

## FRANCHISE DISCLOSURE DOCUMENT



### RESTORATION 1 FRANCHISE HOLDING, LLC

Delaware Limited Liability Company  
2929 Carlisle St., Suite 100  
Dallas, Texas 75204  
(800) 933-0803  
info@restoration1hq.com  
www.Restoration1.com

We offer franchises for businesses providing residential and commercial water, fire, smoke, and mold restoration services and additional services and products under the name "Restoration 1®". The total investment necessary to begin operation of a standard franchise ranges from \$94,600 to \$226,125 for a new business or \$67,650 to \$166,625 for a conversion business. This includes \$60,399 to \$64,774 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a micro market franchise ranges from \$69,650 to \$183,225 for a new business or \$42,700 to \$121,325 for a conversion business. This includes \$35,499 to \$42,124 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Sherry Rose, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (800) 933-0803.

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

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

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

Date of Issuance: April 24, 2023; as amended June 15, 2023

## How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit F.
<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 E 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 Restoration 1<sup>®</sup> 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 Restoration 1<sup>®</sup> franchisee?</b>	Exhibit F 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, which requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.
3. **Minimum Performance Requirement.** The Franchise Agreement requires that beginning with the 25th month of operations and counting forwards, the franchised business must achieve average collected gross revenue of at least \$32,500 per month (calculated as total collected gross revenue during the prior six-month period, divided by six). If you do not meet and maintain this minimum revenue performance requirement, we may terminate the Franchise Agreement.
4. **Mandatory Minimum Payments.** You must make minimum royalty, 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.

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

**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 against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits the franchisor to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure 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 the franchisor to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your 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 provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision that permits the franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent the franchisor from exercising its 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.  
(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 you to resell to the franchisor items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants the 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 it 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 you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

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

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

Any questions regarding this notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117

*Note:* Despite subparagraph (f) above, we intend to fully enforce the arbitration provisions of the franchise agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

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

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## ITEM 1

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

To simplify the language in this disclosure document (“Disclosure Document”), the words “we,” “our,” and/or “us” refer to Restoration 1 Franchise Holding, LLC, the franchisor. “You” and “your” refer to the person who buys the franchise, the franchisee, whether you are a corporation, limited liability company, or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners where noted.

#### **The Franchisor**

We are a Delaware limited liability company. Our principal business address is 2929 Carlisle St., Suite 100, Dallas, Texas 75204 and our principal phone number is (800) 933-0803. We conduct business under our corporate name and the name “Restoration 1.” Our agents for service of process are disclosed in Exhibit A. We have been offering Restoration 1® franchises since May 2020, and we have never offered franchises in any other line of business. We do not engage in any other business activities, and we have never operated a business of the type being franchised.

#### **Parents, Predecessors and Affiliates**

We are a wholly owned subsidiary of Stellar Brands, LLC, whose parent is RH1 Investments, LLC.

Our predecessor is a company that was also named Restoration 1 Franchise Holding, LLC. In April 2020, our predecessor was merged into a newly formed Delaware entity that is currently the franchisor under this Disclosure Document. Our predecessor offered Restoration 1® franchises from January 2010 until April 2020. Our predecessor never offered franchises in any other line of business, and never operated a business of the type being franchised. Our predecessor’s principal place of business was 5113 Steinbeck Bend Drive, Waco, Texas 76708.

BlueFrog Plumbing and Drain, LLC offers franchises for plumbing and drain repair businesses under the name “BlueFrog Plumbing + Drain®”. BlueFrog Plumbing and Drain, LLC began offering franchises in 2014 and as of December 31, 2022, 35 franchised businesses operated under contracts with BlueFrog Plumbing and Drain, LLC.

Softroc Global LLC offers franchises for businesses offering installation, cleaning, maintenance and repair of rubber safety surfacing that serves as a long-lasting solution for existing concrete, asphalt, inter-locking brick, tile and other surfaces under the name “Softroc®” and other products and service lines we authorize, including driveway construction and repair under the name “The Driveway Company®.” Softroc Global LLC began offering franchises in 2021 and as of December 31, 2022, 25 franchised businesses operated under contracts with Softroc Global LLC.

TDC Franchising, LLC offered franchises for businesses offering construction and repair of driveways under the name “The Driveway Company®” from 2019 to April 2023. Going forward, the “The Driveway Company®” products and services may be offered by Softroc Global LLC, however, as of December 31, 2022, 38 franchised businesses operated under contracts with TDC Franchising, LLC.

Each of our affiliates and parents described above share our principal business address. None of the parents, predecessors, or affiliates described above have owned, operated, or offered franchises for Restoration 1 Businesses. Other than as listed above, neither we nor any of our affiliates offers franchises for any other concept, though they may do so in the future. We do not have any affiliates that offer goods or services to our franchisees.



## **The Franchised Business**

We franchise the right to develop, own, and operate a business providing residential and commercial water, fire, smoke, mold restoration services, and additional services and products we authorize (each a “Restoration 1 Business”). Restoration 1 Businesses operate under the name “Restoration 1<sup>®</sup>” and such other trademarks, service marks, graphics, trade names, trade dress, slogans, and other commercial symbols as we may approve (collectively, the “Marks”). Restoration 1 Businesses have distinctive and proprietary business systems, methods, designs, layouts, standards, and specifications, all of which we may improve, substitute, further develop, or otherwise modify periodically (together, the “System”). We call the Restoration 1 Business that you will operate “your Franchised Business.” You must comply with all of the standards, specifications, operating procedures, and rules that we periodically prescribe as mandatory for operating Restoration 1 Businesses generally, or your Franchised Business specifically (“System Standards”).

You must sign a Franchise Agreement with us to obtain the franchise for a Restoration 1 Business. Our current form of Franchise Agreement is attached as Exhibit B-1 to this Disclosure Document. Your Franchise Agreement will identify the location from which you will operate your Franchised Business (your “Franchised Business Office”). Your Franchised Business Office may be your personal residence, or other property that you lease or own at your own cost. The service tools and equipment for your Franchised Business may not be stored at the any location other than the Franchised Business Office, unless you notify us that you have identified off-site storage that satisfies our System Standards. The Franchise Agreement will also identify a territory in which you may conduct marketing, advertising, and promotional activities for your Franchised Business (your “Market Territory”). In the Franchise Agreement and this Disclosure Document, we refer to a Restoration 1 Business operating in a Market Territory that with a population ranging from 75,000 to 199,999 as a “Micro Market Franchise”, and with a minimum population of 200,000 as a “Standard Franchise”.

We may authorize franchisees to provide additional Reconstruction Services (as defined in Item 16) associated with projects fulfilled by your Franchised Business. If you wish to offer any Reconstruction Services, you (or any affiliate of yours that will provide such Reconstruction Services) must first execute our then-current Reconstruction Services Addendum, in form and substance designated by us, a copy of which is attached as Exhibit B-4 to this Disclosure Document.

## **Market and Competition**

The restorative services business is well established and competitive. Your competition will include national, regional, and local commercial and residential restoration businesses, as well as other businesses that offer similar services, such as biohazard treatment, disinfecting, cleaning, drying, repair of damaged structural areas, pack-out services, and general contracting. You will provide services to residential and commercial customers, but often will be paid by insurance companies under property and casualty insurance policies. Your competition may also include other Restoration 1<sup>®</sup> Businesses operated by us, our affiliates, or our franchisees, which may perform services in your Market Territory.

**Industry-Specific Laws and Regulations**

In addition to laws that affect businesses generally, Restoration 1 Businesses are subject to federal, state, and local laws and ordinances specifically applicable to restoration businesses, including environmental laws regarding asbestos and lead, as well as zoning and building laws. You will need to obtain a Lead Renovation, Repair, and Painting certification, Water Damage Restoration Technician certification, Fire and Smoke Remediation Technician certifications from the Institute of Inspection Cleaning and Restoration Certification (IICRC), and certification as either an Applied Microbial Remediation Technician from IICRC or a Certified Microbial Remediator from the American Council for Accredited Certification. You must have all of these certifications before you attend the Training Program, prior to the operation of your Franchised Business. Additionally, depending on your local or state requirements, you may need to obtain other certifications and be a licensed contractor or engineer. If you provide Reconstruction Services, you may need to obtain additional permits and licenses and you may need to obtain additional insurance and bonding. You are responsible for investigating and complying with all applicable federal, state, county and city laws and regulations with regard to your Franchised Business.

**ITEM 2**

**BUSINESS EXPERIENCE**

**Sherry Rose – Chief Executive Officer**

Ms. Rose currently serves as our Chief Executive Officer. During the prior 5 years, she has held the following positions:

<b>Entity</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Restoration 1 Franchise Holding, LLC	Chief Executive Officer	Dallas, TX	Jan 2022 to present
	Chief Operating Officer	Waco, TX	Jun 2020 to Jan 2022
TDC Franchising, LLC	Chief Executive Officer	Dallas, TX	Mar 2022 to present
	Chief Operating Officer	Waco, TX	Feb 2021 to Mar 2022
Softroc Global, LLC	Chief Executive Officer	Dallas, TX	Jan 2022 to present
	Chief Operating Officer	Waco, TX	Apr 2021 to Jan 2022
BlueFrog Plumbing and Drain, LLC	Chief Executive Officer	Dallas, TX	Jan 2022 to present
	Chief Operating Officer	Waco, TX	Jun 2020 to Jan 2022
Stellar Brands, LLC	Chief Executive Officer	Dallas, TX	Jan 2022 to present
	Chief Operating Officer	Waco, TX	Jun 2020 to Jan 2022
Not Employed	N/A	N/A	Aug 2019 to Jun 2020
ServiceMaster (Terminix)	VP of Contact Centers	Memphis, TN	Feb 2017 to Aug 2019

**Jessica Wescott: Chief Financial Officer & Chief Operating Officer**

Ms. Wescott currently serves as our Chief Financial Officer. During the prior 5 years, she has held the following positions:

<b>Entity</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Restoration 1 Franchise Holding, LLC	Chief Financial Officer & Chief Operating Officer	Dallas, TX	Jun 2022 to present
TDC Franchising, LLC	Chief Financial Officer & Chief Operating Officer	Dallas, TX	Jun 2022 to present
Softroc Global, LLC	Chief Financial Officer & Chief Operating Officer	Dallas, TX	Jun 2022 to present
BlueFrog Plumbing and Drain, LLC	Chief Financial Officer & Chief Operating Officer	Dallas, TX	Jun 2022 to present
Stellar Brands, LLC	Chief Financial Officer & Chief Operating Officer	Dallas, TX	Jun 2022 to present
Johnson & Sekin, LLC	Chief Financial Officer	Dallas, TX	Jan 2022 to May 2022
Not Employed	N/A	N/A	Oct 2021 to Dec 2021
Fuzzy's Taco Opportunities, LLC	Chief Financial Officer & Chief Operating Officer	Irving, TX	Oct 2020 to Sep 2021
	Chief Financial Officer	Irving, TX	Jul 2019 to Oct 2020
	EVP of Finance	Irving, TX	Jan 2018 to Jul 2019

**Tom Gissler – President**

Mr. Gissler currently serves as our President. During the prior 5 years, he has held the following positions:

<b>Entity</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Restoration 1 Franchise Holding, LLC	President	Dallas, TX	Nov 2020 to present
Not Employed	N/A	N/A	Aug 2020 to Nov 2020
City of Atlanta	City Officer	Atlanta, GA	Aug 2016 to Aug 2020

**ITEM 3  
LITIGATION**

*Restoration 1 Franchise Holding, LLC v. Coast 2 Coast Restoration LLC, Robert A. Lee, Jr., and Anthony Aceto*, United States District Court for the Northern District of Texas (Case No. 3:23-cv-00549-M), filed March 13, 2023. We filed suit against a former franchisee and its two individual guarantors (together “Coast 2 Coast”) after the franchisee failed to cease operating and de-identify its business following

termination of its franchise agreements. Our claims allege breach of contract, trademark infringement, and unfair competition, and seek damages, interest, injunctive relief, costs and attorneys' fees, and other remedies. On May 3, 2023, Coast 2 Coast filed an answer and counterclaims alleging wrongful termination, breach of contract, declaratory judgment, and violations of the Texas Deceptive Trade Practices Consumer Protection Act. Coast 2 Coast is seeking damages, interest, declaratory relief, costs and attorney's fees, and other remedies. We filed an answer to defendants' counterclaims on May 24, 2023. On May 11, 2023, we filed a motion for a preliminary injunction to enjoin Coast 2 Coast's use of the Restoration 1<sup>®</sup> name and Marks, which is pending. We intend to vigorously prosecute our own claims and defend against the Coast 2 Coast Parties' counterclaims.

