty caps applicable to Gross Revenues), subject to the following adjustments:



a. The Electronics Restoration Services monthly Royalty fees will be no less than the following amounts during the year(s) specified.

Year of Addendum Term	Minimum Additional Monthly Royalty
First	None
Second	\$500
Third	\$650
Fourth +	\$800

The minimum additional monthly Royalty for year 5 and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

- i. If your market penetration for ERS (based on the previous year average measured from October 1 to September 30) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.
- ii. If your market penetration rate for ERS is less than 80% of the national average during the measurement period, the increased monthly minimum may not exceed \$200 per month.

The ERS market penetration rate will be based on the average market penetration for ERS in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated in the ERS for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

The minimum monthly advertising fees may be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited to the greater of \$50 or 5% annually.

If Franchisee acquired the Franchised Business as a result of a transfer, then the minimum Royalty Fees will be based upon the number of years the Franchised Business had been in operation prior to the transfer.

The minimum Royalty Fees do not reset upon signing a renewal or successor agreement.

3. Franchisor will arrange for initial training for the Electronics Restoration Services under Section 4.1 of the Franchise Agreement at such time(s) and place(s) as Franchisor may determine, including arranging for RescueTech to conduct the first part of training in Denver, Colorado. Franchisee will be responsible for all travel, lodging, meals, wages and other expenses incurred by Franchisee and/or its employees during such training. Franchisee agrees to pay Franchisor a training and administrative fee equal to \$10,000 which fee is included in the initial franchise fee.

4. Franchisee acknowledges and agrees that the Manual will cover mandatory and recommended requirements and procedures relating to ERS, including, without limitation, standards and specifications regarding equipment to be purchased and used in connection with ERS and procedures for catastrophe responses and large commercial projects.

5. Franchisee will execute and return the ERIS Software Enrollment Agreement attached as Exhibit A to this ERS Addendum. Use of the ERIS software is a system requirement for each office.

6. Franchisee represents and warrants to Franchisor that it has been duly authorized to execute and deliver this Addendum and to perform all of the obligations hereunder; and that this Addendum constitutes a legal, valid and binding obligation of Franchisee, enforceable in accordance with its terms.

7. This Addendum sets forth the entire understanding between the parties with respect to the subject matter herein, and supersedes any and all written and oral agreements or understandings. Except as modified by this Addendum, the Franchise Agreement remains in full force and effect in accordance with its terms. The Franchise Agreement, as amended by this Addendum, is hereby ratified, confirmed and approved in all respects.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum on the day and year first above written.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

Address:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

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

**EXHIBIT A TO FRSTEAM, LLC  
ELECTRONICS RESTORATION SERVICES ADDENDUM**

**ERIS SOFTWARE ENROLLMENT AGREEMENT**

FRSTeam is an authorized user of ERIS software. Software is owned and managed by RescueTech, Inc.

**LIMITATIONS & LIABILITIES**

Neither FRSTeam nor RescueTech are responsible for damages resulting from Franchisee’s use of ERIS software. Franchisee is responsible for purchase and maintenance of all components and services necessary to use ERIS software. Because ERIS software is web-based, Franchisee must have working Internet access. As part of ERIS software’s development, there are periodic upgrades. During upgrades, neither FRSTeam nor RescueTech are responsible for unforeseen damages of any kind, including downtime or loss of use. Franchisee may not customize or change the ERIS software. FRSTeam will have full access to all data entered into the ERIS software. Should Franchisee no longer hold a FRSTeam franchise, violate terms of the FRSTeam Franchise Agreement, or fail to make payments when due to FRSTeam, access to the ERIS software may be terminated.

**BILLING INFORMATION**

FRSTeam does not mark up the ERIS software monthly service fees. The monthly service fees are set by contract under an agreement with RescueTech. There is no cost to add, change or remove a user from the system, unless you are adding a fifth user, or more. In that case, there is an additional charge of \$50 per user. Following is the breakdown of costs to purchase an ERIS license (in U.S. dollars).

- Initial License Fee: Included with startup training fee.
- Monthly software service fee: \$250 for up to four users; additional \$50 per user after four users.
- Sales tax: Current Tax Rate may apply.

Total due: \$\_\_\_\_\_

I authorize FRSTeam to debit my account in the amount stated above, for the purchase of an ERIS license.

Name: \_\_\_\_\_ (Please Print) \_\_\_\_\_ (Date)

Name: \_\_\_\_\_ (Signature) \_\_\_\_\_ (Franchise #(s))

**ATTACHMENT VIII TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**CONTENTS RESTORATION SERVICES ADDENDUM**

This Addendum is entered into as of \_\_\_\_\_, 20\_\_\_\_ (“the Addendum Effective Date”) between FRSTeam, LLC, a California limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

WHEREAS, on or about \_\_\_\_\_, 20\_\_\_\_, Franchisor and Franchisee entered into a FRSTeam Franchise Agreement (as amended, the “Franchise Agreement”). Except as otherwise expressly provided in this Addendum, all defined terms used herein will have the meanings given to them in the Franchise Agreement.

WHEREAS, Franchisee desires to add Contents Restoration Services (defined below) to the Services offered and performed under the Franchise Agreement.

WHEREAS, Franchisee acknowledges that offering and performing Contents Restoration Services may require additional training and investment in equipment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Contents Restoration Services will be added to the definition of Services. “Contents Restoration Services” or “CRS” will mean the deodorization, decontamination, cleaning, storing or other processing or handling of any “contents,” including, but not limited to, artwork, furniture, antique items, documents, firearms and housewares. “Contents” also includes any textile or electronic items that are not already included in the approved Services in the Franchise Agreement or agreed to in addendums to the Franchise Agreement. Please note that a special license may be required to handle certain items. You are responsible for checking with any state or federal regulatory authority to determine applicability of any requirements and to comply with all applicable requirements.

2. For the avoidance of doubt, Gross Revenues will include all revenues, income and other consideration Franchisee derives from the performance of Contents Restoration Services. Franchisee acknowledges and agrees that Franchisee will be required under Section 11 of the Franchise Agreement to report Gross Revenues derived from Contents Restoration Services separately from its other Gross Revenues, as further detailed in the Manual. Gross Revenues for CRS will not count toward and are not included in the calculation of any Royalty caps that may otherwise apply. In addition, Franchisee acknowledges that it is responsible for payment of all Royalty and advertising fund (Fund) amounts due on Gross Revenues derived from Contents Restoration Services.





a. The Contents Restoration Services additional monthly advertising Fund Contribution is: (a) for a Territory with 0 to 500,000 Households, the greater of \$250 or 2% of CRS Gross Revenues; and (b) for a Territory with greater than 500,000 Households, the greater of \$400 or 2% of CRS Gross Revenues.

b. The Contents Restoration Services monthly Royalty fees will be no less than the greater of 6% of Gross Revenues for Contents Restoration Services, or the following amounts during the year(s) specified.

Year of Addendum Term	Minimum Additional Monthly Royalty
First	None
Second	\$1,000
Third	\$1,500
Fourth	\$2,000
Fifth +	\$2,500

The minimum additional monthly Royalty for year 6 and thereafter will be adjusted annually on January 1 of each year in an amount specified by Franchisor. The increase in monthly minimums will be limited based on the following factors:

i. If your market penetration for CRS (based on the previous year average measured from October 1 to September 30 – the “measurement period”) is equal to or greater than 80% of the national average market penetration rate, then there will be no increase.

ii. If your market penetration rate for CRS is less than 80% of the national average market penetration rate during the measurement period, the increased monthly minimum may not exceed \$500 per month.

The CRS market penetration rate will be based on the average market penetration for CRS in all markets operated by Custom Commercial Dry Cleaning, LLC (an affiliate of Franchisor) and all markets that participated in the CRS for the entire measurement period operated by FRSTeam franchisees. Market penetration will be calculated by dividing invoicing (minus any allowed credits) by population size for the territory.

If Franchisee acquired the Franchised Business as a result of a transfer, then the minimum Royalty Fees will be based upon the number of years the Franchised Business had been in operation prior to the transfer.

The minimum Royalty Fees do not reset upon signing a renewal or successor agreement.

4. Franchisor will arrange for initial training for CRS under Section 4.1 of the Franchise Agreement at such time(s) and place(s) as Franchisor may determine. Franchisee will be responsible for all travel, lodging, meals, wages and other expenses incurred by Franchisee and/or its employees during such training. Franchisee agrees to pay Franchisor a training and administrative fee equal to \$30,000, which fee is not currently included in the initial franchise fee. Franchisee will be required to pay the training fee and attend any such training as a condition of being able to offer or continue offering CRS. The training and administrative fee must be paid to Franchisor prior to the commencement of training.



5. Franchisee acknowledges and agrees that the Manual will cover mandatory and recommended requirements and procedures relating to CRS, including, without limitation, standards and specifications regarding equipment to be purchased and used in connection with CRS and procedures for catastrophe responses and large commercial projects.

6. Franchisee represents and warrants to Franchisor that it has been duly authorized to execute and deliver this Addendum and to perform all of the obligations hereunder; and that this Addendum constitutes a legal, valid and binding obligation of Franchisee, enforceable in accordance with its terms.

7. This Addendum sets forth the entire understanding between the parties with respect to the subject matter herein and supersedes any and all written and oral agreements or understandings. Except as modified by this Addendum, the Franchise Agreement remains in full force and effect in accordance with its terms. The Franchise Agreement, as amended by this Addendum, is hereby ratified, confirmed and approved in all respects.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum on the day and year first above written.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

Address:

FRSTeam, LLC  
2520 Northwinds Parkway, Suite 375  
Alpharetta, GA 30009

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

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

**ATTACHMENT IX TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

This LEASE ADDENDUM AND COLLATERAL ASSIGNMENT (“Addendum”) is attached to and made a part of that lease agreement (the “Lease”) dated \_\_\_\_\_, 20\_\_\_\_ between \_\_\_\_\_ (“Tenant”) and \_\_\_\_\_ (“Landlord”) for the premises (“Premises”) located at \_\_\_\_\_. On any contradiction or inconsistency between this Addendum and the Lease, the terms of this Addendum control.

1. Assignment Provisions. Tenant has the right to assign the Lease or sublet the Premises without charge and without Landlord’s consent being required: (i) to FRSTeam, LLC (“FRSTeam”), its parents, subsidiaries or affiliates, and any of their successors; (ii) to duly authorized FRSTeam franchisees. Tenant may not assign its interest in the Lease or sublet all or any portion of the Premises without FRSTeam’s prior written consent.

2. Alterations. Tenant has the right to make non-structural alterations, additions or changes to the Premises as FRSTeam requires without Landlord’s consent and without being liable under any continuous operation covenant.

3. Use of Marks. Landlord consents to Tenant’s use and installation of the marks, trade dress, signage and related features associated with the franchised system that FRSTeam requires.

4. Landlord Warranties. Landlord represents and warrants that: (i) Landlord has lawful title to the Premises and the building wherein the Premises is located and has full right, power and authority to enter into the Lease; (ii) the Premises, Building and surrounding common areas are in compliance with the Americans with Disabilities Act (“ADA”); (iii) Landlord currently maintains all risk of physical loss coverage for the full replacement cost of the Building and will maintain throughout the Lease’s term general liability insurance coverage for the Building and surrounding common areas consistent with that being maintained by reasonably prudent owners of properties similar to the Building in the same area; and (iv) so long as Tenant pays all monetary obligations due under the Lease and performs all other covenants in the Lease, Tenant will peacefully and quietly have, hold and occupy the Premises during the Lease’s term and its use and occupancy of the Premises will not be disturbed.

5. Mitigation. Landlord will use reasonable efforts to mitigate its damages in the event of a Tenant default.

6. Landlord Repairs. Landlord agrees, at its sole cost and without Tenant’s reimbursement or contribution, to keep, maintain and replace, if necessary, the foundations, exterior paint, plumbing system, electrical system, utility and sewer lines and connections to the Premises, sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

7. Access to Protect Franchise System. FRSTeam has the right to access the Premises to make any modifications that FRSTeam deems necessary to protect the franchise system and FRSTeam’s trademarks without being guilty of trespass or liable for any tort. FRSTeam has the right to access the Premises to inspect or remove any personal property of third parties that FRSTeam deems necessary to

protect the franchise system at any reasonable time, without being guilty of trespass or liable for any tort and without any obligation to make any payments to any party to gain access or remove personal property. FRSTeam agrees to repair any damage caused by its entry and Tenant will reimburse FRSTeam for this cost promptly on demand.

8. Notice to FRSTeam. During the term of the Lease, Landlord agrees to give FRSTeam written notice of all of Tenant’s defaults concurrently with giving notice to Tenant. Landlord will also provide notice of any modifications to Lease terms during the term of the Lease and provide notice of renewals (whether exercised or not). Landlord further agrees to give FRSTeam a 30-day period to cure any default, or the period provided to the Tenant in the Lease, whichever period is longer.

9. Notices. All notices or demands required under this Addendum must be made in writing and are deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent by reputable overnight courier to:

<u>TENANT:</u>	<u>LANDLORD:</u>	<u>FRSTeam:</u>
_____	_____	FRSTeam, LLC
_____	_____	2520 Northwinds Parkway
_____	_____	Suite 375
		Alpharetta, GA 30009

10. Severability. If any one or more of this Addendum’s provisions are determined to be illegal or unenforceable, all other provisions of this Addendum will be given effect separately therefrom and will not be affected.

11. Third Party Beneficiary. Landlord acknowledges that FRSTeam is not a party to the Lease. However, Landlord and Tenant agree that FRSTeam is intended to be a third-party beneficiary of this Addendum with an independent right to enforce its terms against Landlord and Tenant.

IN WITNESS WHEREOF, the parties have signed this Addendum on the day and year first above written.

<u>ASSIGNOR:</u>	<u>LANDLORD:</u>	<u>ASSIGNEE:</u>
_____	_____	_____
By: _____	By: _____	By: _____
Name: _____	Name: _____	Name: _____
Title: _____	Title: _____	Title: _____

**ATTACHMENT X TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

**NATIONAL ACCOUNT PARTICIPATION AGREEMENT**

**TEXTILE, ELECTRONICS AND CONTENTS RESTORATION**

By signing this National Account Participation Agreement (“Agreement”) with FRSTeam, LLC (“FRSTeam”), the business identified in the signature line below (“Business”) agrees to comply with the terms of this Agreement. Capitalized terms not defined herein shall have the same meaning as set forth in the Franchise Agreement entered into by FRSTeam and Business. In order to participate in the National Account Program (the “Program”), Business must sign and return this Agreement to FRSTeam by December 31, 2023.