Aaron Cline v. Restoration 1 Franchise Holding, LLC filed with the American Arbitration Association (Case No. 01-16-0002-0987). On or about May 27, 2016, Aaron Cline, a California franchisee, our former franchisee, filed a demand for arbitration against us asserting claims for fraudulent and deceptive trade practices and misrepresentations in our disclosure document. Mr. Cline sought \$150,000 in damages, plus attorneys' fees and arbitration costs. On August 29, 2016, the parties settled all claims whereby the parties agreed to terminate the plaintiff's Restoration 1 franchise agreement and exchanged mutual releases.

Leo Reyes v. Restoration 1 Franchise Holding, LLC and Andor Kovacs filed with the American Arbitration Association (Case No. 01-15-0005-2169). On or about September 30, 2015, Leo Reyes, our former franchisee, filed a demand for arbitration against our principal and us asserting claims for misrepresentations/fraud, violation of the Florida Deceptive and Unfair Trade Practices Act and violation of Florida franchise law. Mr. Reyes sought \$75,000 in damages, plus attorneys' fees and arbitration costs. On January 31, 2016, the parties settled all claims whereby the parties agreed to terminate the plaintiff's Restoration 1 franchise agreement and exchanged mutual releases.

Abraham Newman v. Restoration 1 Franchise Holding, LLC and Andor Kovacs filed with the American Arbitration Association (Case No. 01-15-0004-6266), August 10, 2015. Restoration 1 of Boca Raton, LLC, Abraham Newman, and Erick Aguilar v. Restoration 1 Franchise Holding, LLC and Andor Kovacs filed with the American Arbitration Association (Case No. 01-15-0004-06979), August 15, 2015. Gregory Wayne Stephens v. Restoration 1 Franchise Holding, LLC and Andor Kovacs, filed with the American Arbitration Association (Case No. 01-15-0004-6267), August 10, 2015. Former franchisees filed demands for arbitration against our principal and us asserting claims for contractual violations, misrepresentations, and deceptive and unfair trade practices. Plaintiffs each sought \$150,000 in damages, plus attorneys' fees and arbitration costs. On August 31, 2015, we and our principal filed an Answering Statement, denying all claims, and asserted a counterclaim for breach of contract, collection of unpaid recurring fees due under the franchise agreements, and actual damages incurred as a result of the premature termination of the franchise agreements, plus attorneys' fees, arbitration costs, and interest. On January 31, 2016, the parties agreed to terminate the plaintiffs' Restoration 1 franchise agreements and exchanged mutual releases.

Commonwealth of Virginia, ex rel. State Corporation Commission v. Restoration 1 Franchise Holding, LLC and Andor Kovacs, (Case No. SEC-2014-00028). On July 16, 2014, we entered into a Settlement Order with the Virginia State Corporation Commission based upon the allegation that we offered and sold a franchise in Virginia after our Virginia registration had lapsed. We neither admitted nor denied the allegations but nonetheless agreed to the terms of the Settlement Order whereby we paid \$1,000 to defray the costs of investigation to the State of Virginia, agreed to attend franchise sales compliance training, and agreed to never again violate the Virginia Retail Franchise Act in the future.

Alvaro Ruano and Ruano 1 Inc. v. Restoration 1 Franchise Holding, LLC, (Case No. 32114E0059713) filed on or about November 19, 2013, before the American Arbitration Association. The plaintiffs, our

former franchisee, brought suit claiming breach of franchise agreement, violation of the Virginia Franchise Disclosure Act, the Florida Misrepresentation Statue, and Deceptive and Unfair Trade Practices Act with respect to certain misrepresentations. The plaintiffs sought \$75,000 in damages, plus attorney fees. On December 24, 2013, we filed an answer denying the claims and also a counterclaim seeking \$200,000 damages, attorney fees, and costs, alleging that the plaintiffs owe us monies and had been operating unauthorized businesses under our Marks. On June 24, 2014, the parties settled all claims whereby we repurchased the plaintiff's franchise territory for \$15,000, the parties exchanged releases, and dismissed all claims with prejudice.

Charles A. Crossed and Restoration 1 of Maryland, Inc. v. Restoration 1 Franchise Holding, LLC and Andor Kovacs, (Case No. 321140056713) filed on or about November 1, 2013, before the American Arbitration Association. The plaintiffs, our former franchisee, brought suit claiming breach of the franchise agreement, violation of the Maryland Franchise Disclosure Act, the Florida Misrepresentation Statue, and Deceptive and Unfair Trade Practices Act with respect to certain representations. The plaintiffs sought \$75,000 in damages, interest, attorney fees and arbitration costs. On December 24, 2013, we filed an Answer denying the claims and also a counterclaim seeking \$200,000 damages, attorney fees, and costs, alleging that the plaintiffs owe us monies and have been operating unauthorized businesses under our Marks. On April 30, 2014, the parties settled all claims whereby we repurchased the plaintiff's franchise territory for \$34,500, the parties exchanged releases, and dismissed all claims with prejudice.

Restoration 1 of Boca Raton, LLC, Renee Fiore and Anthony Fiore v. Restoration 1 Franchise Holding, LLC, (Case No 13-023099) filed October 14, 2013, in the Circuit Court of the 17<sup>th</sup> Judicial Circuit in and for Broward County, Florida. The plaintiffs, our franchisee, brought suit for fraud in the inducement, negligent misrepresentation, and violation of the Florida Franchise and Unfair and Deceptive Trade Practices Act. The plaintiffs sought rescission of their franchise and related agreements, recovery of all monies tendered to us, actual and compensatory damages in amounts to be determined at trial, attorney fees, costs, and pre- and post-judgment interest. The plaintiffs demanded a trial by jury. On December 6, 2013, the parties reached a settlement of this matter whereby we agreed to allow the plaintiffs to assign their obligations under the franchise agreement to a third party and not enforce the terms of the franchise agreement against the plaintiffs. The parties exchanged releases and plaintiffs dismissed their claims.

Except for the actions described above, no other 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**

##### **Franchise Fee**

You must pay us an initial franchise fee when you sign the Franchise Agreement (the "Franchise Fee"). The amount of the Franchise Fee for a Standard Franchise is \$59,900, plus an additional \$175 per 1,000 people over 250,000 in your Market Territory. Most Standard Franchises have Market Territories between 250,000 and 275,000 people, resulting in Franchise Fees ranging from \$59,900 to \$64,275. The amount of the Franchise Fee for a Micro Market Franchise is \$35,000, plus an additional \$265 per 1,000 people over 125,000 in your Market Territory. Most Micro Market Franchises have Market Territories

between 75,000 and 150,000 people, resulting in Franchise Fees ranging from \$35,000 to \$41,625. The Franchise Fee is deemed fully earned when paid and is non-refundable under any circumstances. In the last fiscal year, we charged a reduced Franchise Fee of \$20,000 to \$47,900 to certain franchisees as a result of certain negotiated transactions.

**Veterans Discount**

We currently offer a discounted Franchise Fee to qualifying veterans who have received an honorable discharge from any branch of the United States military before applying to become a franchisee. The veteran’s discount is \$7,000 off the Franchise Fee for a Standard Franchise and \$4,500 off the Franchise Fee for a Micro Market Franchise. The discount is only available for the first Restoration 1 Business purchased. If the franchisee is a corporation, limited liability company, or other legal entity, the veteran participant must maintain at least a 51% ownership interest in the entity to qualify for this discount. To apply for the veteran’s discount, you must provide us a copy of your active-duty ID or form DD-214 reflecting your military status before the Franchise Agreement is signed.

**Technology Fee**

You must pay us a monthly Technology Fee (defined in Item 6). You must pay the first monthly installment of the Technology Fee (currently, \$499 / month) when your website and digital channels are set-up, which will be before you open. The Technology Fee is not refundable under any circumstances.

**ITEM 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks <sup>1,2</sup>
Royalty Fee <sup>3</sup>	Greater of: (a) 7% of Collected Gross Revenue (or 3.5% for a conversion franchise during its initial 6 months) (other than Construction Gross Revenue); or (b) the Minimum Royalty Fee.	Monthly	<p>If you acquire a Standard Franchise, the “Minimum Royalty Fee” is:</p> <ul style="list-style-type: none"> <li>• Initial 6 full/partial months after opening: \$0</li> <li>• 7th through 24th months after opening: \$500 per month</li> <li>• 25th through 36th months after opening: \$1,500 per month</li> <li>• Remainder of term: \$2,000 per month</li> </ul> <p>If you acquire a Micro Market Franchise, the Minimum Royalty Fee is:</p> <ul style="list-style-type: none"> <li>• Initial 12 full/partial months after opening: \$0</li> <li>• 13th through 24th full month after opening: \$500 per month</li> <li>• Remainder of term: \$1,000 per month</li> </ul> <p>We may increase the amount of the Minimum Royalty Fee up to the aggregate rate of inflation since the later of the date of your Franchise Agreement or our last adjustment.</p>