**1. Program Fees.**

- a. Business shall pay to FRSTeam a Program administration fee equal to 3% of the sum of the monthly revenue from any services provided by Business under the National Account Program for each quarter (“Program Fee”), which shall be in addition to all other fees due and payable to FRSTeam by Business pursuant to the terms of the Franchise Agreement. Business and FRSTeam agree that the Program Fee, which is in addition to any applicable royalty on the services, is a separate administration fee and does not constitute a royalty. FRSTeam will calculate the Program Fee on a quarterly basis, based on the percentage of services performed by Business attributable to Program services during the calendar months of the quarter (“Calculation Period”). If the Business was in Good Standing for each calendar month of the quarter during the Calculation Period, the Program Fee may be subject to a credit as indicated below, which shall be applied against the Program Fee calculation for the next quarter’s Program Fee (provided the Business is in Good Standing when the Program Fee for that Calculation Period is calculated):

<b><u>Percent of Business’ total Gross Revenue attributable to National Account Program Services During Quarter</u></b>	<b><u>Discount on Total Program Fees for Next Quarter</u></b>
30% or less	20%
30.01% and 40%	15%
40.01% and 50%	10%
50.01% and 60%	5%
60.01% or greater	0%

The Program Fee shall be due and payable in full by Business to FRSTeam within thirty (30) days of FRSTeam’s notice to Business of the amount due. In addition to any other fees or charges associated with payments not made by Business to FRSTeam when due and payable, a \$100 delinquency fee shall apply to any Program Fees not completely and timely paid by Business when due and payable to FRSTeam.

2. **Participation.** At its discretion, FRSTeam shall refer leads for Program clients (hereinafter “Client” or “Clients,” as applicable) to Business for Business to provide services to the Clients. As a condition of participation in the Program, Business agrees that it must be and remain in Good Standing and fully comply with the: (a) then current Program and Brand Standards and (b) Program guidelines in the National Account Information Sheet (“NAIS”) for each Client Program in which Business agrees to participate. Participation in the Program is no guaranty that FRSTeam will refer Client leads to Business. Additionally, Business acknowledges that FRSTeam may refer Client leads to FRSTeam affiliates or unaffiliated third parties if Business does not or is not authorized to provide those services.



### 3. Client Programs

- a. If Business chooses not to participate or is removed from any Client Program, the Program Client may be referred to FRSTeam affiliates or another provider of the services.
  - b. Business and FRSTeam agree that Program Clients may have specific requirements to provide services to such Clients. These requirements may be added to this Agreement or the specific Client NAIS at any time upon notice to Business and Business' continued provision of the services to such Client constitutes Business' consent to any new requirements of such Client. Upon FRSTeam's request, Business shall sign an acknowledgment of any Client-specific requirements if required by such Client. Examples of these specific requirements include, but are not limited to: use of Xactimate and/or Symbility. A fee of \$25 is charged on each claim run through the system.
    - 1) Purchase, installation and training for Xactimate software for use in inventory/billing prior to the start of the Program is required by some Clients. Xactimate has a monthly cost that is subject to periodic adjustments (currently \$192.43 or \$136.51 plus tax through FRSTeam's corporate program).
    - 2) Use of Xactware's Xactnet claims assignment and communication process is also required by some Clients. The fee is subject to change periodically.
4. **Usage of Approved Operating System:** The Business agrees to utilize the FSTeam's designated Operating System (currently Dash FRSTaid 3.0 and ERIS, but subject to change at FRSTeam's discretion) to manage all services provided in connection with the FRSTeam brand (this includes all services provided regardless of source).
5. **Meetings:** The Business owner must participate in Program meetings and Regional Workshops (which, as of the Effective Date, are not expected to exceed three (3) meetings per year but are subject to change) and the International Convention each time it is held (currently 1 Regional and 1 National Event and online monthly and quarter reviews, but subject to change at FRSTeam's discretion). Request for attendance exemptions may be made by submitting a request in writing to FRSTeam. Consideration will be made for personal, family or extreme business reasons. All attendance exemptions are at FRSTeam's discretion.
6. **Key Terms.** As used in this Agreement, the following terms shall have the meanings stated below.
- a. "National Account Program Service" means any service provided to a Client that is referred through FRSTeam's National Account Program or is required to be processed through the National Account Program for those National Account Program Insurance Companies listed in the National Account Information Sheet book in the Manual, as updated from time to time to add or delete Insurance Companies. FRSTeam has identified National Account Program Service insurers as Tier 1 Program Insurers. Tier 2 and 3 Program Insurers do not constitute National Account Program Service Clients for purposes of the Program Fee. The Program Insurer tiers are set forth in the Manuals. Current Program Tier 1 Insurance Companies are defined as follows:
    - 1) Signed national contract with or without a discount
    - 2) Service level agreement and pricing structure
    - 3) Greater than 60% of assignments nationally originate through a shared data set or carrier level



- 4) Local marketing efforts positively affect account, however not required for some volume
- 5) Must be activated to receive work through the program and greater than 60% of claims run through the program
- 6) Monthly reporting to carrier and consistent management and monitoring is required
- 7) Invoices may require quality assurance approval on claims

Program Clients will only move tiers on either January 1 or July 1 based on changes to agreements with Program Clients that would qualify them for a different tier.

- b. Business is in “Good Standing” if: (i) Business is in compliance with the Franchise Agreement; (ii) neither Business nor any of its owners or affiliates has received a formal notice of default of any obligation in the Franchise Agreement or of any obligation to FRSTeam and/or any of its affiliates; (iii) Business is in compliance with all applicable laws and (iv) Business consistently meets performance expectations in the Franchise Agreement or as outlined in the NAIS for each insurance company Program in which Business participates.

**7. Term.** The term of this Agreement shall commence on the Effective Date and remain in effect until terminated by either party upon written notice to the other party.

**8. Governing Law and Venue.** This agreement shall be construed and interpreted in accordance with and shall be governed by the laws of the State of Georgia, United States of America, without regard to principles of conflict of law and irrespective of the fact that one or more parties hereto is now or may hereafter be a resident of a different state, jurisdiction or country. Both parties agree and submit to the personal jurisdiction of any federal or state court located in Atlanta, Georgia.

**9. Entire Agreement; Amendment; Waiver.** This Agreement and any exhibits hereto constitutes the entire agreement of the parties with respect to its subject matter, supersedes all prior agreements, if any, of the parties with respect to its subject matter and may not be amended except in writing signed by the parties. The failure of any party, at any time or times, to require the performance of any provision of this Agreement will in no manner affect the right to enforce the same and no waiver by any party of any provision or breach of any provision of this Agreement in any one or more instances will be deemed or construed either as a further or continuing waiver of any such provision or breach or as a waiver of any other provision or breach of this Agreement.

**10. Miscellaneous.** Any paragraph or provision of this Agreement held invalid or unenforceable shall not affect the validity and enforceability of the other provisions hereof, all of which paragraphs and provisions and portions thereof are hereby declared severable. This Agreement, and any amendments hereto made in accordance herewith, shall be binding upon the parties, their legal representatives, assignees, creditors and all other persons with notice or knowledge of this Agreement, whether such notice is constructive or actual. This Agreement may be executed in any number of counterparts, including facsimile counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument. A manually signed counterpart transmitted electronically or by facsimile or email (in .pdf, .tif, .jpeg or similar format) shall be deemed a duly signed original for all purposes. A digital signature, an electronic method of reproducing a written signature that is generated by a special encrypted software allowing for sole usage, shall also be deemed an original signature.



**11. Authorization.** The parties signing this Agreement have the full authority to do so.

In witness whereof the parties have executed this Agreement as of the Effective Date and agree to be bound by the terms of this Agreement and accept the standards as presented.

**Business  
Entity**

By:

\_\_\_\_\_  
Signature of Authorized Representative  
of Business

Business  
Name: \_\_\_\_\_  
Insert Complete Legal Name of Business

Name: \_\_\_\_\_  
Print Name of Signor

Business  
DBA: \_\_\_\_\_  
Insert Complete DBA for Business, if applicable

Title: \_\_\_\_\_  
Print Title of Signor

Franchise  
Agreement Number: \_\_\_\_\_

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

**FRSTeam, LLC**

By: \_\_\_\_\_  
Holly Murry, President

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



**EXHIBIT B**

**FINANCIAL STATEMENTS**

**EMPOWER BRANDS FRANCHISING**

**SUCCESSOR CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2023, 2022 AND 2021,  
AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2023 AND 2022  
AND FOR THE PERIOD FROM  
DECEMBER 24, 2020 TO SEPTEMBER 30, 2021**

**AND CERTAIN PREDECESSOR CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM OCTOBER 1, 2020 TO DECEMBER 23, 2020**

**with  
INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors and Stockholders Empower Brands Franchising

We have audited the accompanying successor consolidated financial statements of Empower Brands Franchising (the "Company") which comprise the consolidated balance sheet as of September 30, 2023, 2022 and 2021 and the related successor consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended September 30, 2023 and 2022, and the period from December 24, 2020 through September 30, 2021. We have also audited the predecessor consolidated statements of operations, changes in stockholders' equity and cash flows of the Company for the period from October 1, 2020 through December 23, 2020, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the successor financial position of the Company as of September 30, 2023, 2022, and 2021, and the results of the successor operations and cash flows for the year ended September 30, 2023 and 2022, and for the period from December 24, 2020 to September 30, 2021, and the results of predecessor operations and cash flows for the period from October 1, 2020 to December 23, 2020, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and 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 consolidated financial statements.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

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

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

### **Emphasis of Matters**

As further discussed in Note 13, on June 1, 2022, the Company sold The Intelligent Office, Inc. ("IOI") and accordingly, the successor consolidated financial statements as of September 30, 2021 and for the successor period from December 24, 2020 to September 30, 2021 and the predecessor period from October 1, 2020 to December 23, 2020, have been modified to reflect the impact of IOI's discontinued operations.

As further discussed in Note 14, as of September 30, 2023, the Company entered into a binding agreement to sell The Intelligent Office System, LLC and Intelligent Office of Canada, Inc.

As further discussed in Note 8, during 2023, Jan-Pro Franchising International, Inc. had a preliminary motion of settlement approved by the court relating to an outstanding lawsuit and accrued \$30,000,000 for costs associated with the settlement. The settlement of this liability is not expected to negatively impact ongoing operations or the Company's ability to generate operating cash flow.

*Smith and Howard PC*

Atlanta, GA  
January 18, 2024

**EMPOWER BRANDS FRANCHISING  
CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2023, 2022, AND 2021**

**ASSETS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets			
Cash	\$ 4,660,254	\$ 4,191,128	\$ 4,302,513
Accounts receivable, net	18,786,896	18,102,597	12,197,694
Insurance receivable, current portion	1,000,000	518,907	593,146
Royalties receivable	7,723,541	6,356,951	5,157,541
Rebates receivable	1,815,484	-	-
Inventory	3,215,098	950,753	-
Notes receivable, current portion	145,704	379,084	679,126
Prepaid expenses	3,451,700	2,611,665	1,543,034
Income taxes receivable	3,575,919	1,065,778	183,186
Current assets from discontinued operations	-	-	161,071
Total Current Assets	<u>44,374,596</u>	<u>34,176,863</u>	<u>24,817,311</u>
Property and Equipment, Net	<u>8,841,059</u>	<u>8,054,934</u>	<u>5,679,403</u>
Other Assets			
Intangibles, net	507,750,721	451,047,148	395,233,560
Right-of-use assets	12,791,349	-	-
Notes receivable, net of current portion and allowance for doubtful accounts	394,976	422,429	321,518
Insurance receivable, net of current portion	4,834,554	5,356,598	4,004,485
Other assets	334,573	496,825	315,819
Long-term assets from discontinued operations	-	-	8,387,865
	<u>526,106,173</u>	<u>457,323,000</u>	<u>408,263,247</u>
	<u>\$ 579,321,828</u>	<u>\$ 499,554,797</u>	<u>\$ 438,759,961</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**EMPOWER BRANDS FRANCHISING  
CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2023, 2022, AND 2021**

(Continued)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Liabilities			
Accounts payable and accrued expenses	\$ 15,830,342	\$ 12,841,149	\$ 13,013,278
Deferred revenue on franchise sales	3,305,916	2,716,675	1,601,778
Deferred revenue on restoration services	1,834,802	1,194,304	688,660
Deferred revenues from customer deposits	1,518,782	780,338	-
Funds held on behalf of others	1,760,474	1,756,655	556,030
Deferred rent	-	176,264	199,183
Income taxes payable	4,101,260	-	624,829
Earnout provision	2,267,540	-	1,000,000
Legal settlement (Note 8)	30,000,000	-	-
Current portion of operating lease liabilities	4,059,686	-	-
Current portion of long-term debt	2,639,000	2,389,000	2,069,000
Current liabilities from discontinued operations	-	-	370,723
Total Current Liabilities	<u>67,317,802</u>	<u>21,854,385</u>	<u>20,123,481</u>
Long-Term Liabilities			
Operating lease liabilities	9,690,649	-	-
Long-term debt, net	252,061,314	228,614,729	199,459,022
Earnout provision	-	5,000,000	-
Deferred income taxes	8,611,529	22,390,763	23,637,348
Long-term liabilities from discontinued operations	-	-	30,025
	<u>270,363,492</u>	<u>256,005,492</u>	<u>223,126,395</u>
Total Liabilities	<u>337,681,294</u>	<u>277,859,877</u>	<u>243,249,876</u>
Noncontrolling Deficit	<u>(89,648)</u>	<u>-</u>	<u>-</u>
Stockholders' Equity			
Common stock	10	10	10
Additional paid in capital	317,269,057	235,674,925	197,740,643
Accumulated deficit	<u>(75,538,885)</u>	<u>(13,980,015)</u>	<u>(2,230,568)</u>
Total Stockholders' Equity	<u>241,730,182</u>	<u>221,694,920</u>	<u>195,510,085</u>
	<u>\$ 579,321,828</u>	<u>\$ 499,554,797</u>	<u>\$ 438,759,961</u>

The accompanying notes are an integral part of these consolidated financial statements.

**EMPOWER BRANDS FRANCHISING**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 AND**  
**FOR THE PERIOD OF DECEMBER 24, 2020 TO SEPTEMBER 30, 2021 (SUCCESSOR)**  
**AND FOR THE PERIOD OF OCTOBER 1, 2020 TO DECEMBER 23, 2020 (PREDECESSOR)**

	Successor Year Ended	Successor Year Ended	Successor Year Ended	Predecessor October 1, 2020 to December 23, 2020
	September 30, 2023	September 30, 2022	December 24, 2020 to September 30, 2021	September 30, 2020 to December 23, 2020
Revenue	\$ 60,869,409	\$ 45,572,963	\$ 22,612,727	\$ 6,490,190
Franchise royalties and advertising fund contributions	1,531,937	7,033,494	1,384,479	286,864
Franchise fees	1,139,856	4,630,274	2,273,072	633,643
Service contracts and fees	27,487,308	34,204,128	19,409,497	5,736,949
Restoration services	23,390,797	16,879,944	-	-
Fence and rail revenues	9,875,832	-	-	-
Residential and commercial roofing	4,131,506	-	-	-
Window and door installation	1,058,329	8,878,823	425,709	-
Product sales	9,555,273	6,328,010	1,959,331	475,722
Ancillary	149,040,247	123,527,636	48,064,815	13,623,368
Cost of Cleaning and Restoration Services	12,092,452	13,412,262	6,559,595	1,818,950
Cost of Fence and Rail, Residential and Commercial Roofing, Window and Door Installation, and Product Sales	24,051,826	16,544,077	281,172	-
Operating Expenses	86,359,322	64,998,917	27,807,702	14,152,029
	122,503,600	94,955,256	34,648,469	15,970,979
Income (Loss) from Operations	26,536,647	28,572,380	13,416,346	(2,347,611)
Other Income (Expense)	1,789,257	1,370,331	757,446	262,008
Other income	(19,050,467)	(16,259,847)	(7,817,036)	(961,941)
Depreciation and amortization	(26,768,050)	-	-	-
Goodwill impairment (Note 4)	(30,000,000)	-	-	-
Legal settlement (Note 8)	101,896	74,707	8,670	30,378
Interest income	(28,417,598)	(18,705,684)	(8,876,358)	(1,466,225)
Interest expense	(102,344,962)	(33,520,493)	(15,927,278)	(2,135,780)
Loss From Operations Before Income Taxes	(75,808,315)	(4,948,113)	(2,510,932)	(4,483,391)
Credit for Income Taxes	(14,159,797)	(1,488,128)	(332,661)	(293,181)
Net Loss from Continuing Operations	(61,648,518)	(3,459,985)	(2,178,271)	(4,190,210)
Loss from Discontinued Operations, Net of Income Tax Benefit of \$51,801, \$17,902, and \$561	-	(164,282)	(62,297)	(30,377)
Loss from Sale of Subsidiary, Net of Income Tax Benefit of \$50,343	-	(8,125,180)	-	-
Net Loss Before Noncontrolling Interest	(61,648,518)	(11,749,447)	(2,230,568)	(4,220,587)
Loss Attributable to Noncontrolling Interest	89,648	-	-	-
Net Loss Attributable to MidOcean BCAT Holdings, Inc. and Subsidiaries	\$ (61,558,870)	\$ (11,749,447)	\$ (2,230,568)	\$ (4,220,587)

The accompanying notes are an integral part of these consolidated financial statements.



**EMPOWER BRANDS FRANCHISING**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 AND**  
**FOR THE PERIOD OF DECEMBER 24, 2020 TO SEPTEMBER 30, 2021 (SUCCESSOR)**  
**AND FOR THE PERIOD OF OCTOBER 1, 2020 TO DECEMBER 23, 2020 (PREDECESSOR)**

	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Noncontrolling Interest	Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
<b><u>Predecessor:</u></b>								
Balance, September 30, 2020	581,983	\$ 582	124,072	\$ 124	\$ 58,366,634	\$ (3,692,986)	\$ -	\$ 54,674,354
Cumulative effect of change in accounting policy	-	-	-	-	-	(1,439,043)	-	(1,439,043)
Net loss	-	-	-	-	-	(4,220,587)	-	(4,220,587)
Balance, December 23, 2020	581,983	\$ 582	124,072	\$ 124	\$ 58,366,634	\$ (9,352,616)	\$ -	\$ 49,014,724
<b><u>Successor:</u></b>								
Recapitalization (Note 12), December 24, 2020	-	\$ -	1,000	\$ 10	\$ 164,260,794	\$ -	\$ -	\$ 164,260,804
Contribution of capital	-	-	-	-	32,900,000	-	-	32,900,000
Stock-based compensation	-	-	-	-	579,849	-	-	579,849
Net loss	-	-	-	-	-	(2,230,568)	-	(2,230,568)
Balance, September 30, 2021	-	-	1,000	\$ 10	\$ 197,740,643	(2,230,568)	-	\$ 195,510,085
Stock issuance (Note 11)	-	-	-	-	25,000,000	-	-	25,000,000
Contribution of capital	-	-	-	-	11,943,783	-	-	11,943,783
Stock-based compensation	-	-	-	-	990,499	-	-	990,499
Net loss	-	-	-	-	-	(11,749,447)	-	(11,749,447)
Balance, September 30, 2022	-	-	1,000	\$ 10	\$ 235,674,925	(13,980,015)	-	\$ 221,694,920
Stock issuance (Note 11)	-	-	-	-	55,200,000	-	-	55,200,000
Contribution of capital	-	-	-	-	25,000,000	-	-	25,000,000
Stock-based compensation	-	-	-	-	1,394,132	-	-	1,394,132
Net loss	-	-	-	-	-	(61,558,870)	(89,648)	(61,648,518)
Balance, September 30, 2023	-	\$ -	1,000	\$ 10	\$ 317,269,057	\$ (75,538,885)	\$ (89,648)	\$ 241,640,534

The accompanying notes are an integral part of these consolidated financial statements.

**EMPOWER BRANDS FRANCHISING**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 AND**  
**FOR THE PERIOD OF DECEMBER 24, 2020 TO SEPTEMBER 30, 2021 (SUCCESSOR)**  
**AND FOR THE PERIOD OF OCTOBER 1, 2020 TO DECEMBER 23, 2020 (PREDECESSOR)**

	<u>Successor</u> Year Ended <u>September 30, 2023</u>	<u>Successor</u> Year Ended <u>September 30, 2022</u>	<u>Successor</u> December 24, 2020 to September 30, 2021	<u>Predecessor</u> October 1, 2020 to December 23, 2020
Cash Flows from Operating Activities:				
Net Loss from Continuing Operations	\$ (61,648,518)	\$ (3,459,985)	\$ (2,178,271)	\$ (4,190,210)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:				
Bad debt expense	3,897,053	11,379	-	20,913
Depreciation and amortization	19,050,467	16,259,847	7,817,036	961,941
Goodwill impairment (Note 4)	26,768,050	-	-	-
Amortization of debt issuance costs	1,123,085	1,024,303	445,773	102,518
Self-insurance income	(1,349,837)	(1,344,728)	(757,446)	(245,622)
Earnout forfeited (Note 11)	(593,690)	-	-	-
Operating lease expense	4,226,687	-	-	-
Operating lease payments	(4,216,237)	-	-	-
Legal settlement (Note 8)	30,000,000	-	-	-
Credit for deferred income taxes	(16,617,683)	(3,322,445)	(2,848,619)	(1,212,031)
Stock-based compensation	1,394,132	990,499	579,849	-
(Increase) decrease in:				
Accounts receivable	(2,315,874)	(2,523,481)	2,122,942	813,570
Insurance receivable	1,390,788	66,857	(7,386)	794,592
Royalties receivable	(1,366,590)	(3,451,751)	(3,113,745)	61,758
Rebates receivable	(1,815,484)	-	-	-
Inventory	(1,043,705)	(122,300)	-	-
Notes receivable	197,099	199,131	(429,639)	25,470
Prepaid expenses	126,774	(1,033,925)	40,055	(765,404)
Income taxes receivable	(2,510,141)	(852,567)	(183,186)	175,220
Other assets	162,252	(181,006)	(44,612)	64,376
Increase (decrease) in:				
Accounts payable and accrued expenses	3,121,874	(718,460)	1,111,152	9,550,498
Deferred revenues	541,857	1,314,155	(196,597)	80,841
Funds held on behalf of others	3,819	1,200,625	43,776	(428,474)
Deferred rent	-	(22,919)	13,520	13,180
Income taxes payable	4,101,260	(624,829)	(344,370)	628,096
<b>Net Cash Provided by Operating Activities</b>				
from Continuing Operations	2,627,438	3,408,400	2,070,232	6,451,232
Net Cash Provided (Required) by Operating Activities				
from Discontinued Operations	-	(234,619)	(212,644)	159,672
<b>Net Cash Provided by Operating Activities</b>	<u>2,627,438</u>	<u>3,173,781</u>	<u>1,857,588</u>	<u>6,610,904</u>
Cash Flows from Investing Activities:				
Acquisition of Koala and Wallaby (Note 11)	(13,169,966)	-	-	-
Acquisition of Bumble-LA (Note 11)	(3,623,431)	-	-	-
Net cash received from acquisition of Canopy (Note 11)	641	-	-	-
Acquisition of Junk Junky Baby (Note 11)	(125,000)	-	-	-
Acquisition of Superior Fence & Rail (Note 11)	-	(8,496,022)	-	-
Net cash received from acquisition of				
of The Contents Specialists (Note 11)	-	-	360,790	-
Acquisition of Outdoor Living Brands (Note 11)	-	-	(30,174,724)	-
Proceeds from sale of The Intelligent Office, Inc. (Note 13)	-	1	-	-
Purchases of property and equipment	(2,882,746)	(3,518,684)	(1,043,214)	(145,536)
<b>Net Cash Required by Investing Activities</b>				
from Continuing Operations	(19,800,502)	(12,014,705)	(30,857,148)	(145,536)
Net Cash Required by Investing Activities				
from Discontinued Operations	-	-	(16,391)	(181,407)
<b>Net Cash Required by Investing Activities</b>	<u>(19,800,502)</u>	<u>(12,014,705)</u>	<u>(30,873,539)</u>	<u>(326,943)</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**EMPOWER BRANDS FRANCHISING**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 AND**  
**FOR THE PERIOD OF DECEMBER 24, 2020 TO SEPTEMBER 30, 2021 (SUCCESSOR)**  
**AND FOR THE PERIOD OF OCTOBER 1, 2020 TO DECEMBER 23, 2020 (PREDECESSOR)**

(Continued)

	<u>Successor</u> Year Ended <u>September 30, 2023</u>	<u>Successor</u> Year Ended <u>September 30, 2022</u>	<u>Successor</u> December 24, 2020 to September 30, 2021	<u>Predecessor</u> October 1, 2020 to December 23, 2020
<b>Cash Flows from Financing Activities:</b>				
Payment of earnout provision	\$ (4,406,310)	\$ (1,000,000)	\$ (2,500,000)	\$ -
Proceeds from financing arrangements	-	-	-	1,322,305
Principal payments on financing arrangements	(2,451,500)	(2,309,000)	(1,061,250)	(5,100,000)
Debt issuance costs	(500,000)	-	(1,398,000)	-
Stockholder contributions	25,000,000	11,943,783	32,900,000	-
<b>Net Cash Provided (Required) by Financing Activities</b>				
from Continuing Operations	17,642,190	8,634,783	27,940,750	(3,777,695)
Net Cash Provided by Financing Activities				
from Discontinued Operations	-	-	-	-
<b>Net Cash Provided (Required) by Financing Activities</b>	<u>17,642,190</u>	<u>8,634,783</u>	<u>27,940,750</u>	<u>(3,777,695)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	469,126	(206,141)	(1,075,201)	2,506,266
Cash, Beginning of Period	<u>4,191,128</u>	<u>4,397,269</u>	<u>5,472,470</u>	<u>2,966,204</u>
Cash, End of Period	<u>\$ 4,660,254</u>	<u>\$ 4,191,128</u>	<u>\$ 4,397,269</u>	<u>\$ 5,472,470</u>
<b>Reconciliation of Cash to the Consolidated Balance Sheet:</b>				
Cash from Continuing Operations	\$ 4,660,254	\$ 4,191,128	\$ 4,302,513	\$ 5,382,229
Cash from Discontinued Operations	-	-	94,756	90,241
	<u>\$ 4,660,254</u>	<u>\$ 4,191,128</u>	<u>\$ 4,397,269</u>	<u>\$ 5,472,470</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid during the year for:				
Interest	\$ 27,294,513	\$ 17,681,381	\$ 8,430,585	\$ 41,402
Income taxes	<u>\$ 2,139,000</u>	<u>\$ 3,095,513</u>	<u>\$ 2,190,000</u>	<u>\$ 3,800</u>

**Schedule of Non-Cash Investing and Financing Activities:**

Effective October 1, 2020 the Company adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). As a result, the Company recorded non-cash transactions to increase deferred franchise fees of approximately \$961,000, deferred cleaning and restoration services of approximately \$902,000, recognize certain advertising funds received in excess of advertising expenditures of approximately \$253,000, and an adjustment to deferred taxes of approximately \$171,000.

From the period of October 1, 2020 through December 23, 2020, the predecessor period, the Company was a wholly owned subsidiary of Lynx-JP Holdings, Inc. As further discussed in Note 12, the Company was purchased by Bobcat Holdings Group, LP on December 24, 2020. In conjunction with the acquisition, the balance sheet of the Company was adjusted to market values based upon fair market appraisals received by the Company increasing member's equity by approximately \$115,246,000.

As discussed further in Notes 5 and 11, in December 2021, July 2021, September 2021, and April 2023, the Company obtained notes payable in the amounts of \$32,000,000, \$5,400,000, \$60,000,000 and \$25,000,000, respectively, to fund acquisitions and to pay a portion of related acquisition and debt issuance costs. As further discussed in Note 11, in December 2021, April 2023, and May 2023 certain acquisitions were partially funded through the issuance of units of ownership interest in the Company valued at \$25,000,000, \$55,000,000 and \$200,000, respectively.

As further discussed in Notes 2 and 8, effective October 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). Adoption of this ASU resulted in the Company recording right-of-use ("ROU") assets of approximately \$16,207,000 and corresponding operating lease liabilities of approximately \$17,156,000 at the date of adoption. The difference in ROU asset and operating lease liability at inception is due to a deferred rent and certain tenant allowances of approximately \$949,000 at October 1, 2022 which has been netted against the ROU asset.