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks <sup>1,2</sup></b>
Reconstruction Royalty Fees <sup>5</sup>	2% of Construction Gross Revenues	Same as Royalty Fee	This fee is in addition to your Royalty Fee on Collected Gross Revenue.
Technology Fee	Currently \$499 / month (plus, an additional \$10 per month per address, if you obtain more than 10 email addresses)	Monthly	You must pay this fee for certain technology-related services, which is subject to change (the “Technology Fee”). We also have the right to pay master vendors on your behalf and invoice you for those amounts.
Brand Fund Contribution <sup>4</sup>	Up to 2% of Collected Gross Revenue (other than Construction Gross Revenue)	Monthly	Payable to us as your Brand Fund Contribution (as defined in Item 11). This fee is not currently charged.
Reconstruction Brand Fund Contribution <sup>5</sup>	Up to 0.5% of Construction Gross Revenues	Monthly	This fee is in addition to the Brand Fund Contribution. This fee is currently not charged.
Local Advertising Expenditure <sup>3</sup>	Up to 2% of Collected Gross Revenue (not currently imposed)	Monthly	You must spend this amount on local advertising in your Market Territory (your “Local Advertising Expenditure”). We may require you to pay part or all of the Local Advertising Expenditure to the Brand Fund, in addition to the Brand Fund Contribution.
Marketing in Another Market Territory	Greater of: (i) \$5,000 per incident, or (ii) 100% of the job value for any work obtained outside of your Market Territory	As incurred	Payable if you, your Owners, or affiliates, conduct any marketing, advertising, or promotional activities outside of your Market Territory.
Audit Expenses	All costs and expenses associated with audit (currently estimated to be between \$1,500 - \$5,000)	Upon demand	Payable if any audit we conduct shows you have not spent the Local Advertising Expenditure, or if you underreported amounts you owe us by 3% or more.
Approval of Products or Suppliers	All costs and expenses associated with the evaluation (currently estimated to be between \$500 to \$1,000 per request)	Time of evaluation	Payable if you request that we evaluate a new product or supplier.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks <sup>1, 2</sup></b>
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable if you fail or refuse to obtain and maintain the insurance we specify and we elect to obtain coverage for you.
Service Warranties Remediation	Our cost of honoring any Service Warranty	Upon demand	Payable if you fail or refuse to honor Service Warranties offered to customers by your Franchised Business, and we elect to honor those Service Warranties on your behalf.
Service Warranty Deposit	Varies based on the amount of outstanding Service Warranties	Upon demand	We may require you to pay us a reasonable a deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business. This amount would be refunded to you after expiration or termination of all Service Warranties offered by your Franchised Business, less any deductions arising if we have to honor any such Service Warranties on your behalf. We may hold these amounts after the termination or expiration of your Franchise Agreement until all Service Warranties have expired or are satisfied by you.
Transfer Fee	\$5,000	Upon demand	Payable to us if you request our approval of a transfer (transfer to a wholly-owned entity or upon death or disability does not incur this fee, but you must reimburse our direct costs).
Renewal Fee	Our direct costs and expenses	Upon demand	Payable to us if you wish to acquire a successor franchise and we approve you for such franchise.
Additional Training Fee <sup>6</sup>	Our then-current fee (currently, \$1,000 per day per trainee, plus expenses)	Prior to training	Payable if you request additional training for you, your Owners, or your personnel, and we agree to provide such training.
Conference Registration Fee	Up to \$1,000 (currently, \$300 per person per conference)	Prior to conference	If you fail to attend any required conference, you must still pay the conference registration fee for the missed conference. We may waive this fee if you demonstrate good cause for your inability to attend.
National Account Dispatch and Claims Management Fees	Our then-current fees (currently, no dispatch fees, and claims management fees of 5% of the invoiced amount)	At time of job	Payable if you provide services for a National Account Clients (defined in Item 16). We will invoice and collect payment from the client, and remit to you your portion of the payment after deducting fees.
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail.



<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks <sup>1, 2</sup></b>
Interest on Past Due Amounts	Lesser of 1.5% per month or the highest rate allowed by law	Upon demand	All amounts owed under the Franchise Agreement to us that are not received by us on the due date, will bear interest from the date payment is due to the date payment is received. You must also pay us for all costs we incur in the collection of any unpaid and past due amounts, including reasonable attorney fees.
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us if we are held responsible for claims directly or indirectly arising out of your Franchised Business or your breach of the Franchise Agreement.
Management Fee	Then-current fee (currently, 5% of Collected Gross Revenue), plus costs and expenses	Upon demand	If we assume management of your Franchised Business because you abandon, default and fail to cure, or we are determining whether to exercise our right to acquire your Franchised Business at the end of the franchise.
Final Payment	Accounts Receivable multiplied by 70%, multiplied by combined rate of your Royalty Fees and Brand Fund Contributions as of termination or expiration	Within 5 business days following expiration or termination of the Franchise Agreement	Payable in lieu of continuing Royalty Fees and Brand Fund Contributions otherwise payable on Collected Gross Revenue after the date of expiration or termination. "Accounts Receivable" means any and all revenue due you for services performed by your Franchised Business prior to expiration or termination.
Lost Revenue Damages	Will vary under circumstances	Within 15 business days of termination	If we terminate your Franchise Agreement because of your default (or if you terminate without cause), you must pay us the net present value of the Royalty Fees and Brand Fund Contributions that would have become due had the Franchise Agreement not been terminated, from the date of termination until the earlier of: (a) 2 years following the date of termination; or (b) the scheduled expiration of the term of the Franchise Agreement (based on the average monthly amount of your Royalty Fees and Brand Fund Contributions during the preceding 12 months, or if you have been operating your Franchised Business for less than 12 months, on the average monthly Royalty Fees and Brand Fund Contributions of all Restoration 1 Businesses during our previous fiscal year).

**Notes to Item 6:**

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are not refundable. Not all our

fees are uniformly imposed due to individual negotiated terms with certain franchisees. All amounts payable by you to us, or our affiliates must be in United States Dollars (\$USD).

2. You must pay all amounts due under the Franchise Agreement as we periodically prescribe. Currently, we require all payments to be made through an electronic funds transfer account (the “Transfer Account”) that allows us to debit the Transfer Account for all amounts you owe us on their due dates or the next business day if the due date is a national holiday or a weekend day. You must ensure that funds are available in the Transfer Account to cover our withdrawals. If you fail to report your Collected Gross Revenue or Construction Services Revenues when due, then for each payment under the Franchise Agreement calculated based on Collected Gross Revenue or Construction Gross Revenue, we may debit the Transfer Account 110% of the average of the last three payments. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your Transfer Account on the next payment due date. We may require you to make payments through any other method at any time, and you must comply with our payment instructions. We may change the timing and intervals of your payments with 30 days prior notice to you.

3. “Collected Gross Revenue” means the aggregate of all revenue and consideration of any kind derived from your Franchised Business, whether from check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding (a) all refunds actually made to customers in good faith, (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, and (c) uncollected amounts not paid by customers. With respect to National Accounts Clients, Collected Gross Revenue includes all revenue received by us for performance of services, without deduction for dispatch or claims management fees or similar fees.

4. We may, upon 30 days prior written notice to you, change the required Brand Fund Contribution up to the maximum amount provided in your Franchise Agreement.

5. If your Franchised Business offers Reconstruction Services, you must separately report your “Construction Gross Revenues” meaning the aggregate of all Collected Gross Revenue derived from Reconstruction Services. You must report all Construction Gross Revenue to us separately from all other Collected Gross Revenue. Except with respect to the calculation of Royalty Fees and Brand Fund Contributions, all references in this Disclosure Document and the Franchise Agreement to Collected Gross Revenues shall be deemed to include Construction Gross Revenue.

6. You must pay all travel and living expenses (including wages, transportation, food, lodging and workers’ compensation) incurred by you and your Key Personnel or any other employee incurs during any and all meetings and/or training courses and programs. You must also pay all travel and living expenses (including transportation, food, and lodging) incurred by any of our trainers or staff we send to your Franchised Business to provide training courses or programs.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure <sup>1</sup>	Amount (Non-Conversion)		Amount (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made
	Micro Market Franchise	Standard Franchise	Micro Market Franchise	Standard Franchise			
Franchise Fee	\$35,000 to \$41,625	\$59,900 to \$64,275	\$35,000 to \$41,625	\$59,900 to \$64,275	Lump sum	When signing Franchise Agreement	Us
Real Estate/ Rent <sup>2</sup>	\$0 to \$450		\$0 to \$450		Lump sum	When signing lease	Landlord
Renovations and Improvements <sup>3</sup>	\$250 to \$500		\$0		As incurred	Before opening	Contractor and suppliers
Encircle Software <sup>4</sup>	\$1,000		\$0 to \$1,000		Lump sum	Before opening	Third-party supplier
Office Equipment and Supplies <sup>5</sup>	\$300 to \$1,000		\$300 to \$1,000		As incurred	Before opening	Suppliers
Service Tools and Equipment <sup>6</sup>	\$500 to \$20,000	\$500 to \$40,000	\$0 to \$20,000	\$0 to \$40,000	As incurred	Before opening	Approved third-party suppliers
Uniforms <sup>7</sup>	\$200 to \$400	\$250 to \$650	\$200 to \$400	\$250 to \$650	Lump sum	Before opening	Suppliers
Technology Systems Components <sup>8</sup>	\$1,650 to \$4,750		\$0 to \$4,750		As incurred	Before opening	Third party suppliers
Training Expenses for 3 people <sup>9</sup>	\$2,000 to \$5,000		\$2,000 to \$5,000		As incurred	During training	Airlines, hotels and restaurants
Vehicle <sup>10</sup>	\$3,000 to \$50,000	\$3,000 to \$50,000	\$1,200 to \$3,600	\$1,200 to \$6,000	Lump sum or monthly payments	Before opening	Auto leasing company
Marketing Materials <sup>11</sup>	\$500 to \$2,500		\$500 to \$2,500		As incurred	Before opening	Approved third-party suppliers
Insurance <sup>12</sup>	\$2,500 to \$5,000		\$0 to \$5,000		As arranged	Before opening	Insurance company
Licenses & Permits <sup>13</sup>	\$250 to \$5,000		\$0 to \$5,000		Lump sum	Before opening	Licensing authorities
Certifications <sup>14</sup>	\$1,000 to \$4,000		\$0 to \$4,000		Lump sum	Before opening	Third party vendors

Type of Expenditure <sup>1</sup>	Amount (Non-Conversion)		Amount (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made
	Micro Market Franchise	Standard Franchise	Micro Market Franchise	Standard Franchise			
Professional Fees <sup>15</sup>	\$1,500 to \$2,000		\$1,500 to \$2,000		As arranged	Before opening	Attorney and accountant
Additional Funds <sup>16</sup> (3 months)	\$20,000 to \$40,000		\$2,000 to \$25,000		As incurred	As necessary	Employees, utilities, lessor, and suppliers
<b>TOTAL <sup>17</sup></b>	<b>\$69,650 to \$183,225</b>	<b>\$94,600 to \$226,125</b>	<b>\$42,700 to \$121,325</b>	<b>\$67,650 to \$166,625</b>			

**Notes to Item 7:**

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreements with these respective third parties. We do not offer direct or indirect financing for any of these items.

2. A suitable space for storing all service tools and equipment will be approximately 150 square feet. We currently require you lease off-site storage space. The estimate above for non-conversion franchises includes a security deposit equal to two months' rent to lease the unit. Estimated rental costs for three months are included within the category "Additional Funds." The location of the storage space and its relationship to and the nature of any adjoining uses will affect both its size and price. We may establish System Standards for off-site storage, including relating to size, safety, or insurance requirements, with which your off-site storage must comply. If you are a conversion franchise, the low estimate above assumes that you already lease appropriate off-site storage and have paid the associated deposits.

3. To adapt the Franchised Business Office for the operation of your Franchised Business, you may need to make some minor renovations or improvements. The cost of the renovations and improvements will vary depending on factors, including the size, condition, and location of the facilities, local wage rates, and the cost of materials. If you are a conversion franchise, the low estimate above assumes that you already have a suitable space to operate your Franchised Business, and do not need to make any further improvements.

4. You must purchase our designated Encircle Software prior to commencing operations of your Franchised Business. The fee is paid directly to the third-party licensor and covers the first 100 claims as well as the training program provided by the licensor of the software. After you first 100 claims, you must pay the licensor an additional fee of \$10 per claim (a minimum of 100 claims must be purchased at a time). If you are a conversion franchise, the low estimate above assumes that you have already lease Encircle Software and have paid any associated start-up costs.

5. You must purchase general office supplies including stationery, business cards, and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers, and other factors.

6. We will provide you with our System Standards for the service tools and equipment and other equipment and supplies necessary to establish and operate a Restoration 1 Business. The low estimate for non-conversion franchises is based on 3 months of leasing costs, if you lease the required equipment and service tools through a third party. If you are a conversion franchise, the low estimate above assumes that you own or lease all necessary service tools and equipment and are incurring no incremental costs. The high estimates above assume that you purchase new equipment and service tools. Factors that may affect the cost of required service tools and equipment may include local market conditions, competition among suppliers, and other factors. A franchisee acquiring a Micro Market Franchise will require fewer tools and equipment, which results in a lower initial investment.

7. The range of costs provided represents an initial supply of uniform shirts that meet our standards and specifications. The costs will vary depending on the number of employees that you hire and the quantity of uniform shirts that you order. We anticipate that a typical franchisee operating a Micro Market Franchise will have fewer employees than a franchisee operating a Standard Franchise, though your actual costs will depend on your Franchised Business' hiring needs.