The accompanying notes are an integral part of these consolidated financial statements.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 1 – DESCRIPTION OF BUSINESS**

Empower Brand Franchising (“Empower”) and Empower’s wholly owned subsidiaries are described below (collectively the “Company”).

1. (“Empower”) Empower Brands Franchising: Empower contains the investments in all of the operating companies (described below) and is the holder of all financing arrangements. Empower is a wholly owned subsidiary of MidOcean BCAT Holdings, Inc. (“BCAT”)
2. (“JPI”) Jan-Pro Franchising International, Inc. and (“JPE”) Jan-Pro Enterprises, LLC: JPI and JPE are engaged in the business of selling and supporting country master (“CM”) and regional franchise developers (“RFD”) franchises in the United States of America, Canada and internationally, selling and servicing national accounts, as well as providing new business services to franchisees worldwide. The country masters and regional franchise developers are in turn focused on acquiring customers, selling unit franchise packages and supporting their unit’s growth.
3. (“IOS”) The Intelligent Office System, LLC: IOS is engaged in the business of selling franchises in the United States of America for its distinctive concept for telecommuting services, virtual offices and executive services which provide advanced telecommunications and office support services to business and individuals.
4. (“IOC”) Intelligent Office of Canada, Inc: IOC is engaged in the business of selling franchises in the United States of America and Canada for its distinctive concept for telecommuting services, virtual offices and executive services which provide advanced telecommunications and office support services to business and individuals.
5. (“IOI”) The Intelligent Office, Inc: IOI is engaged in the business providing “big-business” infrastructure for business of any size by leasing office space, technology and staff solutions to assist its customers in achieving their long-term goals. IOI operates in Denver, Colorado and surrounding metro areas as a franchisee of IOS. As further discussed in Note 13, on June 1, 2022, the Company sold IOI. The consolidated financial statements have been modified to reflect IOI’s operations and financial position as discontinued operations.
6. (“FRST”) FRSTeam, LLC: FRST sells franchises to operate restoration dry cleaning businesses for fabric and electronic goods damaged in a residential or commercial loss. The Company’s franchises operate under the business model developed and used by Custom Commercial Dry Cleaners, LLC.
7. (“CCDC”) Custom Commercial Dry Cleaners, LLC: CCDC provides residential and commercial restoration services for a variety of textiles, electronics and fabrics damaged by mold, fire, water, smoke or other elements. CCDC operates in California, Oregon, Washington, Idaho, Colorado, and Nevada as a franchisee of FRST. In 2021, CCDC acquired all assets and liabilities of Strategic Key Group, Inc., doing business as The Contents Specialists (“TCS”) to expand its current service offerings.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 1 – DESCRIPTION OF BUSINESS (Continued)**

8. (“OLB”) Outdoor Living Brands: OLB, located in Virginia, operates multiple franchise brands serving the outdoor living products and service markets. Its customers are primarily located throughout the United States of America and Canada. OLB includes three franchise brands under the trade names Archadeck Outdoor Living, Outdoor Lighting Perspectives and Conserva Irrigation (referred to hereafter as, the “brands”). The brands sell franchises and provide support for franchisees using standardized products, services and procedures developed by the franchisor. As discussed further in Note 11, during 2022, the OLB acquired the assets of Superior Fence & Rail, Inc., Superior Fence & Rail Franchising, LLC, and Superior Fence & Rail of North Florida, Inc. (“SFR-NOFL”) (collectively referred to as “Superior”) for the purpose of adding a fencing service brand to the aforementioned brands. On April 13, 2023, OLB acquired Wallaby Franchise, LLC (“Wallaby”), Wallaby’s wholly owned subsidiary and operating unit located in Melbourne, Florida, Facility FranCo, LLC (“Wallaby-Melbourne”), and Koala Franchise, LLC (“Koala”). On May 1, 2023, OLB acquired Bumble Roofing of LA, LLC (“Bumble-LA”) and formed Bumble Franchising, LLC (“Bumble”) On June 13, 2023, OLB entered into an equity purchase agreement with Canopy Franchise Corporation (“Canopy”) to acquire 60% of Canopy’s outstanding equity. On August 31, 2023, OLB formed JJB Franchisor, LLC (“JJB”) to acquire Junk, Junk, Baby! Franchising, LLC and Junk, Junk, Baby! IP, LLC. The 2023 acquisitions are discussed further in Note 11 and these acquisitions provide OLB the opportunity to expand their brand offering to include services associated with residential window and door installation, insulation installation, roofing repair, replacement and inspection, lawn care services and junk removal services.
9. (“Lynx IP”) Lynx Franchising Intellectual Property, LLC: Lynx was formed as part of the OLB acquisition. This entity enters into a zero-dollar license agreement with the other Lynx subsidiaries for use of trademarks and other intellectual property of Lynx IP.

All material inter-company transactions have been eliminated.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Presentation

The accompanying consolidated financial statements include the successor consolidated balance sheet as of September 30, 2023, 2022, and 2021, and the related successor statements of operations, stockholders’ equity, and cash flows for the years ending September 30, 2023 and 2022 and period from December 24, 2020 to September 30, 2021. The accompanying consolidated financial statements also include the predecessor consolidated statements of operations, stockholders’ equity, and cash flows for the period from October 1, 2020 to December 23, 2020.

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Reclassifications

Certain 2022 and 2021 balances have been reclassified to conform with 2023 consolidated financial statement presentation.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Policy

Effective October 1, 2022, the Company adopted Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The Company adopted ASU 2016-02 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to equity recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Company’s beginning equity balance. Upon adoption, the Company elected to use risk-free discount rate, an option only available to private entities, when calculating the present value of future lease payments if an interest rate is not explicit in a lease agreement.

Adoption of this ASU resulted in the Company recording right-of-use (“ROU”) assets of \$16,207,110 and corresponding operating lease liabilities of \$17,155,650 on October 1, 2022 which represents the present value of future lease payments on the Company’s office and warehouse leases further detailed in Note 8 at the date of adoption. The difference in ROU asset and operating lease liability at inception is due to a deferred rent and certain tenant allowances of \$948,540 at October 1, 2022 which has been netted against the ROU asset.

Noncontrolling Interest

As discussed further in Note 11, during 2023, OLB acquired a controlling interest in Canopy. OLB is entitled to 60% of the earnings (losses) of this entity. The remaining earnings (losses) of the entity that are not attributable to OLB are presented separately in the accompanying consolidated financial statements.

Accounts and Royalties Receivable

Accounts receivable consists of amounts for restoration contracts, supplies, amounts due from franchisee royalties and advertising fund contributions, and management fees earned by the Company. The Company uses the reserve method of accounting for doubtful accounts. During 2023, management identified specific accounts receivable related to CCDC that may not be collectible after exhausting collections efforts resulting in recording bad debts expense of approximately \$3,774,000.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts and Royalties Receivable (Continued)

At September 30, accounts receivable, net was comprised of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Restoration services	\$ 10,282,288	\$ 11,623,813	\$ 6,921,015
Service contracts and fees	7,079,102	5,303,455	5,838,295
Fencing and rail revenues	2,497,559	1,533,838	-
Product sales	1,474,348	1,009,436	717,463
Residential and commercial roofing	1,020,460	-	-
Window and door installation	393,787	-	-
Other	10,514	48,704	4,919
	<u>22,758,058</u>	<u>19,519,246</u>	<u>13,481,692</u>
	<u>(3,971,162)</u>	<u>(1,416,649)</u>	<u>(1,283,998)</u>
	<u>\$ 18,786,896</u>	<u>\$ 18,102,597</u>	<u>\$ 12,197,694</u>

Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost and accumulated depreciation for property and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and resulting gains and losses are recognized currently. Minor maintenance, repairs, and renewals are expensed as incurred.

Intangible Assets

The Company's franchise agreements, internally developed software, trademarks, territory rights, customer contracts, non-compete agreements and goodwill were assigned fair values based upon appraisals obtained as part of recapitalizations, including the 2021 recapitalization further discussed in Note 12 and business acquisitions discussed in Note 11. The value associated with the RFD franchise agreements, trademarks and non-compete agreements are being amortized on a straight-line basis over 5-25 years.

The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the RFD financing agreements, trademarks and non-compete agreements as well as whether changes have occurred to determine if all intangible assets are recoverable.

Goodwill is not amortized, but is tested for impairment using a fair value approach. If the fair value of the reporting unit is less than its carrying value, or if the fair value of the goodwill has been diminished, an impairment loss would be recorded to the extent of that difference. The Company tests for impairment as of September 30 annually. Goodwill will be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value or diminish the fair value of the goodwill.

As discussed further in Note 4, at September 30, 2023, IOS, IOC and CCDC determined that goodwill should be written-down to adjust the balance to its current fair value. As such, IOS, IOC and CCDC have recorded a goodwill impairment of \$9,865,658, \$1,782,303, and \$15,120,089, respectively in the accompanying consolidated statement of operations.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 9,764,074	\$ 7,281,664	\$ 7,608,720
Accrued payroll, bonuses, and other personnel related expenses	3,669,655	2,840,240	2,599,733
Other	2,396,613	2,719,245	2,804,825
	<u>\$ 15,830,342</u>	<u>\$ 12,841,149</u>	<u>\$ 13,013,278</u>

Revenue Recognition

Revenues for the Company are disaggregated into the following revenue streams:

Franchise Royalties and Advertising Fund Contributions

The Company collects royalties and advertising fund contributions ranging from 1% to 6% of a franchisee's monthly revenues. Royalties and advertising fund contributions are considered variable consideration. GAAP requires variable consideration that is to be recognized over the term of the franchise agreement to be estimated at the inception of the Franchise Agreement. Deferred revenue and a receivable would normally be recognized at the inception of the Franchise Agreement based on this estimate; however, given the nature of the business, the constraints associated with estimating these fees cannot be overcome in order to determine an estimate of the variable consideration that would not be likely to result in a significant reversal. Accordingly, as allowed by GAAP, these fees are recognized in the month in which services are performed for customers.

Franchise Fees

The Company sells franchises which grant a right to operate within a designated territory. These franchises are conveyed through a Franchise Agreement.

The sale of the franchises is reflected within Franchise Fees in the accompanying statements of operations. Franchise fees (including renewal and transfer fees) range from \$15,000 to \$600,000.

Following execution of the Franchise Agreement, the Company agrees to provide certain initial services, including advertising material, manuals and training aids, and three weeks of training and on-site assistance. The right to operate within the territory represents the Company fulfilling its performance obligation over the Franchise Agreement. Accordingly, revenues are recognized on a straight-line basis, beginning upon grand opening of their location, over the term of the Franchise Agreement, which is 15 years. The contract liability "deferred revenue on franchise fees" represents franchise fees for franchisees that are being deferred over the remaining term of the Franchise Agreement.

In certain instances, the Company finances the sale of Franchise Agreements through issuance of notes receivable.



**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

Service contracts and fees

Service contracts and fees include administrative fees charged to franchisees. The Company's performance obligation is to handle billings and collections on behalf of the franchisees for national accounts and certain insurance carriers. When remitting funds to the franchisees, the Company retains its earned associated fee from these collections. Generally, service contracts and fees are earned and collected weekly.

Restoration services

The Company's revenues from dry cleaning, restoration and storage services generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Dry cleaning and restoration are normally completed in one to three weeks. These contracts seldom have multiple performance obligations or variable consideration. Deferred revenue represents funds and billings received from customers or customers' insurance companies before the dry cleaning, restoration and storage services have been completed.

Fencing and Rail and Window and Door Installation Revenues

SFR-NOFL's fencing and rail contracts and Wallaby-Melbourne's door and window contracts generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. These contracts are normally short term (less than one month) and seldom have multiple performance obligations or variable consideration. The contract liability "customer deposits" represents funds received from customers before the contract has commenced. Customers are billed upon contract completion. SFR-NOFL and Wallaby-Melbourne provides a labor warranty following completion of services performed under its contracts. Historically, warranty claims have not resulted in materials costs incurred.

Office space rental, technology and service fees

All of IOI's service contracts were entered into with customers via Membership Agreements which govern all service offerings and outlines the contract terms and fees for each service selected. Customers could select a variety of business infrastructure services for their individual Membership Agreement, which normally spanned one year. Regardless of services selected, all offerings were billed monthly and recognized as revenue over the term of the Membership Agreement. As discussed further in Note 13, IOI discontinued its operations in 2022.

Product Sales

OLB and Koala sell and distribute to its franchisees certain products required for use in the operation of a franchise. The revenue from the sale of these products is recognized at the point in time the products and services are delivered.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

Residential and Commercial Roofing

Bumble-LA's residential roofing contracts generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Residential roofing contracts are normally completed in one to five days. These contracts seldom have multiple performance obligations or variable consideration. The contract liability "customer deposits" represents funds received from customers before the residential roofing contract has commenced. Customers are billed upon contract completion.

Bumble-LA's commercial roofing services are provided through discrete project agreements. The contracts are awarded on a competitively bid and negotiated basis. The Company's contracts generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. For cost-plus fee contracts, the Company recognizes revenue when services are performed and contractually billable based upon the hours incurred and agreed-upon hourly rates as well as subcontractor costs and materials cost. Revenue on fixed-price contracts is recognized and invoiced over time using the cost-to-cost percentage-of-completion method.

Ancillary

Ancillary fees are comprised primarily of administrative fees, technology, training, and other services which are billed monthly per each franchise location with adjustments for gross revenues and other factors. The performance obligation associated with these fees relate to the use of the Company's proprietary software and technology required to operate an individual franchise unit. These fees are considered variable consideration. GAAP requires variable consideration that is to be recognized over the term of the franchise agreement to be estimated at the inception of the Franchise Agreement. Deferred revenue and a receivable would normally be recognized at the inception of the Franchise Agreement based on this estimate; however, given the nature of the business, the constraints associated with estimating these fees cannot be overcome in order to determine an estimate of the variable consideration that would not be likely to result in a significant reversal. Accordingly, as allowed by GAAP, these fees are recognized in the month in which services are performed for customers.

Concentrations of Credit Risk

The Company grants credit to its franchisees in the form of notes receivable secured by personal guarantees of the owners of the franchise. The Company routinely assesses the financial strength of its franchises, and as a consequence, believes its receivable credit risk exposure is limited. Based on the assessment by management, the Company has decided to implement an allowance for collection of notes receivables of \$159,010, \$114,710, and \$114,710 at September 30, 2023, 2022 and 2021, respectively.