8. You must acquire and use the Technology Systems (defined in Item 11) that we designate. The cost of your Technology Systems will depend on whether you already own any components that must be purchased, freight and installation costs, the cost of internet and connectivity services in your area, applicable state and local taxes and other factors. If you are a conversion franchise, the low estimate above assumes that you own the necessary Technology Systems.

9. We do not charge a fee for the Training Program (as defined in Item 11) for you (or if you are a legal business entity, your Owners) and up to three additional employees (one of which must be your Designated Owner or Designated Manager, as applicable). For the estimate above, we assume that you will send between 1 to 3 individuals to training. We do not include fees or costs for any additional trainees. You are responsible for all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel (as defined in Item 11) incur during any and all meetings and/or training courses and programs. The total cost will vary depending on the number of people attending, how far you and your Key Personnel will travel, and the type of accommodation chosen. We assume for the estimate above, that all attendees will share one rental car. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for the travel and living expenses and out-of-pocket costs that we and such representatives incur. The estimate provided does not include the cost of our personnel travelling to your area to provide the Training Program.

10. We will provide you our System Standards for a service vehicle, which you must lease or purchase prior to the start of operations of your Franchised Business. The service vehicle must be wrapped and lettered in accordance with the System Standards and must accommodate the required equipment to operate your Franchised Business. For non-conversion franchises, the low estimate above is based on the first 3 months of leasing costs for 1 new service vehicle including the cost of wrapping the van; and the high estimate includes the estimated purchase price of 1 tradesman van and the cost of wrapping the van. You may obtain more than 1 service vehicle if you wish, but you are not required to do so, and our estimate above does not include more than 1 service vehicle for a non-conversion franchise. If you are a conversion franchise, the low estimate above assumes that you already own 1 to 3 service vehicles for a Micro Market Franchise, or 1 to 5 service vehicles for a Standard Franchise, and your costs will only include the \$1,200 per van to obtain new vehicle wraps

11. During your first three months of operation, we recommend you spend at least \$500 on local advertising and promotion of your Franchised Business, including online and internet marketing and advertising, dues for business organizations and events, or other solicitation and promotional efforts. However, you may elect to spend more than the minimum amount on your grand opening marketing program. The amount you spend will depend on several factors, including the local market conditions and the amount of competition in your area, and other factors. You may not use any advertising, promotional, or marketing materials that we have not approved.

12. You must maintain in force at your sole expense the minimum types and amounts of insurance that we require. Our current insurance requirements are detailed in Item 8, though we may change the requirements at any time with written notice to you. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, business revenue, number of employees, location, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. The low estimate for a conversion franchise assumes that you already have suitable insurance coverage in place and do not need to obtain further coverage. The amounts listed above estimate the cost of your premiums for the first 3 months of operations.

13. You must obtain and provide us with copies of all permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual and by state and local law. In addition to business and operating licenses and permits, you may need to become a licensed contractor or engineer to make repairs to damaged structures. The permitting process and attendant licensing and permitting costs may vary substantially by local jurisdiction. If you are a conversion franchise, the low estimate above assumes that you have already obtained all necessary licenses and permits.

14. To be the primary Owner of a Restoration 1 Business, you must obtain a Lead Renovation, Repair, and Painting certification, Water Damage Restoration Technician certification, Fire and Smoke Remediation Technician certifications from the Institute of Inspection Cleaning and Restoration Certification (IICRC), and certification as either an Applied Microbial Remediation Technician from IICRC or a Certified Microbial Remediator from the American Council for Accredited Certification. The low estimate assumes that you do not need to travel outside of your area to obtain the certifications. The high estimate includes estimates of travel, local transportation, lodging, and meals in addition to tuition, course materials, and exam fees for all three certifications. If you are a conversion franchise, the low estimate above assumes that you have already obtained all necessary certifications.

15. You may incur other types of professional fees including fees for legal and accounting services. You may require an accountant and an attorney to provide services to help you form a new business entity to own your Franchised Business and review contracts and other documents, including this Disclosure Document. These fees may vary from location to location depending on the prevailing rates of local professionals. You may also elect to retain additional business consultants, general contractors, or other representatives to assist you, which may cause your expenses to be higher than the amounts listed. If you are a conversion franchise, the low estimate above assumes that you have already paid or already incur many of the costs associated with your first three months operation, and therefore may have minimal incremental costs for operating as a Restoration 1 Business.

16. The figures in the chart reflect estimated working capital needs for a three-month period. Additional funds include technology fees, and operating expenses, including rent, storage space rental costs, utilities, and employees' salaries. These amounts do not include any estimates for debt service on loans that you obtain to finance your Franchised Business, and the estimates do not include any salary for your Owners during the initial phases of operations.

17. In compiling this chart, we relied on our and our affiliates' industry knowledge and experience in developing Restoration 1 Businesses and affiliated franchise businesses.

## ITEM 8

### RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

#### Specifications for Products, Services and Suppliers

All products, supplies, equipment, and other items provided by your Franchised Business must comply with our System Standards. You must obtain and use the equipment, supplies, inventory, and other products, assets, and services we designate periodically as meeting our System Standards, including your Technology Systems, service vehicles, and any other equipment, supplies, inventory, signage, third-party services, and signs and other products and services that that we approve for Restoration 1 Businesses. You may not use any other equipment, supplies, inventory, and other products, assets, and services that do not meet our System Standards without our express approval. We may require that you purchase any products or services only from a supplier designed or approved by us, and/or that satisfy our System Standards, which may be a third party vendor or supplier, or may be us or an affiliate of us.

We are under no obligation to authorize every Restoration 1 Business to offer the same services, products, supplies, equipment, and other items. We may condition our approval for you to offer any services, products, supplies, equipment and other items on our then-current criteria, including your compliance with your Franchise Agreement, and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service or other criteria. We may elect not to issue to you or any of our approved suppliers these standards and specifications. Our standards and specifications for products and services and criteria for suppliers are not currently issued to franchisees or approved suppliers.

If you wish to use any products, services, or suppliers that we have not approved, you must first send us sufficient information, specifications and samples for us to determine whether the service, product, or supplier complies with our System Standards. You must bear all expenses incurred by us in connection with determining whether we will an item, service, or supplier (estimated currently, \$500 to \$1,000 per request). Currently, we estimate that we will provide notice of our decision to approve or disapprove an alternative supplier within 30 days of receiving the request. We are not required to consider alternative suppliers and we may refuse to consider such requests for any reason. You must bear all expenses incurred by us in connection with determining whether we will approve an item, service or supplier. Approval of a supplier may be conditioned on the supplier's ability to provide a sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. We may revoke our approval of any products, services, or suppliers at any time by providing you notice. You must promptly cease using, selling, or providing any products, services, or suppliers disapproved by us.

Currently, you must purchase: (i) claims management software, bookkeeping and accounting software, reputation management software, air movers and dehumidifiers, certain chemicals, vehicle wraps, brochures and business cards, Technology Systems, and collateral merchandise from exclusive vendors that we designate; and (ii) all other operating equipment, service vehicles, uniforms, inventory, uniforms, marketing materials, and other products and services from other approved suppliers.

Neither we nor our affiliates are suppliers of goods and services to franchisees. None of our officers have an interest in any privately held suppliers, or a material interest in any publicly held suppliers.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent approximately 70% to 90% of your total purchases to establish your Franchised Business, and 10% to 40% of your total purchases to operate your Franchised Business.

### **Insurance**

During the term of the Franchise Agreement, you must maintain in force at your sole expense the minimum types and amounts of insurance that we require as part of our System Standards, including:

- “All risk” property insurance coverage for the replacement value of the assets of your Franchised Business
- Workers’ compensation insurance as required by state law and employer liability coverage with a minimum limit of \$100,000 per incident and \$500,000 for the policy limit
- Comprehensive general liability insurance with a minimum liability coverage of \$1,000,000 per occurrence and an aggregate limit of \$2,000,000
- Business interruption insurance with a minimum coverage of \$100,000
- Automobile liability insurance of at least \$1,000,000
- Mold restoration and pollution coverage with a minimum liability coverage of \$1,000,000 per occurrence and an aggregate limit of \$2,000,000
- Errors and omissions coverage in the amount of \$1,000,000

We may require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. We may require increased coverage if you wish to serve National Account Clients. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Franchised Business’ operation or activities of you and your personnel. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages at any time. These insurance policies must be purchased from licensed insurers having a rating of “A/VIII” or higher.

Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days’ prior written notice to us of a policy’s material modification, cancellation, or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us with copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Franchised Business on your behalf, in which event you must cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee.

### **Revenue Derived from Franchisee Purchases and Leases**

We and/or our affiliates may derive compensation or other benefits based on your purchases or leases, including from designated or approved suppliers. We have the right to retain such compensation or benefits and you will have no interest in or claim to such compensation or benefit. We currently receive



the following compensation from suppliers to franchisees: (i) 3% of total purchases made by franchisees of equipment purchases; (ii) 2% of the total payments made by franchisees for equipment rentals; and (iii) 2% of total purchases by franchisees of contractor supplies; and (iv) certain flat payments for vendor sponsorships to our annual franchisee conference. During our last fiscal year ended December 31, 2022, we derived \$326,762 from suppliers on the basis of franchisee purchases and leases (1.7% of our total revenue of \$18,826,131). Of that amount, \$165,000 was for conference sponsorships for our annual franchisee conference.

Other than the foregoing amounts, in our prior fiscal year neither we nor our affiliates: (a) received any compensation or benefits from suppliers on the basis of sales to franchisees, or (b) derived any revenue from the sale of products and services to our franchisees.

### **Purchasing Cooperatives and Arrangements**

There are no purchasing or distribution cooperatives in existence for the System. We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have negotiated purchase agreements (including pricing terms) with suppliers for the following goods and services: (i) equipment (rental and purchase), (ii) chemicals, and supplies; (iii) claim platform; (iv) uniforms and apparel; (v) content wash system; (vi) phone call answering, call routing, and tracking services; (vii) duct and content cleaning; (viii) storage units; (ix) digital marketing services; (x) junk removal services; (xi) business management software; and (xii) bookkeeping and accounting software. You may be required to purchase these items at a price or on other terms we have negotiated in advance.

We do not provide you with any material benefit (such as renewal rights or additional franchise rights) based on your purchase of particular products or services or use of particular suppliers.

### **Call Center Program**

If we require, you will participate in the call center program we establish, which may include using and publishing a telephone number we designate, receiving calls from a call center established and operated by us, engaging a designated service provider (which may be us, our affiliate, or a third party) to answer calls, set customer appointments, and provide other related services, and acquiring, installing, and using related technology, and using designated service providers. You must pay all fees imposed by the service provider for these services and enter into any related user or service agreements. At any time that a call center program is not implemented, you must arrange for the answering of all incoming phone calls during regular business hours. In addition to our other remedies under your Franchise Agreement, if you fail to comply with this requirement on two or more occasions, then we may require you to engage the services of a professional call center services provider approved in advance by us, at your expense.