The Company maintains its cash in bank deposits which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

GAAP requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

The Company accounts for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Company utilizes a two-step approach for evaluating tax positions. Recognition occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement is only addressed if recognition has been satisfied. Under measurement, the tax benefit is measured at the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon final settlement. The term "more likely than not" is interpreted to mean that the likelihood of occurrence is greater than 50%. The Company recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense and these amounts were not significant for the successor years ended September 30, 2023 and 2022, nor the successor period from December 24, 2020 through September 30, 2021 nor the predecessor period from October 1, 2020 through December 23, 2020.

Deferred income taxes are provided for differences in timing of income and expenses for financial reporting and income tax reporting purposes. In general, the Company is no longer subject to income tax examinations for tax years ending before September 30, 2020.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows at September 30:

	<u>Estimated Useful Life</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Computers and software	3-5 years	\$ 2,459,859	\$ 1,880,359	\$ 807,989
Furniture and fixtures	7 years	803,255	587,625	440,088
Equipment	5-7 years	3,095,086	1,342,601	939,391
Automobiles	5 years	1,452,385	2,471,703	1,137,684
Leasehold improvements	15 years	5,234,838	3,453,423	2,788,144
Website development costs	3 years	1,080,923	890,228	369,583
		<u>14,126,346</u>	<u>10,625,939</u>	<u>6,482,879</u>
Less: accumulated depreciation		<u>(5,285,287)</u>	<u>(2,571,005)</u>	<u>(803,476)</u>
		<u>\$ 8,841,059</u>	<u>\$ 8,054,934</u>	<u>\$ 5,679,403</u>

Depreciation expense was \$2,727,450, \$1,784,793, \$803,476, and \$318,056, for the successor years ended September 30, 2023 and 2022, the successor period from December 24, 2020 through September 30, 2021, and the predecessor period from October 1, 2020 through December 23, 2020, respectively.

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**NOTE 4 – INTANGIBLES**

Intangibles consist of the following at September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchise agreements and territory rights	\$ 124,884,000	\$ 99,660,000	\$ 89,150,000
Customer contracts	20,560,000	20,560,000	20,560,000
Internally developed software	10,170,000	10,170,000	7,470,000
Territory rights	727,136	727,136	727,136
Trademarks	8,696,342	6,230,000	5,280,000
	<u>165,037,478</u>	<u>137,347,136</u>	<u>123,187,136</u>
Less: accumulated amortization	<u>(37,839,075)</u>	<u>(21,516,058)</u>	<u>(7,041,004)</u>
	127,198,403	115,831,078	116,146,132
Goodwill and franchise systems	380,552,318	335,216,070	287,058,114
	<u>\$ 507,750,721</u>	<u>\$ 451,047,148</u>	<u>\$ 403,204,246</u>

Amortization expense was \$16,323,017, \$14,475,054, \$7,041,004 and \$643,885, for the successor years ended September 30, 2023 and 2022, for successor period from December 24, 2020 through September 30, 2021, the predecessor period from October 1, 2020 through December 23, 2020, respectively.

During 2023, forecasted revenues and gross margins compared to the original model decreased substantially for IOS, IOC and CCDC. Based on these facts, Company management concluded that IOS, IOC and CCDC had a triggering event requiring reassessment of their goodwill. Company management reviewed the long-lived assets associated with these reporting segments, and recorded impairment write-downs related to goodwill of \$9,865,658, \$1,782,303, and \$15,120,089 for IOS, IOC and CCDC, respectively, in the accompanying consolidated statement of operations. The impairment loss was measured using a market approach utilizing an Earnings Before Interest, Taxes, Depreciation and Amortization multiple model.

Approximate future amortization expense for the years sending September 30 are as follows:

2024	\$ 18,709,000
2025	18,649,000
2026	17,894,000
2027	16,628,000
2028	16,628,000
Thereafter	38,690,000
	<u>\$ 127,198,000</u>

**NOTE 5 – FINANCING ARRANGEMENTS**

Term Loans and Revolving Loan

As part of the recapitalization discussed further in Note 12, the Company refinanced the outstanding balances from previously existing arrangements with a new credit facility and obtained additional borrowings. The recapitalization financing included a term loan in the amount of \$141,500,000 and revolving loan with available borrowings of \$10,000,000. The recapitalization financing bears interest at SOFR (with a floor of 1%) plus 5.25% to 6.75% depending on the Company's leverage ratio as defined within the financing agreement (an effective rate of 11.45% at September 30, 2023).

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**NOTE 5 – FINANCING ARRANGEMENTS (Continued)**

Term Loans and Revolving Loan (Continued)

The recapitalization term loan requires quarterly principal payments of \$353,750 through December 22, 2026, the maturity date. At September 30, 2023, the outstanding balance of the recapitalization term loan was \$137,608,750. There were no outstanding borrowings on the new revolving loan at September 30, 2023.

In December 2021, September 2021, July 2021, and April 2023 the Company obtained additional term notes under its credit facility in the amounts of \$32,000,000 (“Superior Note”), \$60,000,000 (“OLB Note”) and \$5,400,000 (“TCS Note”) \$25,000,000 (“Koala Note”), respectively, to finance the acquisition of Koala, Superior, TCS and OLB, respectively, as further discussed in Note 11. These notes bear interest at SOFR (with a floor of 1%) plus 5.25% to 6.75% depending on the Company’s leverage ratio as defined within the financing agreement (an effective rate of 11.45% at September 30, 2023). The Koala Note, Superior Note, TCS Note and OLB Note require quarterly principal payments of \$62,500, \$80,000, \$13,500 and \$150,000, respectively, through December 22, 2026, the maturity date. At September 30, 2023, the outstanding balance of the Koala Note, Superior Note, TCS Note and OLB Note was \$24,937,500, \$31,440,000, \$5,292,000 and \$58,800,000, respectively.

Financing arrangements are presented net of unamortized debt issuance costs of \$3,902,936 at September 30, 2023. Total expense associated with amortization of debt issuance costs was \$1,123,085, \$1,024,303 and \$445,773 for the years ended September 30, 2023 and 2022 and the successor period of December 24, 2020 to September 30, 2021, respectively, which is included within interest expense in the accompanying consolidated statement of operations.

The new arrangements are secured by substantially all assets of the Company and guaranteed by the Company. Additionally, the financing arrangements contain various covenants including restrictions on capital expenditures, events of default, and certain financial coverage ratios. The Company was in compliance with all of its covenants as of September 30, 2023.

Note Payable

In conjunction with the equity purchase of Canopy further discussed in Note 11, Canopy entered into a note payable agreement with an entity that owns a minority interest in Canopy, in the principal amount of \$525,000. The unpaid principal balance bears interest at a fixed rate of 10% compounded annually. All unpaid principal and interest is due in full on June 13, 2033, the maturity date. The note can be prepaid at any time before the maturity date with no penalty.

Future principal maturities of the Company’s financing arrangements for the fiscal years ending September 30 are as follows:

2024	\$ 2,639,000
2025	2,639,000
2026	2,639,000
2027	250,161,250
2028	-
Thereafter	<u>525,000</u>
	258,603,250
Less: debt issuance costs, net of accumulated amortization	<u>(3,902,936)</u>
	<u>\$ 254,700,314</u>

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 6 – RELATED PARTY TRANSACTIONS**

The Company is party to management and consulting agreements with certain members of equity groups holding ownership units of the Company. Board fees incurred by the Company's continuing operations during 2023, 2022, and 2021 approximated \$2,056,000, \$2,076,000, and \$1,412,000, respectively.

**NOTE 7 – INCOME TAXES**

The provision (credit) for income taxes consists of the following for the following periods for the Company's continuing and discontinued operations:

*Continuing Operations:*

	<u>Successor</u> Year Ended <u>September 30, 2023</u>	<u>Successor</u> Year Ended <u>September 30, 2022</u>	<u>Successor</u> December 24, 2020 to <u>September 30, 2021</u>	<u>Predecessor</u> October 1, 2020 to <u>December 23, 2020</u>
Current:				
Federal	\$ 3,122,640	\$ 1,090,257	\$ 1,251,859	\$ 807,988
Foreign	146,857	161,466	104,210	37,826
State	781,727	532,251	372,364	73,135
	<u>4,051,224</u>	<u>1,783,974</u>	<u>1,728,433</u>	<u>918,949</u>
Deferred:				
Federal	(14,641,082)	(2,727,785)	(1,601,322)	(936,554)
State	(3,569,939)	(594,660)	(459,772)	(275,576)
	<u>(18,211,021)</u>	<u>(3,322,445)</u>	<u>(2,061,094)</u>	<u>(1,212,130)</u>
	<u>\$ (14,159,797)</u>	<u>\$ (1,538,471)</u>	<u>\$ (332,661)</u>	<u>\$ (293,181)</u>

*Discontinued Operations:*

	<u>Successor</u> Year Ended <u>September 30, 2022</u>	<u>Successor</u> December 24, 2020 to <u>September 30, 2021</u>	<u>Predecessor</u> October 1, 2020 to <u>December 23, 2020</u>
Current:			
Federal	\$ (41,456)	\$ 18,369	\$ (45,657)
State	(11,756)	4,170	(60)
	<u>(53,212)</u>	<u>22,539</u>	<u>(45,717)</u>
Deferred:			
Federal	1,105	(31,664)	35,356
State	306	(8,777)	9,800
	<u>1,411</u>	<u>(40,441)</u>	<u>45,156</u>
	<u>\$ (51,801)</u>	<u>\$ (17,902)</u>	<u>\$ (561)</u>

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 7 – INCOME TAXES (Continued)**

Deferred income tax assets (liabilities) at September 30 consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Intangibles	\$ (22,371,136)	\$ (23,588,879)	\$ (23,586,558)
Tax over book depreciation	(2,026,531)	(1,919,602)	(1,384,449)
Net operating loss	452,965	414,739	435,477
Valuation allowance	(828,207)	(410,032)	(409,203)
Interest deduction limitation	6,752,123	2,015,894	-
Legal settlement	7,366,500	-	-
Other	2,042,757	1,097,117	1,277,360
	<u>\$ (8,611,529)</u>	<u>\$ (22,390,763)</u>	<u>\$ (23,667,373)</u>

The provision for income taxes differs from statutory rates primarily due to state taxes, permanent basis differences and tax loss disallowance related to sale of IOI, and the impact of other non-deductible items. While management does not anticipate material changes to provisional estimates, there could be changes in estimates that can result from finalizing the filing of the Company's related income tax returns.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Leases

The Company leases office and warehouse space under non-cancelable operating leases that mature at various dates through June 2033.

As detailed in Note 1, the Company adopted ASU 2016-02, *Leases*, on October 1, 2022 and has recorded ROU assets and liabilities which represent the present value of future lease payments using the risk free rate of return that corresponds to the lease length.

At September 30, 2023, the Company's operating lease liabilities were comprised of the following:

Gross operating lease liabilities	\$ 15,047,915
Less: present value discount	<u>(1,297,580)</u>
Present value of operating lease liabilities	13,750,335
Less: current portion of operating lease liabilities	<u>(4,059,686)</u>
Long-term operating lease liabilities	<u>\$ 9,690,649</u>

At September 30, 2023, the weighted average remaining lease term for all financing leases was 4.3 years and the weighted average discount rate was 3.96%.

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The schedule below summarizes the future minimum annual lease payments for all leases for the years ending September 30:

2024	\$ 4,449,128
2025	3,768,697
2026	2,879,350
2027	1,686,152
2028	590,029
Thereafter	<u>1,674,559</u>
	15,047,915
Less: present value discount	<u>(1,297,580)</u>
	<u>\$ 13,750,335</u>

Legal Settlement

Certain legal actions, proceedings, and claims were asserted against JPI. The Company's policy is to accrue a liability if an unfavorable outcome is probable, and the amount can be reasonably estimated. Based upon currently available information, it is the opinion of management and outside counsel that an accrual as of September 30, 2023 of \$30,000,000 be recorded for the preliminary motion of settlement approved by the court. The Company will fund this liability through incremental debt, equity, or a combination thereof. The settlement of this liability is not expected to negatively impact ongoing operations or the Company's ability to generate operating cash flow.

**NOTE 9 – SELF-INSURANCE**

Self-Insurance Program

During 2016, the Company began providing a self-insurance program for its franchisees to cover workers compensation claims through October 2018. The program expired in October 2018 and was replaced with a new program that is reviewed for renewal on an annual basis. Under both self-insurance programs, premiums are charged to franchisees monthly and provides coverage for the franchisees through program expiration. Claims and administrative fees are paid out of premiums charged to franchisees. The Company has stop loss coverage for any losses in excess of program maximums. Estimated total premiums charged to franchisees collected over the term of the program that are in excess of claims and administrative fees incurred are recorded to income over term of the program.

Based on actuarial estimates, the Company has recorded other income in the accompanying consolidated statement of operations and stockholders' equity totaling approximately \$1,350,000, \$1,352,000, \$765,000, and \$246,000 related to the self-insurance programs during the successor years ending September 30, 2023 and 2022, and the period from December 24, 2020 through September 30, 2021 and the predecessor period from October 1, 2020 through December 23, 2020, respectively.

Estimated collections for premiums remitted in excess of claims and fees from both self-insurance programs are included within insurance receivable on the accompanying consolidated balance sheet.



**EMPOWER BRANDS FRANCHISING**  
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**NOTE 9 – SELF-INSURANCE (Continued)**

Terminated Captive

During 2007, the Company became a shareholder in a captive self-insurance company (“captive”) and participated in its programs for workers compensation coverage. The captive was terminated during 2012. Program premiums were paid by franchises of both the Company and JPI to the insurance company based on traditional underwriting practices coupled with usual and customary brokerage and administrative fees, while the insurance risk is spread among all members of the captive. Any losses per occurrence greater than \$100,000 or a maximum of \$750,000 in the aggregate, are underwritten by an outside insurance carrier. The maximum additional liability to the Company, based on a formula in the membership agreement, was approximately \$500,000 at September 30, 2023, 2022 and 2021. The consolidated financial statements do not include an accrual for these contingent liabilities as management believes the likelihood of incurring additional liability is remote.

In addition, the program contained a re-insurance arrangement through a major underwriter. Subsequent to the policy period end date, the captive will close that policy year. After determining the amount of final claims to be paid or reserved, the balance remaining is returned to the Company. It generally takes more than one year to collect these amounts. At September 30, 2023, the Company collected the remaining collateral from the underwriters and have recorded these within Insurance program income in the accompanying income statement. At September 30, 2022 and 2021, the Company had estimated the timing of receipt of these amounts and included with insurance receivable, net of current portion in the accompanying consolidated balance sheet.

**NOTE 10 – STOCK-BASED COMPENSATION**

During 2017, the Board of Directors of BCAT formed a Management Incentive Plan for the benefit of certain key employees. The purpose of the Management Incentive Plan was to provide additional incentives if and when the BCAT’s ownership changed. The purpose of the Management Incentive Plan is to provide additional incentives upon meeting certain time, performance and return on capital requirements. This Management Incentive Plan was terminated in connection with the recapitalization discussed at Note 12.

In connection with the recapitalization discussed in Note 12, the Company adopted a New Incentive Unit Plan (“New Plan”) for its employees and directors of the Company who perform services for the Company. In connection with this New Plan, BCAT issues management incentive units in the form of Time Vesting Units and Performance Vesting Units. Under this New Plan all stock-based compensation is incurred at the operating entity level and allocated based upon which entity receives the benefit of the employees and directors that receive the units. Below are the terms of these units under the New Plan:

*Time Vesting Units:*

These management incentive units are subject to restrictions on transfer and are generally subject to a risk of forfeiture if the recipient is no longer an employee or director of the Company for any reason prior to the lapse of its time vesting restriction. The stock-based compensation expense of these time vesting units was determined based on appraisal using a Monte Carlo Simulation, given the dynamic capital structure Company. This value was applied to the total number of shares that were anticipated to fully vest.

*Performance Vesting Units:*

These management incentive units become vested upon an exit event of the Company and the extent to which these units vest is dependent upon achieving equity multiple targets.

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**NOTE 10 – STOCK-BASED COMPENSATION (Continued)**

The following table summarizes the Company's Time Vesting Unit and Performance Vesting Unit activity:

	<u>Time Vesting Units</u>	<u>Performance Vesting Units</u>
Outstanding at December 24, 2020	-	-
Awards granted	10,639	10,639
Forfeited	(2,229)	(2,229)
Vested	(1,023)	-
Outstanding at September 30, 2021	7,387	8,410
Awards granted	3,129	3,129
Forfeited	(508)	(586)
Vested	(1,729)	-
Outstanding at September 30, 2022	8,279	10,953
Awards granted	1,654	1,654
Forfeited	(859)	(859)
Vested	(2,324)	-
Outstanding at September 30, 2023	6,750	11,748
Weighted average grant date fair value	\$ 606.99	\$ 559.72

Share-based compensation associated with Time Vesting Units and Performance Vesting Units was approximately \$1,400,000, \$990,000 and \$580,000 for the successor years ended September 30, 2023 and 2022 and the successor period of December 24, 2020 to September 30, 2021, and is included in the operating expenses of the Company's consolidated statement of operations. The Company recognizes share-based compensation on time vesting units on a straight-line basis over the requisite service period. There was approximately \$10,765,000 of unamortized compensation expense relating to outstanding time vesting and performance vesting units at September 30, 2023.

**NOTE 11 – ACQUISITIONS**

TCS

On July 12, 2021, the CCDC acquired all assets and liabilities of Strategic Key Group, Inc., doing business as TCS for total consideration of \$6,406,861, which includes a \$1,000,000 earnout provision subject to the acquired entity maintaining certain revenue and employee retention thresholds. This purchase was funded in part through borrowings under the financing arrangements discussed in Note 5. The \$1,000,000 earnout provision was paid during 2022. The allocation of the purchase price was as follows:

Cash	\$ 367,651
Receivables, net	894,569
Prepaid expenses and other assets	44,289
Property and equipment	187,855
Goodwill	5,252,904
Accounts payable and accrued expenses	(39,968)
Deferred tax liability	(300,439)
	<u>\$ 6,406,861</u>

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 11 – ACQUISITIONS (Continued)**

Superior Fence & Rail

On December 15, 2021, the Company acquired the assets of Superior Fence & Rail, Inc., Superior Fence & Rail Franchising, LLC, and Superior Fence & Rail of North Florida, Inc. (collectively referred to as “Superior”) for the purpose of adding a fencing service brand to its portfolio.

After net working capital adjustments, the purchase price of Superior was approximately \$69,256,000 which includes a \$5,000,000 earnout provision subject to Superior maintaining certain revenue and employee retention thresholds. The acquisition was funded by capital contributions from Empower consisting of units of ownership interest in BCAT valued at approximately \$25,000,000, debt financing of approximately, \$31,000,000 obtained by Empower, and cash.

The Company recorded tangible and intangible assets acquired and liabilities assumed in the acquisition under the purchase method of accounting. The consideration was allocated to assets and liabilities based on their fair values at the acquisition date. The \$5,000,000 earnout provision liability was allocated to Empower. During 2023, Empower was required to pay \$4,406,310 of this earnout and recognized the unearned portion of \$593,690 as other income on the accompanying consolidated statement of operations.

The allocation of the purchase price was as follows:

Royalties and accounts receivable, net	\$ 1,140,463
Inventory	828,453
Prepaid expenses and other assets	34,706
Property and equipment	641,641
Intangibles	70,288,642
Accounts payable and accrued expenses	(546,331)
Customer deposits	(1,086,724)
Deferred tax liability	(2,044,424)
	<u>\$ 69,256,426</u>

Wallaby Windows and Koala Insulation

On April 13, 2023, the Company acquired the assets of Wallaby, Wallaby-Melbourne, and Koala (collectively referred to as “Wallaby and Koala”) for the purpose of adding window, door, and insulation brands to the existing portfolio.

After net working capital adjustments, the purchase price of Wallaby and Koala was approximately \$93,203,000. The acquisition was funded by capital contributions from Empower consisting of units of ownership interest in BCAT valued at approximately \$55,000,000, debt financing of approximately, \$24,500,000 obtained by Empower, and cash.

The Company is in the measurement period to determine the fair value of assets and liabilities acquired; assets and liabilities acquired have been measured at their assessed values, however, these values may change about finalization of related accounting.

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 11 – ACQUISITIONS (Continued)**

Wallaby Windows and Koala Insulation (Continued)

The current assessed value of the opening balance sheet at the acquisition date is as follows:

Cash	\$ 33,145
Royalties and accounts receivable, net	1,401,921
Inventory	1,220,640
Prepaid expenses and other assets	966,809
Property and equipment	631,169
Intangibles	93,505,648
Accounts payable and accrued expenses	(152,960)
Deferred revenues	(1,394,476)
Deferred tax liability	(3,008,785)
	<u>\$ 93,203,111</u>

Bumble-LA

On May 1, 2023, the Company acquired the assets Bumble-LA for the purpose of adding a roofing contractor brand to the existing portfolio.

After net working capital adjustments, the purchase price of Bumble-LA was approximately \$3,823,000 which includes an earnout provision of approximately \$2,268,000, an estimate based on a percentage of the new formed franchisor's, Bumble, future franchise and royalties revenues. The acquisition was funded by capital contributions from Empower consisting of units of ownership interest in BCAT valued at approximately \$200,000 and cash.

The Company is in the measurement period to determine the fair value of assets and liabilities acquired; assets and liabilities acquired have been measured at their assessed values, however, these values may change about finalization of related accounting.

The current assessed value of the opening balance sheet at the acquisition date is as follows:

Accounts receivable, net	\$ 799,823
Intangibles	5,622,018
Deferred tax asset	170,336
Accounts payable and accrued expenses	(469,356)
Customer deposits	(31,850)
Earnout provision	(2,267,540)
	<u>\$ 3,823,431</u>

Canopy

On June 13, 2023, the Company entered into an equity purchase agreement with Canopy Franchise Corporation ("Canopy") to acquire 60% of Canopy's outstanding equity. In accordance with ASC 810, *Consolidation*, as the Company holds greater than 50% of the voting interest in Canopy, all of Canopy's assets, liabilities, and operations from the date of purchase through September 30, 2023 are reflected in the accompanying consolidated financial statements.

**EMPOWER BRANDS FRANCHISING  
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**NOTE 11 – ACQUISITIONS (Continued)**

Canopy (Continued)

The consideration was allocated to assets and liabilities based on their fair values at the acquisition date.

Cash	\$	841
Intangibles		541,634
Accounts payable and accrued expenses		(17,275)
Note payable		(525,000)
	\$	<u>200</u>

JJB

On August 31, 2023, the Company formed JJB Franchisor, LLC (“JJB”) to acquire Junk, Junk, Baby! Franchising, LLC and Junk, Junk, Baby! IP, LLC. JJB’s. No tangible assets were acquired nor liabilities assumed as a result of this acquisition. The full purchase price of \$125,000 was allocated to Goodwill.

**NOTE 12 – RECAPITALIZATION**

On December 23, 2020, Old Holdco stockholders entered into a securities purchase and sale agreement with a third party to sell/transfer 100% of the Old Holdco shares. In conjunction with this transaction, a recapitalization was completed involving the Company and each of its affiliates. The recapitalization was structured pursuant to which a new holding company, BCAT, was formed to purchase 100% of Old Holdco shares. As a result of the recapitalization, new equity of approximately \$164,000,000 was contributed by certain new stockholders in exchange for common stock of BCAT. As disused in Note 5, Empower also obtained borrowings totaling \$141,500,000 to fund the recapitalization, pay accrued expenses, redeem certain members and refinance previously existing debt.

After consideration exchanged and an appraisal/valuation of certain tangible and intangible assets of BCAT, the opening consolidated balance sheet of the Company, effective December 24, 2020, was as follows:

Cash	\$	5,472,470
Receivables, net		16,859,964
Prepaid expenses and other assets		1,362,872
Property and equipment		4,508,210
Intangibles		315,957,179
Total Assets	\$	<u>344,160,695</u>
Accounts payable and accrued expenses	\$	9,899,090
Deferred revenues		2,174,638
Other liabilities		1,716,194
Earnout provision		2,500,000
Financing arrangements, net of debt issuance costs of \$3,358,500		138,141,500
Deferred income taxes payable		25,468,469
Total Liabilities		<u>179,899,891</u>
Equity		<u>164,260,804</u>
Total Liabilities and Equity	\$	<u>344,160,695</u>

**EMPOWER BRANDS FRANCHISING**  
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**NOTE 13 – DISCONTINUED OPERATIONS**

During 2022, IOI successfully refranchised IOI's previously owned locations in the Denver, Colorado metro area. The three locations were sold to an existing franchise owner who was looking to expand the number of centers they operated and was also seeking to grow outside of their existing territories. This refranchising was strategically done by the Company in order to refocus its resources and investments on growing the franchise business and broadening franchisee support beyond what is already provided.

On June 1, 2022, the Company entered into an agreement to sell IOI for total consideration of \$1. The loss from the sale of IOI for the successor year ending September 30, 2022 was \$8,125,180 after consideration of an income tax benefit of \$50,343.

In accordance with GAAP, the Company's consolidated financial statements have been prepared and restated with the assets, liabilities, results of operations and cash flows of IOI displayed separately as "discontinued operations".

The loss from discontinued operations of IOI was comprised of the following:

	<b><u>Successor</u></b> <b>For the year</b> <b>ending</b> <b><u>September 30, 2022</u></b>	<b><u>Successor</u></b> <b>December 24, 2020</b> <b>to</b> <b><u>September 30, 2021</u></b>	<b><u>Predecessor</u></b> <b>October 1, 2020</b> <b>to</b> <b><u>December 23, 2020</u></b>
Revenues	\$ 1,092,606	\$ 1,368,770	\$ 383,531
Operating expenses	<u>1,308,423</u>	<u>1,411,525</u>	<u>409,318</u>
	(215,817)	(42,755)	(25,787)
Depreciation expense	(266)	(27,444)	(5,151)
Credit for income taxes	<u>51,801</u>	<u>17,902</u>	<u>561</u>
Net loss	<u>\$ (164,282)</u>	<u>\$ (52,297)</u>	<u>\$ (30,377)</u>

**EMPOWER BRANDS FRANCHISING**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023, 2022, AND 2021**

**NOTE 13 – DISCONTINUED OPERATIONS (Continued)**

IOI's assets and liabilities related to discontinued operations were as follows at September 30, 2021:

Cash	\$	94,756
Accounts receivable		64,967
Prepaid expenses		1,348
Total current assets		<u>161,071</u>
Property and equipment, net		365,347
Goodwill		7,970,686
Due from affiliated companies		350,856
Other assets		51,832
		<u>8,738,721</u>
Total assets	\$	<u>8,899,792</u>
Accounts payable and accrued expenses	\$	33,013
Deferred rent		184,165
Deferred revenues		153,545
Total current liabilities		<u>370,723</u>
Deferred taxes		30,025
Stockholder's equity		<u>8,499,044</u>
Total liabilities and stockholder's equity	\$	<u>8,899,792</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 18, 2024, which is the date the consolidated financial statements were available to be issued.

As of September 30, 2023, Empower entered into a binding agreement to sell IOS and IOC for total cash consideration of approximately \$4,300,000. The asset purchase agreement was executed effective December 27, 2023.