## ITEM 9

### FRANCHISEE’S OBLIGATIONS

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

Obligation		Section(s) in Agreement	Disclosure Document Item(s)
a.	Site selection and acquisition/lease	Section 1	11 and 12
b.	Pre-opening purchases/leases	Sections 4 and 10.3	7 and 8
c.	Site development and other pre-opening requirements	Section 4	7, 8, and 11
d.	Initial and ongoing training	Section 7; Reconstruction Services Addendum Section 8	6, 7, and 11
e.	Opening	Section 4.4	11
f.	Fees	Section 2 and the Summary Page; Reconstruction Services Addendum Sections 5 and 7	5, 6, and 7
g.	Compliance with standards and policies/ Operating Manuals	Sections 5, 6.1, 8 and 11	8, 14, and 16
h.	Trademarks and proprietary information	Section 5, 6.1, 8.1 and 8.2	13 and 14
i.	Restrictions on products/services offered	Sections 8.1, 11.1, 11.2, 11.11 and 11.12; Reconstruction Services Addendum	8 and 16
j.	Warranty and customer service requirements	Sections 11.6 and 11.8	16
k.	Territorial development and sales quotas	Sections 1.2 and 11.10	12
l.	Ongoing product/service purchases	Section 11.1	8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 4, 8.1, 8.3 and 11.3	6
n.	Insurance	Section 11.14	6, 7, and 8
o.	Advertising	Section 9	6, 7, and 11
p.	Indemnification	Section 16.2	6
q.	Owner’s participation, management and staffing	Sections 11.4 and 11.5	15
r.	Records and reports	Sections 10.1 and 10.2; Reconstruction Services Addendum Section 4	11
s.	Inspections and audits	Sections 10.1, 10.2 and 10.4	6, 11, and 13
t.	Transfer	Section 14	6 and 17

Obligation		Section(s) in Agreement	Disclosure Document Item(s)
u.	Renewal	Section 3.2	17
v.	Post-termination obligations	Sections 6 and 13; Reconstruction Services Addendum Section 11	17
w.	Non-competition covenants	Sections 6.3 and 13.4	17
x.	Dispute resolution	Section 18	17
y.	Unlimited Guaranty and Assumption of Obligations	Section 15.3	15

**ITEM 10  
FINANCING**

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

**ITEM 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND  
TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

**Before you begin operating your Franchised Business, we will:**

1. Make available to you our System Standards for your Franchised Business Office, service vehicle, service tools, and equipment and other equipment and supplies necessary for the establishment and development of Restoration 1 Businesses (Franchise Agreement, Sections 1.1, 4 and 11.1). Other than providing you our System Standards for products and suppliers, we do not otherwise provide assistance with obtaining equipment, signs, fixtures, opening inventory, or supplies.
2. Make our Training Program available to you (or if you are a business entity, your Owners) and up to three employees or representatives (one of which must be your Designated Owner or Designated Manager, as applicable) (Franchise Agreement, Section 7.1).
3. Provide you with access to the Confidential Operations Manual (Franchise Agreement, Section 8.2).

**Site Selection**

If you have not identified the site that will be your Franchised Business Office before you sign your Franchise Agreement, you will have a period of 90 days after signing to obtain our approval of the proposed site of your Franchised Business Office. Currently, we estimate that we will provide notice of our decision to accept or reject a proposed site within 30 days of receiving the request. The criteria we use to evaluate the selected site include visibility, size, layout, adjacent uses, parking, demographics, local competition, and other factors we determine periodically. Neither we nor our affiliates generally own the sites for your Franchised Business Office or lease those sites to franchisees.

The service tools and equipment for your Franchised Business may not be stored at the any location other than the Franchised Business' Office without our approval. You are solely responsible for obtaining occupancy rights to the Franchised Business Office, and for maintaining, insuring, and paying all associated costs for the Franchised Business Office. You must manage and administer your Franchised Business from the Franchised Business Office, including maintaining the books and records of your Franchised Business at the Franchised Business Office. We may periodically establish System Standards for the Franchised Business Office, including relating to size, safety, or insurance requirements, and you must comply with all System Standards.

If there is insufficient space at the Franchised Business Office to store your Franchised Business' service tools and equipment, then you may be permitted to store the same off-site within a leased storage unit, provided that you inform us in writing of the location of the storage unit. The storage unit may not display any signage reflecting the Marks. We may periodically establish other System Standards for off-site storage, including relating to size, safety, or insurance requirements, and you must comply with all System Standards for such off-site storage. We currently require all Restoration 1 Businesses to maintain off-site storage mandatory as part of our System Standards.

### **Opening of Franchised Business**

We estimate that you will begin operating your Franchised Business within 150 days of signing the Franchise Agreement. We may terminate the Franchise Agreement if you fail to begin operating your Franchised Business within this time period. The date you may begin operating your Franchised Business will depend on whether you have completed all of the following requirements, all of which are mandatory prior to commencing operations: (a) obtain and provided us copies of all certifications, permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual; (b) establish the Franchised Business Office; (c) acquire and set-up all required office equipment including broadband or high-speed internet service; (d) acquire and set up at least one telephone number dedicated to your Franchised Business; (e) acquire a service vehicle meeting our System Standards, and have it wrapped and lettered it in accordance with our System Standards; (f) acquire the service tools and equipment required for the operation of your Franchised Business; (g) if necessary, secure off-site storage space for tools and equipment; (h) furnish us with copies of all insurance policies required by your Franchise Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request; (i) complete the Training Program to our satisfaction; (j) hire and train the personnel necessary or required for the operation of your Franchised Business; and (k) pay in full all amounts due to us. You may not commence operations until you have met all of the conditions above and our System Standards, and you receive notice from us that you are authorized to open.

### **Confidential Operations Manual**

We will make information about the System Standards, and other suggestions and general guidance for operating a Restoration 1 Business available to you, which may include one or more manuals, bulletins, publications, newsletters, memoranda, videos, and other communications from us and our representatives, in printed, electronic, audio/video, or other form (collectively, the "Confidential Operations Manual"). We may modify the Confidential Operations Manual periodically, including changing System Standards. If there is a dispute over its contents, our master copy of the Confidential Operations Manual will control. The Confidential Operations Manual's contents are considered Confidential Information and you will not disclose the Confidential Operations Manual to any person

other than any employee who needs to know its contents to perform its duties. You may not copy, duplicate, record, or otherwise reproduce any part of the Confidential Operations Manual without our approval. We may make some or all of the Confidential Operations Manual available through an Online Presence (as defined below). If we do so, you must monitor and access that Online Presence for any updates to the Confidential Operations Manual. Any passwords or other digital identifications necessary to access the Confidential Operations Manual on any Online Presence will be deemed to be part of Confidential Information. The approximate total number of pages in the Confidential Operations Manual is 177. The Table of Contents of the Confidential Operations Manual, along with number of pages devoted to each section, are included as Exhibit D to this Disclosure Document

**After you begin operating your Franchised Business, we will:**

1. Make periodic visits to your Franchised Business (or any job site for services conducted by your Franchised Business) for the purpose of consultation, assistance, and guidance with respect to various aspects of the operation and management of your Franchised Business (Franchise Agreement, Sections 10.4 and 11.13).
2. Indemnify you if anyone challenges your right to use the Marks, provided you have complied with your Franchise Agreement (Franchise Agreement, Section 5.4).
3. Continue to provide you with modifications to the Confidential Operations Manual (Franchise Agreement, Sections 8 and 11.1).
4. Administer the Brand Fund, if established, as required by the terms of the Franchise Agreement (Franchise Agreement, Section 9.2).
5. Establish prices charged to National Account Clients and prices for products or services sold through any Franchise System Website (as defined below) (Franchise Agreement, Sections 11.11 and 11.12).

**Advertising and Promotion**

*Local Advertising.* You are solely responsible for conducting all local advertising for your Franchised Business. We are not obligated to spend any particular amount on advertising in your area or Market Territory. You must advertise and market your Franchised Business in any advertising medium we determine, using forms of advertisement we approve. You must also list your Franchised Business with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for your advertising. All advertising materials that you use and any advertising activities that you conduct must be factually accurate, conform to the highest standards of ethical advertising, and comply with all federal, state and local laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others.

You must submit to us, for our approval prior to use, all advertising and promotional materials that you wish to use to promote your Franchised Business and/or that display the Marks. You may not use any advertising, promotional, or marketing materials that we have not approved. We may revoke our approval of any advertising, promotional, or marketing materials at any time. You must promptly cease using any advertising, promotional, or marketing materials disapproved by us.

We may require you to spend a minimum of up to 2% of Collected Gross Revenue each month on advertising, promotions, and public relations for your Franchised Business in your Market Territory

("Local Advertising Expenditure"). We will determine what type of expenditures will count towards your Local Advertising Expenditure. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the Franchised Business Office and/or on service vehicle(s), such as in-store signage or vehicle wraps, will not be counted towards your Local Advertising Expenditure. At our request, you must send us an accounting of your Local Advertising Expenditures. We may periodically require you to pay part or all of the Local Advertising Expenditure to the Brand Fund, in addition to the Brand Fund Contribution. We may at any time, with at least 30 days' notice to you, change the proportion of the Local Advertising Expenditure that you must spend directly, versus contribute to the Brand Fund.

*Brand Fund.* We may establish and administer a marketing, advertising, and promotion fund to facilitate advertising and marketing efforts for the Restoration 1<sup>®</sup> brand, the franchise system, any products or services offered by Restoration 1 Businesses, and/or Restoration 1 Businesses ("Brand Fund"). We have not currently established a Brand Fund, but if we do so in the future, you must contribute monthly to the Brand Fund an amount specified by us periodically up to 2% of Collected Gross Revenue ("Brand Fund Contribution"). If we own any Restoration 1 Businesses in the future, they may, but are not required to, contribute to the Brand Fund at the same rate required for franchisees. In fiscal year ended December 31, 2022, we did not collect any funds for a Brand Fund and therefore did not spend any such funds.

If you perform Reconstruction Services, you may also be required to contribute monthly to the Brand Fund an amount equal to 0.5% of Construction Gross Revenues. This fee is in addition to the Brand Fund Contribution, and together may exceed 2% of your Collected Gross Revenue. This fee is not currently charged, but may be charged if we establish the Brand Fund.

We will have exclusive control over all programs and services administered by the Brand Fund, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. We do not guarantee that any particular franchisee will benefit directly from expenditures by the Brand Fund, or that any such expenditures will be in proportion to any franchisee's contributions. The program(s) may be local, regional, or national in scope. We do not guarantee the results of any Brand Fund programs, services, or expenditures in any manner. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences, software, applications or other technology solutions; administering advertising, marketing, and promotional campaigns and programs; using public relations and marketing agencies and other advisors to provide assistance; conducting customer surveys and programs; developing market research and other marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the Restoration 1<sup>®</sup> brand, and/or Restoration 1 Businesses. We may also use the Brand Fund to pay for the Brand Fund's other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time. We do not anticipate using any Brand Fund allocations to principally solicit new franchise sales, but we are not restricted from doing so. We may modify Brand Fund programs, services, or expenditures at any time.

We will keep a record of the Brand Fund separately from our other funds, though we are not required to hold such funds in a separate account. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We have the right, but no obligation, to use collection

agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund.

We may at any time, on 30 days' prior written notice to you, reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will first pay all outstanding invoices and debts incurred by the Brand Fund, and then we will return the remaining balance to franchisees in proportion to their Brand Fund Contributions in the 12 months prior to such termination.

We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to the terms of the Franchise Agreement. The Brand Fund is not a trust, and we assume no fiduciary duty in administering the Brand Fund.

An accounting of the operation of the Brand Fund will be prepared annually and will be available to you upon written request. We retain the right to have the Brand Fund reviewed or audited and reported on, at the expense of the Brand Fund, by an independent certified public accountant selected by us. We may also administer the Brand Fund through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties reserved to us.

Other than participation in the Brand Fund under the terms described above, you are not required to participate in any local or regional advertising cooperatives.