**UNAUDITED FINANCIAL STATEMENTS**  
**as of December 31, 2023**

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



## Empower Brands

### Income Statement

December 31, 2023

Year to Date

12/31/2023

<i>Royalties</i>	\$ 15,450,866
<i>Company Operations Revenue</i>	\$ 15,360,817
<i>National Accounts Revenue</i>	\$ 413,988
<i>Supply Chain Revenue</i>	\$ 1,941,893
<i>Franchise Sales</i>	\$ 2,728,708
<i>Marketing Fund</i>	\$ 2,093,451
<i>Other Revenue</i>	\$ 2,742,123
<i>Discounts &amp; Rebates</i>	\$ (362,412)
<b>Total Revenue</b>	<b>\$ 40,369,433</b>
<i>Direct Payroll</i>	\$ 3,478,127
<i>Direct Non-Payroll</i>	\$ 5,754,418
<b>Total Direct Cost</b>	<b>\$ 9,232,545</b>
<b>Gross Margin</b>	<b>\$ 31,136,888</b>
<i>Gross Margin %</i>	77.1%
<b>SG&amp;A Payroll</b>	\$ 8,294,325
<b>SG&amp;A Non-Payroll</b>	\$ 9,662,456
<b>Total SG&amp;A</b>	<b>\$ 17,956,780</b>
<b>EBITDA</b>	<b>\$ 13,180,108</b>
<i>EBITDA %</i>	32.6%
90200 Amortization	\$ 4,053,218

90210 Depreciation	\$	576,231
<b>Amortization &amp; Depreciation</b>	<b>\$</b>	<b>4,629,449</b>
<b>Operating Income</b>	<b>\$</b>	<b>8,550,659</b>
<i>Operating Income %</i>		21.2%
<b>Other Income</b>	<b>\$</b>	<b>494,350</b>
<i>Income Taxes</i>	\$	34,839
<i>Interest Expense</i>	\$	8,226,884
<i>Loan Expense</i>	\$	21,111
<i>Other Expense</i>	\$	2,024,019
<b>Other Expense</b>	<b>\$</b>	<b>10,306,854</b>
<b>Total Other Income/(Expense)</b>	<b>\$</b>	<b>(9,812,504)</b>
<b>Net Income</b>	<b>\$</b>	<b>(1,261,845)</b>
<i>Net Income %</i>		(3.1%)
AdFund Adjustment	\$	(765,242)
QofE Adjustment	\$	-
Run Rate/Other Adjustment	\$	-
<b>Total Adjustments</b>	<b>\$</b>	<b>(765,242)</b>
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>12,414,866</b>
<i>Adjusted EBITDA %</i>		30.8%
<b>EBITDA (excl. Fran Dev)</b>	<b>\$</b>	<b>10,914,463</b>
<i>EBITDA (excl. Fran Dev) %</i>		29.0%

## Empower Brands

### Balance Sheet

Component	12/31/2023
Cash and Cash Equivalents	\$ 6,862,200
Accounts Receivable, net	\$ 24,514,774
Notes Receivable, ST	\$ 23,680
Other Current Assets	\$ 10,548,715
<b>Current Assets</b>	<b>\$ 41,949,370</b>
Property, Plant, Equipment, Net	\$ 8,163,912
Intangibles, Net	\$ 516,290,037
Other Non-Current Assets	\$ 6,241,163
<b>Non-Current Assets</b>	<b>\$ 530,695,112</b>
<b>Total Assets</b>	<b>\$ 572,644,482</b>
Accounts Payable/Accrued Expenses	\$ 43,397,741
Deferred Revenue	\$ 5,731,866
Other Current Liabilities	\$ 7,040,147
<b>Current Liabilities</b>	<b>\$ 56,169,754</b>
Debt	\$ 257,418,500
Debt Issuance Costs	\$ (3,902,937)
Other Long Term Liabilities	\$ 19,719,994
<b>Long Term Liabilities</b>	<b>\$ 273,235,557</b>
<b>Total Liabilities</b>	<b>\$ 329,405,311</b>
APIC/Retained Earnings	\$ 244,501,016
Net Income	\$ (1,261,845)
<b>Total Shareholder Equity</b>	<b>\$ 243,239,171</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 572,644,482</b>

## Empower Brands

### Statement of Cash Flows

Component	12/31/2023
Net Income	\$ (1,261,845)
Amortization & Depreciation	\$ 1,783,304
Accounts Receivable	\$ 1,925,152
Notes Receivable	\$ 28,913
Other Assets	\$ (261,900)
Accounts Payable/Accrued Expenses	\$ (4,582,098)
Deferred Revenue	\$ 474,471
Other Liabilities	\$ 119,353
<b>Operating Activities</b>	<b>\$ (1,774,650)</b>
Property, Plant, Equipment, Net	\$ 6,773,499
Investment in Subsidiaries	\$ -
<b>Investing Activities</b>	<b>\$ 6,773,499</b>
Principal Payment on Notes Payable	\$ (659,750)
Equity Transactions	\$ (1,263,176)
New Debt	\$ -
Fees & Expenses	\$ -
Line of Credit	\$ -
Other	\$ -
<b>Financing Activities</b>	<b>\$ (1,922,926)</b>
<i>Net Change in Cash</i>	\$ 3,075,923
<i>Cash, Beginning of Period</i>	\$ 3,786,277
<b>Cash, End of Period</b>	<b>\$ 6,862,200</b>


## GUARANTEE OF PERFORMANCE

For value received, Empower Brands Franchising, LLC (formerly known as Lynx Franchising, LLC), a Delaware limited liability company (the "Guarantor") located at 2520 Northwinds Parkway, Suite 375, Alpharetta, GA 30009 absolutely and unconditionally guarantees to assume the duties and obligations of FRSTeam, LLC, a California limited liability company, 2520 Northwinds Parkway, Suite 375, Alpharetta, GA 30009 (the "Franchisor") under its franchise registration in each state where the franchise is registered and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signed this Guarantee of Performance at Alpharetta, Georgia, on the 20<sup>th</sup> day of MARCH, 2024.

Guarantor:

EMPOWER BRANDS FRANCHISING, LLC,  
a Delaware Corporation

  
By: Michael C. Borreca  
Its: Senior Vice President & CFO

**EXHIBIT C**

**STATE ADDENDA AND  
AGREEMENT RIDERS**

**CALIFORNIA ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

2. OUR WEBSITE, [www.frsteam.com](http://www.frsteam.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

3. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4. The following paragraph is added at the end of Item 3 of the Disclosure Document:

Except as disclosed above, neither we nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. Section 78a et seq., suspending or expelling such person from membership in such association or exchange.

5. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning transfer, termination or nonrenewal of the franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. These provisions might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

Liquidated Damages Provision. The Franchise Agreement contains liquidated damages clauses. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Covenant not to Compete. The Franchise Agreement contain a covenant not to compete which extend beyond the termination of the franchise. This provision may not be enforceable under California law.

Arbitration. The Franchise Agreement requires binding arbitration. The arbitration will be conducted by one (1) arbitrator and will occur in the County in which the headquarters of

Franchisor is located (which is currently Fulton County, Georgia) with the costs being borne as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

6. Exhibit H, Additional Disclosure:

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.



## **CALIFORNIA ADDENDUM TO FRSTEAM, LLC FRANCHISE AGREEMENT**

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law. California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration may occur outside of California with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

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.

2. Any capitalized terms that are not defined in this Addendum will have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum will apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

**HAWAII ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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

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

1. The following statement is added to the end of Item 22:

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.

2. Section 22.18 of the Franchise Agreement, “Franchisee Acknowledgements,” is hereby deleted in its entirety.



**HAWAII ADDENDUM TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor,**” “**we,**” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee,**” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Addendum (the “**Franchise Agreement**”). This Addendum is part of the Franchise Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of Hawaii and the Franchised Business will be located in Hawaii, and/or (b) you are a resident of Hawaii.

2. Franchisee Acknowledgements. Section 22.18 of the Franchise Agreement is hereby deleted in its entirety.

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

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

**ILLINOIS ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The following statements are added to the end of Item 17:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

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

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

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

2. Exhibit H, Additional Disclosure:

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  
FRSTEAM, LLC FRANCHISE AGREEMENT**

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Addendum (the “**Franchise Agreement**”). This Addendum is part of the Franchise Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of Illinois and the Franchised Business will be located in Illinois, and/or (b) you are a resident of Illinois.

2. Governing Law. Delete and replace Section 22.8 of the Franchise Agreement with the following:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

3. Consent to Jurisdiction. Delete and replace Section 22.9 of the Franchise Agreement with the following:

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

4. Waiver of Jury Trial. The following language is added to the end of Section 22.10 of the Franchise Agreement:

However, this waiver does not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. Illinois Franchise Disclosure Act. The following language is added as a new Section 22.20 of the Franchise Agreement:

22.20 Illinois Franchise Disclosure Act. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

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



franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**MARYLAND ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The “**Summary**” sections of Items 17.3, entitled Requirements for franchisee to renew or extend, and 17.13, entitled Conditions for franchisor approval of transfer, of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The “**Summary**” section of Item 17.8, entitled "**Cause**" defined – non-curable defaults, of the Disclosure Document is amended by adding the following:

The agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

3. The “**Summary**” section of Item 17.22, entitled Choice of Forum, of the Disclosure Document is amended by adding the following:

Although you may, subject to your arbitration obligation, bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The “**Summary**” section of Item 17.23, entitled Choice of law, of the Disclosure Document is amended by adding the following:

Except for Federal Arbitration Act and other federal law, and as otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law, the law of the State in which the office of the Franchised Business is located governs.

5. The following language is added to the end of Item 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have three years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

6. Exhibit H, Additional Disclosure:

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 FRSTEAM, LLC FRANCHISE AGREEMENT

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Addendum (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) you are a resident of the State of Maryland, and/or (b) the Franchised Business that you will operate under the Franchise Agreement will be located in Maryland.

2. Releases. The following language is added to the end of Sections 2.2.7 and 13.3.8 of the Franchise Agreement:

However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Insolvency. The following language is added to the end of Section 18.1.3 of the Franchise Agreement

; termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.

4. Governing Law. The following language is added to the end of Section 22.8 of the Franchise Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Consent to Jurisdiction. The following language is added to the end of Section 22.9 of the Franchise Agreement:

However, subject to the parties’ arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Limitation of Claims. The following language is added to the end of Section 22.12 of the Franchise Agreement:

However, the limitation of such claims does not act to reduce the three-year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.



7. Acknowledgements. The following language is added as a new Section 22.20 of the Franchise Agreement:

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

8. 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

**MINNESOTA ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The following language is added to the end of Item 13:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

2. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement will in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law. Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

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.

## MINNESOTA ADDENDUM TO FRSTEAM, LLC FRANCHISE AGREEMENT

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Addendum (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) the Franchised Business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. Releases. The following is added to the end of Sections 2.2.7 and 13.3.8 of the Franchise Agreement; however, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. Renewal & Termination. The following is added to the end of Sections 2.5 and 18 of the Franchise Agreement: However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. Liquidated Damages. The following is added to the end of Section 19.2 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision may not be enforceable under Minn. Rule Part 2860.440J; however, we and you agree to enforce the provision to the extent the law allows.

5. Injunctive Relief. The last paragraph of Section 22.7 of the Franchise Agreement is deleted and replaced with the following:

Notwithstanding anything to the contrary contained in this Section 22.7, we and you have the right to a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, we and you agree to contemporaneously submit the dispute for arbitration on the merits according to this Section 22.7. Furthermore, nothing in this Section 22.7 limits our right to deliver a notice of default under, and terminate, this Agreement or exercise any other right in accordance with Sections 18 and 19.

6. Governing Law. The following is added to the end of Section 22.8 of the Franchise Agreement:

However, nothing in this Section 22.8 abrogates or reduces any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. Consent to Jurisdiction. The following is added to the end of Section 22.9 of the Franchise Agreement:

However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Section 22.9 abrogates or reduces any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. Waiver of Punitive Damages. If required by the Minnesota Franchises Law, Section 22.11 of the Franchise Agreement is deleted.

9. Limitations of Claims. The following is added to the end of Section 22.12 of the Franchise Agreement:

However, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

10. Franchisee Disclosure Questionnaire. 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**NEW YORK ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E 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 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 PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

B. No such party 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 at the end of the “Summary” sections of Item 17(c), titled “Requirements for a 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 right 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 forced; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

6. 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.

7. The following is added at 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 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 agreement, or the payment of any consideration that relates to the franchise relationship.



## NEW YORK ADDENDUM TO FRSTEAM, LLC FRANCHISE AGREEMENT

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Addendum (the “**Franchise Agreement**”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Business in New York.

2. Releases. The following language is added to the end of Sections 2.2.7 and 13.3.8 of the Franchise Agreement:

provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 remains in forced; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. Transfer by Us. The following language is added to the end of Section 13.1 of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. Termination by You. The following language is added to the end of Section 18.1 of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law/Consent to Jurisdiction. The following language is added to the end of Sections 22.8 and 22.9 of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section will not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.



6. Limitation of Claims. The following language is added to the end of Section 22.12 of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 remains in forced; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied

7. Application of Addendum. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**NORTH DAKOTA ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The “**Summary**” sections of Items 17.3, entitled Requirements for franchisee to renew or extend, and 17.13, entitled Conditions for franchisor approval of transfer, of the Disclosure Document are amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The “**Summary**” section of Item 17.9, entitled Franchisee's obligations on termination/non-renewal, of the Disclosure Document is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

3. The “**Summary**” section of Item 17.18, entitled Non-competition covenants during the term of the franchise, of the Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. The “**Summary**” section of Item 17.21, entitled Dispute resolution by arbitration or mediation, of the Disclosure Document is amended by adding the following:

However, to the extent required by the North Dakota Franchise Investment Law (unless preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

5. The “**Summary**” section of Item 17.22, entitled Choice of Forum, of the Disclosure Document is amended by adding the following:

Subject to arbitration requirements and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

6. The “**Summary**” section of Item 17.23, entitled Choice of law, of the Disclosure Document is amended by adding the following:

Except for Federal Arbitration Act and other federal law, North Dakota law governs.

## NORTH DAKOTA ADDENDUM TO FRSTEAM, LLC FRANCHISE AGREEMENT

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement effective as of \_\_\_\_\_, 20\_\_\_\_ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because: (a) you are a resident of North Dakota and the Franchised Business that you will operate under the Franchise Agreement will be located in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. Releases. The following is added to the end of Sections 2.2.7 and 13.3.8 of the Franchise Agreement:

provided, however, that such general release does not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. Liquidated Damages. The following is added to the end of Section 19.2 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law; however, we and you agree to enforce the provision to the extent the law allows.

4. Covenant Not to Compete. The following is added to the end of Section 19.7 of the Franchise Agreement:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

5. Arbitration. The first paragraph of Section 22.7 of the Franchise Agreement is deleted and replaced with the following:

All disputes between Franchisor and its affiliates, and their respective owners, officers, directors, agents, and employees, and Franchisee (and/or its Owners, guarantors, affiliates, officers, directors, agents, and employees, if applicable) arising out of or related to this Agreement or any provision of this Agreement (including the validity and scope of the arbitration obligation under this Section, which Franchisor and Franchisee acknowledge is to be determined by an arbitrator, not a court), any other agreement between Franchisor (or its affiliate) and Franchisee, or any aspect of the relationship between Franchisor and Franchisee, will be determined exclusively by binding arbitration to be conducted by one (1) arbitrator under the then-current commercial arbitration rules of the American Arbitration Association. Arbitration proceedings must be held exclusively in the County in which the headquarters of Franchisor is located (which is currently Alameda County), however, to the extent required by the North Dakota Franchise Investment Law (unless preempted

by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the award may be entered in any court of competent jurisdiction.