*Franchisee Advertising Council.* Other than our Franchisee Advisory Council (the "FAC"), we do not currently maintain an advertising council composed of franchisees to advise us on advertising policies. The FAC was established by us to provide an open forum for communication with franchisees to discuss matters of common interest, which may periodically include matters relating to advertising, but is not limited to such topics. The FAC serves in an advisory and consultative capacity only and the advice of the FAC is not binding on us. The FAC will be comprised of 6 franchisee members (which may be increased up to 10 franchisee members by a majority vote), and 1 member that is a representative of ours. All franchisee members will be elected by a majority vote of franchisees in their designated region. Except for the election of the initial FAC members, each FAC member is eligible to serve no more than 3 consecutive terms of 1 year each. If a council seat is vacated or otherwise not filled, the remaining members shall nominate and appoint, by a majority vote, the replacement member to serve for such remaining term. To qualify to serve on the FAC, a franchisee must have a current and valid Restoration 1 Business which has been open for a minimum of 180 days, be in full compliance with its agreements with us, have an active Reconstruction Services Addendum on file with us, and agree to uphold the council bylaws. Membership on the FAC is limited to 1 member per franchisee or franchisee-affiliate group at any given time. A member of the FAC may be removed by a majority vote of the FAC for failure to fulfil his or her duties. We may modify or terminate the FAC at any time.

*Franchise System Website.* We may establish, acquire, or host any Online Presence (as defined below) to advertise, market, and promote Restoration 1 Businesses and/or the Restoration 1<sup>®</sup> brand, the products, and services that they offer and sell, and/or a franchise opportunity (a "Franchise System Website"). We may (but are not required to) provide information on any Franchise System Website about your Franchised Business. You must: (i) provide us the information and materials we request to

develop, update, and modify the description of your Franchised Business on any Franchise System Website; and (ii) notify us whenever any information on any Franchise System Website is not accurate. We will own all intellectual property and other rights in all Franchise System Websites, including as it relates to your Franchised Business, and including all information contained on any Franchise System Websites (including the account information and preferences, login credentials, analytic data and reports, user submitted content and data, and all messages and other information or materials directed to or from other messaging platforms associated with any Franchise System Website). We have the right to temporarily or permanently remove references to your Franchised Business from any or all Franchise System Websites if you or your Owners or affiliates are in default of any obligation under your Franchise Agreement or our System Standards, and/or upon the expiration or termination of your Franchise Agreement. We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. We will have unrestricted access to all such email accounts, and all document, data, materials, and messages shared from or by such accounts.

*Your Online Activities.* Except as approved by us in writing or specified in the Confidential Operations Manual, you may not develop, maintain, or authorize any website, domain name, email address, social media account, other online, virtual, digital, or electronic presence of any kind (“Online Presence”) that displays any of the Marks, promotes or advertises your Franchised Business, links to any Online Presence maintained by us for the brand, or engage in any promotional or similar activities, whether directly or indirectly, and/or offer any products or services for sale on any Online Presence. If we approve the use of any Online Presence, you must develop and maintain such Online Presence only in accordance with our guidelines, including guidelines for posting any messages or commentary on other third-party platforms, preparing and linking a privacy policy to such Online Presence, and other System Standards we may establish periodically. At our request, you must grant us or our designees access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to gain access, control, or ownership of such Online Presence.

## **Technology Systems**

You must acquire and use all hardware, software, and IT systems that we specify periodically, including computer, point-of-sale, financial, telecommunications, security and similar systems, together with the associated hardware, software, applications, integrations, and related equipment and services (collectively the “Technology Systems”). We may establish System Standards for the Technology Systems and/or require the use of designated Technology Systems for any purpose associated with your Franchised Business, including purchasing, estimating, pricing, scheduling, accounting, order entry, inventory control, security, data management, information storage, retrieval and transmission, customer information, customer programs, marketing, communications, or any other business purpose. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.

Currently, the Technology Systems are comprised of: (i) a personal computer with associated hardware, software, connectivity, and printing capabilities, as required to access the mandatory software; (ii) one all-in-one printer, copier, scan and fax machine; (iii) one smart device (either a tablet or phone) with unlimited data access; (iv) our designated estimating and claims management software; and (v) QuickBooks and Qvincii financial accounting software. We estimate the total start-up costs for your Technology Systems will range from \$1,650 to \$4,750. Additionally, we charge a \$499/month Technology Fee to each franchisee to help cover the costs associated with certain technology that we



make available to our franchisees (plus, an additional \$10 per month per email address, if you request more than 10 email addresses).

You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating, and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from designated or approved third party suppliers, which may be us or our affiliates. We may also enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of your computer or the various software programs, but you may find it advantageous to do so. The annual costs of entering into maintenance, update, upgrading, or support contracts may range from \$200 to \$350 per year, depending on your area and which maintenance provider you employ. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limitations on our rights to do so.

You must take all steps necessary to enable us to have independent and unlimited access to the data collected through the Technology Systems, including information regarding your Collected Gross Revenues, relating to customers and jobs completed, and any other information relating to your Franchised Business. You must provide us, upon request, with all user IDs and passwords for your Technology Systems, including upon termination or expiration of the Franchise Agreement.

You are solely responsible for protecting the Technology Systems against computer viruses, bugs, power disruptions, disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.

You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information in accordance with applicable law and industry best practices, including, where required, obtaining necessary consents and making required disclosures. It is entirely your responsibility (even if we provide you any assistance or guidance) to confirm that the safeguards you use to protect such information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure. If you become aware of a suspected or actual breach of security or unauthorized access involving any such information, you must notify us immediately and specify the extent to which such information was compromised or disclosed. You must follow our instructions regarding curative actions and public statements relating to the breach.

You must comply with our website privacy policy, as it may be amended. You must comply with any requests to return or delete customer's personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws.

## **Training**

*Training Program.* We will provide a training program on the material aspects of operating a Restoration 1 Business (the “Training Program”) to you (or your Owners) and up to three additional employees or representatives (one of which must be your Designated Owner or Designated Manager, if applicable) (together, your “Key Personnel”). You may invite additional employees to attend the Training Program if space allows. If we approve such requests, we may charge our then-current training fee (currently, \$1,000 per day, per trainee, plus expenses) for each additional individual attending the Training Program, and/or for any portion of the Training Program conducted more than one time to accommodate the schedules of your attendees. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program. We will also determine the length and content of the Training Program. We may vary the Training Program based on the experience and skill level of the individual(s) attending. Scheduling of the Training Program is based on your and our availability and the projected commencement of operations of your Franchised Business.

Your Key Personnel must complete the Training Program to our satisfaction before beginning to operate your Franchised Business. If any of your Key Personnel fail to satisfactorily complete the Training Program, we may require such person(s) to attend additional training at a time and location of our choice, and we will charge you our then-current training fee (currently, \$1,000 per day, per trainee, plus expenses) for such additional training. If you and your Key Personnel complete the Training Program to our satisfaction and have not expressly informed us at the end of the Training Program that they do not feel sufficiently trained in the operation of your Franchised Business, then you and your trainees will be deemed to have been trained sufficiently.

If you hire a new Designated Manager or your Designated Owner changes, the new Designated Manager or Designated Owner must attend and successfully complete our then-current Training Program before providing services to your Franchised Business.

The Training Program is offered on an as needed basis at our training location in Dallas, Texas, or another location we designate, which may include conducting any portion of the Training Program virtually. The time frames provided in the chart below are an estimate of the time it will take to complete training. Our Training Program is currently supervised by our President, Tom Gissler, who has 2 years of experience with us and has 23 years of experience in the restoration industry. He has experience with both residential and commercial restoration along with his background in training and development. Currently, the Training Program is comprised of the following training modules:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Pre-Training Checklist	8	0	Dallas, Texas, or virtual
IICRC Water Mitigation Certification	24	0	Virtual
Company Introductions	2	0	Dallas, Texas, or virtual

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Restoration Overview	4	0	Dallas, Texas, or virtual
Technical/Safety Training	4	4	Dallas, Texas, or virtual
Technology Software	4	4	Dallas, Texas, or virtual
Hands on Mitigation Equipment	0	4	Dallas, Texas, or virtual
Sales and Marketing	5	0	Dallas, Texas, or virtual
Administration	4	0	Dallas, Texas, or virtual
Estimating Technology	0	4	Dallas, Texas, or virtual
Reets Drying Academy IICRC Certified WRT/ASD Training	40	0	Sharpsburg, Georgia, or virtual
<b>TOTAL</b>	<b>95</b>	<b>16</b>	

*Personnel Training.* You are responsible for training all of your employees, contractors, and other personnel that have not attended the Training Program, at your sole cost and expense. We may periodically require you to disclose to us the training curriculum and materials that you use to train your personnel, and/or set System Standards relating to the training that you offer, to ensure that all personnel receive appropriate training to conduct your Franchised Business to satisfy our System Standards. If we at any time determine that any of your personnel are unable to satisfactorily supervise and fulfill their duties in accordance with our System Standards, we may require those persons to cease providing services at your Franchised Business until they complete additional training with you or with us. If we provide any such training to such personnel, you must pay our then-current training fee (currently, \$1,000 per day, per trainee, plus expenses) for such additional training we provide.

*Additional Training.* Subject to limitations on scheduling, availability, and similar resources, we may provide you with advice periodically regarding your Franchised Business. Our advice and guidance will be furnished in the formats we periodically designate, which may include updates to our Confidential Operations Manual, written bulletins and newsletters, via telephone or electronic meetings, and/or consultation at our offices. We may modify or discontinue any ongoing training or advice we provide at any time. You may request additional training for you, your Owners, or your personnel periodically. If we agree to provide you such additional training, we and you will jointly determine the duration of this additional training, and we may charge you our then-current training fee for such additional training (currently, \$1,000 per day, per trainee, plus expenses).

We may require you and your Key Personnel and/or certain other employees of your Franchised Business attend various training courses, trade shows, ongoing education programs, and/or webinars at the times and locations designated by us, which may be offered by us or our affiliates, vendors, or other designees of ours. In addition to these training courses, programs, and events, we may additionally require you and/or any of your Key Personnel to attend periodic meetings of franchise owners or managers. These meetings will be held at the times and locations we designate, and we may charge meeting or conference fees up to \$1,000 (currently, \$300 per attendee, per conference).

If we determine that you are not operating your Franchised Business in full compliance with your Franchise Agreement and/or the Confidential Operations Manual, we may require that your Key Personnel attend additional training that is relevant to your operational deficiencies, and we may charge you our then-current training fee for such additional training (currently, \$1,000 per day, per trainee, plus expenses). We may periodically establish System Standards that will require you, your Owners, and/or other personnel of your Franchised Business to attend third-party training or certification courses or obtain certain technical certificates or licenses. You must comply and ensure that your personnel comply with all training and certification requirements that we establish.

*Training Expenses.* You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel or any other employee incurs during any and all meetings and/or training courses and programs. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for the travel and living expenses and out-of-pocket costs that we and such representatives incur to provide you and your personnel with any training.

## **ITEM 12 TERRITORY**

### **Your Market Territory**

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

You and we will agree on a geographic area to act as your Market Territory. The Market Territory may be defined by ZIP codes, political boundaries, geographic boundaries, or roads. A Market Territory for a Standard Franchise will have a minimum population of 200,000 while the Market Territory for a Micro Market Franchise will have a population between 75,000 and 199,999. The source of the data for determining population is our territory mapping program, GbBIS. You may not relocate your Franchised Business' Market Territory and/or the Franchised Business Office without our prior written consent.

Your Market Territory is strictly a limitation on the geographic area where you may conduct business activities. Your Market Territory is not an exclusive territory, and you will have no territorial protections in the Market Territory. Nothing will restrict or limit, in any manner, our or our affiliates' rights to conduct marketing or other business activities, solicit or accept customers, and/or grant licenses or franchises of any kind, in any location whatsoever, including through alternative distribution channels and/or the internet. We may operate and/or authorize other franchisees to operate, solicit customers, and conduct services in your Market Territory. We are not required to pay you any compensation relating to these activities.

Without our prior authorization, you and your Owners may not, and each of you will cause your respective affiliates, representatives, and personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory, in each case, including that you may not use any channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing to conduct such solicitation or activities. If these territorial

limitations are violated, in addition to our right to terminate your Franchise Agreement for your breach, we have the right to require you to pay damages equal to: (i) \$5,000 per incident for any marketing, advertising, or promotional activities conducted outside of your Market Territory, or (ii) 100% of the job value for any work obtained in breach of the territorial limitations.

You may not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior approval. You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

**Minimum Performance Criteria**


You do not receive any territorial protection your Market Territory and are therefore not required to achieve a certain sales volume, market penetration, or other contingency to preserve it. However, we may terminate your Franchise Agreement, causing you to lose your franchise rights, if you fail to achieve the following minimum performance criteria: beginning with the 25th month of operation, your Franchised Business must achieve average Collected Gross Revenue of at least \$32,500 per month (total Collected Gross Revenue during the prior trailing six-month period, divided by six). There is no minimum performance criteria during the first 2 years of operations of your Franchised Business. With no less than 30 days prior notice, we may increase the amount of the minimum average monthly Collected Gross Revenue in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the date of your Franchise Agreement, or such later date as we last adjusted the minimum average monthly Collected Gross Revenue.

**Affiliated Franchised Programs**

As described further in Item 1, we are under common control with entities that operate other franchised brands. Currently none of our affiliated brands offers restoration services. These affiliate franchises may be located within close proximity to your Franchised Business, including within your Market Territory, and they may solicit or accept orders from customers near your Franchised Business. If a conflict should arise between any Restoration 1 Business and any other business operated or franchised by an affiliate of ours, we will analyze the conflict and take any action or no action as we deem appropriate. We currently maintain each franchise offering from the same corporate offices and training facilities.

**ITEM 13  
TRADEMARKS**

We currently own our principal Marks, which have been registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”). Our principal Marks are currently as follows:

<b>Mark</b>	<b>Reg. / App. Number</b>	<b>Reg. / App. Date</b>
Restoration 1	Reg. No. 3717916	Reg. Date: December 1, 2009
	Reg. No. 3820954	Reg. Date: July 20, 2010

Mark	Reg. / App. Number	Reg. / App. Date
	Reg. No. 4982600	Reg. Date: June 21, 2016
	App. No. 97380137	App. Date: April 25, 2022
	App. No. 97380133	App. Date: April 25, 2022
	App. No. 97380123	App. Date: April 25, 2022
	App. No. 97492267	App. Date: July 7, 2022

**We do not have a federal registration for each of our principal trademarks. Therefore, such unregistered trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use an unregistered trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.**

All required affidavits of use will have been filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We know of no infringing or prior superior uses that could materially affect the use of the Marks.

We are the sole and exclusive owners of the Marks and the System. Your use of the Marks and the System and any goodwill created thereby will inure to our benefit. You will not at any time acquire an ownership interest in the Marks or the System by virtue of any use and/or by virtue of your Franchise Agreement. You may not at any time contest the validity or ownership of any of the Marks or the System, or assist any other person in contesting the validity or ownership of any of the Marks or the System. Any unauthorized use of the Marks or the System by you or your Owners or affiliates is a breach of your Franchise Agreement and an infringement on the intellectual property rights of us and our affiliates. All provisions of the Franchise Agreement relating to the Marks and the System apply to any changes and/or additions to the Marks or the System that we authorize periodically.

You are permitted to use the Marks and the System solely to conduct the Franchised Business in compliance with your Franchise Agreement. You may not use any trademarks, service marks or commercial symbols other than the Marks to identify or operate your Franchised Business. You may not use any Mark or portion of any Mark as part of any business entity name. You may not use any Mark or the System in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You must give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Restoration 1 Business. You may not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to us. You must identify yourself as the independent owner of your Franchised Business in connection with all of your dealings with customers, employees, and the public, and in accordance with any System Standards established by us.

You must immediately notify us of any apparent or threatened: (i) infringement of the Marks or any component of the System, (ii) challenge to your use of any of the Marks or any component of the System, and/or (iii) claim by any person of any rights in any of the Marks or any component of the System. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim; provided, you may communicate with your counsel at your expense. We may take such action as we deem appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks and/or the System. You must execute any and all instruments and documents, render such assistance, and do such acts and things as we require to protect and maintain our interests or to otherwise protect and maintain our interest in the Marks and/or the System.

We will reimburse you for all expenses reasonably incurred by you in any proceeding disputing your authorized use of any Mark, provided that you have complied with your Franchise Agreement and our directions in responding to such proceeding. At our option, we or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark and/or any component of the System. This indemnification will not include the expense to you of removing signage or discontinuance of the use of the Marks and/or any component of the System. This indemnification will not apply to litigation between us and you wherein your use of the Marks or System is disputed or challenged by us. This indemnification will not apply to any separate legal fees or costs incurred by you if you obtain independent counsel after we have appointed counsel to represent you and us.

If we deem it necessary for you to modify or discontinue use of any of the Marks or components of the System, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols to identify Restoration 1 Businesses, you must comply with our directions promptly after notice to you by us. We are not required to reimburse you for your expenses derived from update, addition, or modification to, or discontinuance of any Marks or any components of the System or any loss of goodwill associated therewith or for any expenditures made by you to promote any modified or substitute Mark or modified System.

## ITEM 14

### PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

#### **Patents and Copyrights**

We do not own any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise. We own copyrights in the Confidential Operations Manual, our website, our marketing materials, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating your Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items or Confidential Information (defined below) is not materially limited by any agreement or known infringing use.

#### **Confidential Information**

In connection with your Franchised Business, you and your Owners and personnel may be provided and/or have access to non-public information about the System and the operation of Restoration 1 Businesses (the “Confidential Information”), including: (1) training programs and operations materials (including the Confidential Operations Manual); (2) the System Standards and methods and techniques for operating Restoration 1 Businesses; (3) market research and strategies, customer service techniques, and other practices for generating and maintaining customers; (4) specifications for, suppliers of, and methods of ordering, products and services; (5) any software, technology, or Online Presences which are proprietary to us or the System, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (6) the operating results and financial performance of Restoration 1 Businesses, including your Franchised Business; (7) customer and client lists, terms, job pricing and history, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

All Confidential Information will be owned by us and our affiliates. You will not acquire any interest in the Confidential Information, other than the right to use it to develop and operate your Franchised Business in compliance with your Franchise Agreement. The Confidential Information includes our trade secrets and other information that is proprietary to us and our affiliates, derives value from not being known to the public and our competitors, has been developed by us and our affiliates at significant cost and effort, and is critical to the competitive advantage of us and our affiliates and franchisees. Any unauthorized use or disclosure of the Confidential Information would be an unfair method of competition and will result in irreparable harm to us and our affiliates.

You and your Owners agree that during and after the term of your Franchise Agreement you will, and you will cause each of your respective spouses, immediate family members, affiliates, and assigns: (a) not use the Confidential Information for any purpose other than the development and operation of your Franchised Business under your Franchise Agreement; (b) keep confidential and not disclose the Confidential Information to any person other than those of your employees and representatives who



need to know such Confidential Information for the purpose of assisting you in operating your Franchised Business under your Franchise Agreement (and you will be responsible for any violation of this requirement by any such representatives or employees); (c) not make unauthorized copies of any Confidential Information; (d) adopt and maintain reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to Key Personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure agreement on terms no less favorable than the terms applicable to Confidential Information under your Franchise Agreement; and (e) at our request, destroy or return any of the Confidential Information.

### **Innovations**

All ideas, concepts, techniques or materials concerning any Restoration 1 Business and/or the System or developed, in whole or in part, using Confidential Information, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, must be promptly disclosed to us and shall be deemed our sole and exclusive property and work made-for-hire for us, automatically and without compensation to you, your Owners, or any of your employees or representatives. We have the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign to us, all right, title, and interest in that item. You must sign any documents required by us to memorialize such assignment. You must take all actions to assist our efforts to obtain or maintain intellectual property rights in any item related to the System, whether developed by you or not.

## **ITEM 15**

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

#### **Designated Owner**

If you operate your Franchised Business through a legal entity, you must identify one of your Owners who is a natural person with at least a 10% direct or indirect ownership interest and voting power in that entity (your “Designated Owner”). We must approve the person that will act as your Designated Owner. Your Designated Owner will be authorized to deal with us on your behalf for all matters that may arise with respect to your Franchise Agreement. Any decision made by the Designated Owner will be final and binding on you and we will be entitled to rely solely on the decision of the Designated Owner without discussing the matter with any other party. The person acting as your Designated Owner must have full corporate power and authority to enter into the Franchise Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

#### **Designated Manager**

Subject to the terms and conditions of your Franchise Agreement, you (or if you operate through a legal entity, your Designated Owner) will be solely responsible for the management, direction and control of your Franchised Business you (or your Designated Owner). If you (or your Designated Owner) do not wish to supervise the day-to-day operations of your Franchised Business, then you may request that we approve an alternative person to supervise the day-to-day affairs of your Franchised Business (your “Designated Manager”). We may establish conditions for approving any such Designated Manager or Designated Owner, as applicable, which may include the completion of

training, confirmation that such individual will have no competitive businesses activities, and/or execution of a non-disclosure agreement or other covenants we require. You (or your Designated Owner) or your Designated Manager, as applicable, must supervise the management and day-to-day operations of your Franchised Business on a full-time basis and continuously exert best efforts to promote and enhance your Franchised Business and the goodwill associated with the Marks.

### **Obligations of Owners and Other Key Personnel**

If you enter into your Franchise Agreement as a legal business entity, each person who holds a direct or indirect ownership, voting, or beneficial interest in you (an “Owner”) must execute a guaranty , agreeing to be personally bound, jointly and severally, by all provisions of the Franchise Agreement and any ancillary agreements between you and us and/or our affiliates. Our current form of Guaranty and Assumption of Obligations is attached as an exhibit to the current form of Franchise Agreement.

We also have the right to require certain of your Owners, Key Personnel, management level employees and officers, and other representatives and owners of you that will have access to Confidential Information to sign certain covenants we designate. You must ensure that we and our affiliates are named as third-party beneficiaries with the right to enforce covenants contained in such agreements. Upon our request, you must provide us with copies of all such executed nondisclosure and non-competition agreements. We may modify our decisions regarding which persons will be required to sign such covenants periodically. You must notify us, upon request, of all employees, representatives, and other individuals to whom you have granted access to Confidential Information, and/or who are involved in the management and supervision of your Franchised Business.

### **Assumption of Management**

We may assume management of your Franchised Business, or to appoint a designee to assume its management if: (1) you abandon or fail actively to operate your Franchised Business; (2) you fail to comply with any provision of the Franchise Agreement or any System Standard and do not cure the failure within the time period we specify; or (3) the Franchise Agreement expires or is terminated and we are transitioning your Franchised Business’ operations to us or another person we designate, or determining whether to do so. All funds from your Franchised Business’ operation while it is under our or our designee’s management will be kept in a separate account, and all expenses will be charged to this account. If we or our designee assume your Franchised Business’ management, you must pay us (in addition to the Royalty Fee, Brand Fund Contributions, and other amounts due to us or our affiliates) our then-current fee for such management services (currently, 5% of Collected Gross Revenue), plus our and our designees’ direct out-of-pocket costs and expenses.