6. Governing Law. The following language is added to the end of Section 22.8 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

7. Consent to Jurisdiction. The following language is added to the end of Section 22.9 of the Franchise Agreement:

However, that to the extent required by applicable law, subject to your arbitration obligation, you may bring an action in North Dakota.

8. Waiver of Jury Trial. Section 22.10 of the Franchise Agreement is deleted.

9. Waiver of Punitive Damages. To the extent required by the North Dakota Franchise Investment Law, Section 22.11 of the Franchise Agreement is deleted.

10. Limitations of Claims. The following is added to the end of Section 22.12 of the Franchise Agreement:

The time limitations set forth in this Section might be modified by the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**RHODE ISLAND ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. The “Summary” section of Item 17.22, entitled Choice of Forum, of the Disclosure Document is deleted and replaced with the following:

Subject to arbitration requirements, litigation must be in the County in which the headquarters of Franchisor is located (which is currently Alameda County), except that, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. The “Summary” section of Item 17.23, entitled Choice of law, of the Disclosure Document is deleted and replaced with the following:

Except for Federal Arbitration Act and other federal law, and except as otherwise required by the Rhode Island Franchise Investment Act, the law of the state in which the office of the Franchised Business is located governs.

**RHODE ISLAND ADDENDUM TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

This Addendum (the “**Addendum**”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between FRSTeam, LLC, a California limited liability company, with its principal business address at 2520 Northwinds Parkway, Alpharetta, Georgia 30009 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement effective as of \_\_\_\_\_, 20\_\_ (the "Franchise Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) you are a resident of Rhode Island and the Franchised Business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. Governing Law. The following language is added to the end of Section 22.8 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. Consent to Jurisdiction. The following language is added to the end of Section 22.9 of the Franchise Agreement:

However, subject to your arbitration obligation, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum effective on the Agreement Date.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**VIRGINIA ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the “**Summary**” section of Item 17.8, entitled “Cause” defined – non-curable defaults, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Exhibit H, Additional Disclosure:

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



**VIRGINIA ADDENDUM TO  
FRSTEAM, LLC FRANCHISE AGREEMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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. Any capitalized terms that are not defined in this Addendum has the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

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.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)



**WASHINGTON ADDENDUM TO  
FRSTEAM, LLC FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

1. Item 17, Additional Disclosure:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

2. Exhibit H, Additional Disclosure:

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

## **WASHINGTON ADDENDUM TO FRSTEAM, LLC FRANCHISE AGREEMENT**

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

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

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

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

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

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

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

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.



IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

**EXHIBIT D**

**NON-DISCLOSURE AGREEMENT**

**FRSTEAM NON-DISCLOSURE AGREEMENT**

In order for you to fully consider the purchase of a FRSTeam Franchise, FRSTeam, LLC will provide certain confidential operational, marketing, financial, technical and business information (our "Confidential Information") regarding the FRSTeam Franchise program. This information may include, among other things, a copy of the FRSTeam operating manual.

FRSTeam, LLC provides this information to you based upon your assurance that you understand and agree that the confidential and valuable nature of our Confidential Information will be protected as set forth in this Non-Disclosure Agreement (this "Agreement"). By signing this Agreement, you confirm that you understand that our Confidential Information constitutes special and unique proprietary rights and assets of FRSTeam, LLC. You further agree to protect our Confidential Information and to take such measures as are reasonably necessary to preserve and maintain the confidentiality of our Confidential Information.

You agree that you will not make use of, disseminate, or in any way circulate any of our Confidential Information, except to the extent necessary for negotiations, discussions and consultations with our personnel or authorized representatives. You further agree that you will not publish, copy or disclose any of our Confidential Information to a third party without our express prior permission and that you will use your best efforts to prevent inadvertent disclosure of any of our Confidential Information to a third party.

Since the unauthorized disclosure of our Confidential Information will diminish its value and cause severe and irreparable harm to us if you breach any of your obligations under this Agreement, we will be entitled to equitable relief to protect these proprietary interests, including, but not limited to, injunctive relief, as well as monetary damages. In addition, if any legal action, arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief which it or they may be entitled, whether the proceeding is terminated by judgment or settlement.

By signing this Agreement, you confirm that you have carefully read and understand the provisions of this Agreement and agree to be bound by them.

DATED: \_\_\_\_\_, 20\_\_

**FRANCHISOR:**

FRSTeam, LLC,  
a California limited liability company

\_\_\_\_\_  
Holly Murry, President

**FRANCHISEE:**

\_\_\_\_\_,  
a/an \_\_\_\_\_

\_\_\_\_\_  
(Printed Name & Title)

**EXHIBIT E**

**LIST OF STATE ADMINISTRATORS/  
AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS**

<p><b>CALIFORNIA</b>  California Dept. of Financial Protection and Innovation  Commissioner of Financial Protection and Innovation  320 West Fourth Street, Suite 750  Los Angeles, CA 90013-2344  (213) 876-7500  Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>  Bureau of Investor Protection and Securities  New York State Department of Law  28 Liberty Street, 21st Floor  New York, NY 10005  (212) 416-8211</p>
<p><b>HAWAII</b>  Commissioner of Securities  Department of Commerce and Consumer Affairs  Business Registration Division  335 Merchant Street, Room 203  Honolulu, HI 96813  (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Department  600 Boulevard Avenue, State Capitol  14th Floor, Dept. 414  Bismarck, ND 58505-0510  (701) 328-4712</p>
<p><b>ILLINOIS</b>  Illinois Attorney General Office Franchise Division  500 South Second Street  Springfield, IL 62706  (217) 782-4465</p>	<p><b>RHODE ISLAND</b>  Department of Business Regulation  1511 Pontiac Avenue, Bldg. 68-2  Cranston, RI 02920  (401) 277-3048</p>
<p><b>INDIANA</b>  Indiana Securities Commission  302 West Washington, Room E-111  Indianapolis, IN 46204  (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>  Division of Insurance, Securities Regulation  124 S. Euclid, Suite 104  Pierre, SD 57501  (605) 773-3563</p>
<p><b>MARYLAND</b>  Office of the Attorney General  Securities Division  200 St. Paul Place  Baltimore, MD 21202-2020  (410) 576-6360</p>	<p><b>VIRGINIA</b>  Clerk of the State Corporation Commission  Division of Securities and Retail Franchising  1300 E. Main Street, 9th Floor  Richmond, VA 23219  (804) 371-9051</p>
<p><b>MICHIGAN</b>  Michigan Attorney General Office  Consumer Protection Division  Attn: Franchise Section  G. Mennen Williams Building, 1st Floor  525 W. Ottawa Street  Lansing, MI 48913  (517) 373-7117</p>	<p><b>WASHINGTON</b>  Department of Financial Institutions  Securities Division – 3<sup>rd</sup> Floor  150 Israel Road, S.W.  Tumwater, WA 98501  (360) 902-8760</p>
<p><b>MINNESOTA</b>  Commissioner of Commerce  Department of Commerce  85 7<sup>th</sup> Place East, Suite 280  St. Paul, MN 55101  (651) 539-1600</p>	<p><b>WISCONSIN</b>  Office of the Commissioner of Securities  4822 Madison Yards Way, North Tower  Madison, WI 53705  (608) 261-9555</p>

**AGENTS FOR SERVICE OF PROCESS**

<p><b>CALIFORNIA</b>          Cogency Global Inc.          1325 J Street, Ste. 1550          Sacramento, CA 95814          statrep@cocencyglobal.com          (866) 621-3524</p>	<p><b>NEW YORK</b>          Cogency Global Inc.          122 East 42nd Street, 18th Floor          New York, NY 10168          statrep@cocencyglobal.com          (866) 621-3524</p>
<p><b>HAWAII</b>          Hawaii Commissioner of Securities          Department of Commerce and Consumer Affairs          Business Registration Division          335 Merchant Street, Room 203          Honolulu, HI 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          Cogency Global Inc.,          a commercial registered agent          120 West Sweet Avenue, Suite 9          Bismarck, ND 58504          statrep@cocencyglobal.com          (866) 621-3524</p>
<p><b>ILLINOIS</b>          Cogency Global Inc.          600 S. Second Street, Ste 404          Springfield, IL 62704          (Sangamon County)          statrep@cocencyglobal.com          (866) 621-3524</p>	<p><b>RHODE ISLAND</b>          Cogency Global Inc          222 Jefferson Boulevard          Warwick, RI 02888          (866) 621-3524</p>
<p><b>INDIANA</b>          Cogency Global Inc.,          a commercial registered agent          9221 Crawfordsville Road          Indianapolis, IN 46234          statrep@cocencyglobal.com          (866) 621-3524</p>	<p><b>SOUTH DAKOTA</b>          Cogency Global Inc.,          a commercial registered agent          (CRA # CR000001)          326 N. Madison Avenue          Pierre, SD 57501          (866) 621-3524</p>
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<p><b>MINNESOTA</b>          Minnesota Commissioner of Commerce          85 Seventh Place East, Suite 280          St Paul, MN 55101          (651) 539-1600</p>	<p><b>WASHINGTON</b>          Cogency Global Inc.,          a commercial registered agent          1780 Barnes Blvd. SW          Tumwater, WA 98512-0410          statrep@cocencyglobal.com          (866) 621-3524</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, MD 21202-2020          (410) 576-6360</p>	<p><b>WISCONSIN</b>          Cogency Global Inc.          901 S. Whitney Way          Madison, WI 53711          statrep@cocencyglobal.com          (866) 621-3524</p>





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**EXHIBIT G**

**LIST OF FRANCHISEES**



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903-931-2308  
trent.tutt@frsteam.com

**UTAH**

**Ryan Fish**

7301 S. 900 East #12  
Midvale, UT 84047  
801-567-1567  
rfish@frsteam.com

**VIRGINIA**

**Seo Ha Woo**

44710 Cape Court, Unit 136  
Ashburn, VA 20147  
571-335-8000  
Seoha.woo@frsteam.com

**Benny Mehta**

1630 Virginia Avenue  
Harrisonburg, VA 22802  
540-574-1111  
bmehta@frsteam.com

**WISCONSIN**

**Gary Gunderson**

268 Sanford Street  
Menasha, WI 54952  
877-378-6733  
ggunderson@frsteam.com

**Franchisees with Unopened Outlets as of September 30, 2023:**

None.

**Former Franchisees:**

The name and last known address of every franchisee who had a FRSTeam Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period October 1, 2022 to September 30, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Bob Lloyd\*  
14476 – 801 Duval Place W.  
Jacksonville, FL 32218  
866 299-7767  
blloyd@frsteam.com

\*Closed a secondary location in Florida but remains in the System.



**EXHIBIT H**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

We and you are preparing to enter into a Franchise Agreement for the operation of a FRSTeam business. In this Franchisee Disclosure Questionnaire, FRSTeam, LLC is referred to as “we,” “us” or “our.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

**This Questionnaire does not apply to franchisees who intend to operate the franchised business in the State of California. Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.**

1. Have you received and reviewed our Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes                       No

2. Do you understand all of the information in the Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes                       No

If “No,” what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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3. Have you received and reviewed our Franchise Disclosure Document we provided to you?

Yes                       No

4. Do you understand all of the information in the Franchise Disclosure Document?

Yes                       No

If “No,” what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.)

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5. Have you discussed the benefits and risks of operating a franchise business with an attorney, accountant or other professional advisor?
- Yes  No
6. Do you understand those risks?
- Yes  No
7. Do you understand that the success or failure of your business will depend in large part on your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
- Yes  No
8. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the franchise business that we or our franchisees operate, other than the information in Item 19 of the Franchise Disclosure Document?
- Yes  No
9. Has any employee or other person speaking on our behalf made any statement or promise concerning a franchise business that is contrary to, or different from, the information in the Franchise Disclosure Document?
- Yes  No
10. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a franchise business, other than the information in Item 19 of the Franchise Disclosure Document?
- Yes  No
11. Has any employee or other person speaking on our behalf made any statement or promise concerning the total revenue a franchise business will generate, other than the information in Item 19 of the Franchise Disclosure Document?
- Yes  No
12. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a franchise business that is contrary to, or different from, the information in the Franchise Disclosure Document?
- Yes  No
13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchise business?
- Yes  No





14. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance we will furnish to you that is contrary to, or different from, the information in the Franchise Disclosure Document?

Yes       No

15. If you have answered “Yes” to any of questions 8 through 14, please explain your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of these questions, please leave the following lines blank.

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16. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?

Yes       No

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing to us that you have responded truthfully to the above questions.

Dated: \_\_\_\_\_

\_\_\_\_\_ a/an \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name & Title)

Do not sign this Questionnaire if you are a Hawaii resident, or the franchise is to be located in Hawaii.

Do not sign this Questionnaire if you are a Maryland resident, or the franchise is to be located in Maryland.

Do not sign this Questionnaire if you are a Washington resident, or the franchise is to be located in Washington.

**EXHIBIT I**

**STATE EFFECTIVE DATES**

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**

**ITEM 23 RECEIPTS**

## ACKNOWLEDGMENT OF RECEIPT BY PROSPECTIVE FRANCHISEE

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

Under Iowa law, if applicable, FRSTeam, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires FRSTeam, LLC to give you this disclosure document at least ten 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 disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If FRSTeam, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit E of this disclosure document.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Holly Murry, FRSTeam, LLC, 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009; 866-355-1064
Haley Bliss, FRSTeam, LLC, 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009; 866-355-1064

Issuance Date: March 20, 2024

We authorize the respective agents and/or state agencies identified on Exhibit E to receive service of process for us.

I received a disclosure document issued on March 20, 2024, that included the following exhibits:

Exhibit A	Franchise Agreement
Exhibit B	Financial Statements
Exhibit C	State Addenda and Agreement Riders
Exhibit D	Non-Disclosure Agreement
Exhibit E	List of State Administrators/Agents for Service of Process
Exhibit F	Franchise Operations Manual Table of Contents
Exhibit G	List of Current and Former Franchisees
Exhibit H	Franchise Disclosure Questionnaire
Exhibit I	State Effective Dates
Exhibit J	Item 23 Receipts

Date	Signature/Name	Entity/Title

Date	Signature/Name	Entity/Title

You should return one copy of the signed receipt either by: DocuSign, courier, personal delivery or mailing it to FRSTeam, LLC at 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009 or emailing (as an attachment) to Haley Bliss at corp@frsteam.com. You may keep the second copy for your records.