### **Subcontractors**

You must obtain our prior written approval of any subcontractor that will be used to provide services of any kind for your Franchised Business. You will remain fully liable for all obligations under your Franchise Agreement for all operations from your Franchised Business, including those performed by any approved subcontractors. You will also be fully liable for the actions, omissions, and performance of any and all subcontractors and their personnel. Your obligation to indemnify us against liability from your Franchised Business will apply to operations by your subcontractors.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

#### **Authorized Products and Services**

You must provide or offer for sale or use at your Franchised Business all of the services, products, supplies, equipment, and other items that we periodically designate. You may not offer or provide any other services, products, supplies, equipment, or other items as part of your Franchised Business without our express approval. You may not offer or provide any other products and services, and/or permit any of your affiliates, employees, Owners, or other representatives to offer or provide any other products and services, related to or arising in connection with any project conducted by your Franchised Business, without our approval.

You may not offer or sell any products or services from your Franchised Business at wholesale, for resale, or through other alternative distribution channels, including any Online Presence, or to other franchisees, without our prior written approval.

All products, supplies, equipment, and other items provided by your Franchised Business must comply in all respects with our System Standards. We are under no obligation to authorize every Restoration 1 Business to offer the same services, products, supplies, equipment, and other items. We may condition our approval for you to offer any services, products, supplies, equipment, and other items on our then-current criteria, including your compliance with your Franchise Agreement.

As described in Item 12, you and your Owners may not, and each of you will cause your respective affiliates, representatives, and personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory.

#### **Reconstruction Services**

If you wish to offer any restoration, reconstruction, or other products and services in connection with a project conducted by your Franchised Business, to restore the property to its former condition (“Reconstruction Services”), you (or any affiliate of yours that will provide such Reconstruction Services) must first execute our then-current Reconstruction Services Addendum, in a form and substance designated by us. Neither you nor any of your affiliates may offer any Reconstruction Services for any projects associated with your Franchised Business without approval by us and execution of the designated Reconstruction Services Addendum.

#### **Pricing**

You will have the sole right to determine the prices to be charged by your Franchised Business for services offered to customers, other than: (i) prices charged National Accounts Clients, which we will negotiate in advance with our National Accounts Clients; and (ii) we will have the sole right to determine the prices to be charged for products sold through any Franchise System Website, even if such sales are to persons identified as customers of your Franchised Business.

## **National Accounts Clients**

We or our affiliates may periodically enter into agreements with clients that require service (the “National Account Clients”). We may provide these services ourselves or through our affiliates or designees, and/or may subcontract servicing rights to one or more third parties or franchisees. We may establish criteria or qualifications for franchisees that wish to service National Accounts Clients, including different service standards, requirements for accepting or declining jobs, insurance requirements, or other conditions we establish. If we offer you the right to provide services to a National Account Client, you must provide the services in accordance with all of our System Standards, plus the terms, fees, and conditions that we have negotiated with the National Account Client. We may invoice the National Account Client and collect payment directly. We may also charge our then-current fees for participation in the program, including dispatch, management, declined job fees, or other processing or administrative fees. In such cases, we will deduct from the payment any applicable fees and any amounts calculated under the Franchise Agreement on the basis of such Collected Gross Revenue, and remit to you the balance within a reasonable time following receipt.

## **Service Warranties**

Certain products and services offered to customers by your Franchised Business may be subject to one or more customer warranties, guarantees, commitments and/or similar customer service programs, including those offered by you and your affiliates and/or third-party service providers and manufacturers that offer products and services used by your Franchised Business (collectively, “Service Warranties”). During and after the term of your Franchise Agreement, you must honor all Service Warranties made to customers of your Franchised Business, including using your best efforts to assist customer of your Franchised Business tendering claims to any third-party serviced providers and manufacturers. You must obtain our approval of all Service Warranties before you offer them to customers of your Franchised Business. We may establish System Standards for any such Service Warranties periodically. All Service Warranties offered by your Franchised Business are strictly your obligation and responsibility and are not offered or guaranteed in any manner by us.

If you fail to honor any Service Warranties to your customers, we may take any action we deem appropriate to honor such Service Warranties, including by providing any services or products or support ourselves, or through our designees, affiliates, or other franchisees, and you must reimburse us any and all costs incurred by us, our designees, affiliates, representatives, or other franchisees. We may require you to pay us a reasonable deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business.

**ITEM 17**

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

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
a. Length of franchise term	Section 3.1, Summary Page, Reconstruction Services Addendum 9 and 10	The initial term is 10 years. The right to offer Reconstruction Services may not be the same as your franchise term because these services are optional and either party may terminate the Reconstruction Services Addendum any time with 60 days' notice.
b. Renewal or extension of the term	Section 3.2	You may renew for one successive 10-year term if you satisfy the conditions described below.
c. Requirements for franchisee to renew or extend	Section 3.2	You must have: substantially complied with the Franchise Agreement and all other agreements with us and our affiliates; updated the Franchised Business Office and your service vehicle and equipment; satisfied all monetary obligations owed to us or our affiliates; not been in default of any provision of the Franchise Agreement or any other agreement between you and us; notified us of your intent to renew no less than 9 months and more than 12 months prior to the end of the term; signed a then-current Franchise Agreement, which may have materially different terms and conditions (including higher Royalty Fee, higher Brand Fund Contributions and a different or modified Market Territory); reimburse us for our costs in processing the renewal; complied with then-current qualifications for new franchisees; and signed a general release (subject to state law). We must be offering franchises for Restoration 1 Businesses in the geographic area of your Market Territory at the time you request a renewal.
d. Termination by Franchisee	Section 12.3; Reconstruction Services Addendum Section 10	Subject to state law, you can terminate if you are in full compliance with all of the terms of your Franchise Agreement, we materially breach your Franchise Agreement, and we fail to make reasonable efforts to cure such breach within 60 days after receiving written notice from you. Reconstruction Services are optional, and you or any of your affiliates may terminate your Reconstruction Services Addendum at any time with 60 days' notice to us.

Provision	Section in Agreement	Summary
e. Termination by franchisor without cause	No provision in Franchise Agreement; Reconstruction Services Addendum Section 9	We may not terminate the Franchise Agreement without cause. We may terminate the Reconstruction Services Addendum without cause upon 60 days' notice to you.
f. Termination by franchisor with cause	Sections 12.1 and 12.2; Reconstruction Services Addendum Section 9	We may terminate the Franchise Agreement or Reconstruction Services Addendum if you or your Owners default.
g. "Cause" defined – curable defaults	Section 12.2; Reconstruction Services Addendum Section 9	We can terminate the Franchise Agreement, after a cure period as follows: 72 hours to cure violations of health or safety laws; 5 days to cure failure to maintain certifications and permits; 5 days to cure failure to pay any monies due under the Franchise Agreement; 10 days to cure failure to maintain the required insurance coverage; 10 days to cure failure to comply with applicable laws or regulations; 30 days to cure any other breach of the Franchise Agreement (that does not provide for sooner termination) (subject to state law). We may terminate your Reconstruction Services Addendum immediately upon notice to you if you or your Owners fail to comply with your agreements with us or our affiliates, beyond any applicable cure period.

Provision	Section in Agreement	Summary
h. "Cause" defined – non-curable defaults	Section 12.1	<p>The Franchise Agreement will terminate automatically without notice upon the occurrence of certain bankruptcy or insolvency-related events. We may also terminate without an opportunity to cure if you: fail to begin operations by the specified deadline; fail to have your Key Personnel satisfactorily complete the Training Program; make a material misrepresentation or omission in the franchise application; are convicted of or plead no contest to a felony or other crime; activities, behavior or conduct likely to adversely affect your Franchised Business; abandonment; unauthorized transfer; fail to maintain your Franchised Business under the supervision of an approved manager; submit reports on two or more separate occasions understating any amounts due by more than 5%; fail on two or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; repeatedly breach the Franchise Agreement or comply with specifications; misuse or make unauthorized use of the Confidential Operations Manual, the Marks, trade secrets or other Confidential Information.</p>

Provision	Section in Agreement	Summary
i. Franchisee’s obligations on termination/non-renewal	Section 13; Reconstruction Services Addendum Section 11	You must stop operating your Franchised Business and cease representing yourself as a present or former Restoration 1® franchisee; deidentify your Franchised Business; stop using any trade secrets, Confidential Information, the System and the Marks; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Operations Manual, trade secrets, and all other Confidential Information; assign your email addresses, any websites and telephone numbers, and other Online Presences to us; comply with all System Standards regarding closure and de-identification; pay us a reasonable a deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business until such time as the Service Warranties are satisfied or have expired; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement; and pay us the final payments on Accounts Receivable. If the Franchise Agreement terminates because you have closed or abandoned your Franchised Business or expires, you must pay us liquidated damages. On termination of your Reconstruction Services Addendum, you and your affiliates must cease offering Reconstruction Services, de-brand in accordance with our instructions, and pay us the final payments on Accounts Receivable.
j. Assignment of contract by franchisor	Section 14.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. “Transfer” by franchisee-definition	Section 14.2	“Transfer” includes voluntarily or involuntarily, directly or indirectly, selling, assigning, conveying, gifting, giving away, pledging, mortgaging, sublicensing, or otherwise transferring or encumbering, whether by operation of law or otherwise: (a) the Franchise Agreement or any interest in the Franchise Agreement, (b) the franchise granted to you, (c) all or substantially all of the assets of your Franchised Business, or (d) any direct or indirect ownership interest in you, your franchise rights, or your Franchised Business, including any right to share in the governance or profits thereof.



Provision	Section in Agreement	Summary
l. Franchisor's approval of transfer by franchisee	Section 14.2	You may not transfer your interest in any of the items listed in Item 17(k) above without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 14.2	We decline to exercise our right of first refusal; all obligations owed to us are paid and satisfied; you and the transferee have signed a general release (subject to state law) in the form that we prescribe, as well as all other documents we then require in connection with a transfer; you have materially complied with your Franchise Agreement; you and transferee comply with our then-current transfer procedures, including submission of documents we require; the prospective transferee and terms of the transfer meet our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then-current Franchise Agreement for the existing Market Territory; you provide us with a copy of all contracts and agreements related to the transfer; we determine that the terms of the transfer are not detrimental or unfavorable to your Franchised Business or our rights; the transferee expressly assumes in writing all outstanding Service Warranties; you or the transferee pay us a transfer fee; the transferee has obtained all necessary consents and approvals of third parties; you or all of your Owners have signed a confidentiality and non-competition agreement; and the transferee's key personnel have agreed to complete the Training Program before assuming management of your Franchised Business.
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 14.3	We may match an offer for your Franchised Business or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's Franchised Business	None	Not applicable.

Provision	Section in Agreement	Summary
p. Death or disability of franchisee	Section 14.2	After the death or incapacity of an Owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement. We must approve the transferee prior to transfer.
q. Non-competition covenants during the term of the franchise	Section 6.3	You and your Owners each agree not to, and to cause each of your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) own, maintain, or acquire any direct or indirect interest in or relationship with any Competitive Business, whether as record or beneficial owner, investor, employee, partner, director, officer, representative, agent, lessor, lender, or otherwise, and/or (ii) advise, operate, or provide assistance or services of any kind or nature to any Competitive Business, during the term of the Franchise Agreement, in any location.

Provision	Section in Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 6.3	<p>For a period of 2 years from and after the date of termination or expiration of the Franchise Agreement, in your Market Territory or any location that is within a 25-mile radius of your Market Territory or the market territory of any other Restoration 1 Business, you, your owners, and your officers, governing persons, executive personnel and each individual’s immediate family members are prohibited from owning or working for a Competitive Business, or soliciting or influencing any of our customers to terminate their relationship with us.</p> <p>“Competitive Business” means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides: (1) water, fire, and smoke cleanup and restoration services, (2) mold mitigation and remediation, (3) biohazard cleanup and removal, (4) removal, transportation, and return of damaged property to a secure location for processing, cleaning, and restoration (sometimes referred to as “pack-out” services), (5) content processing, cleaning, and restoration, and/or (6) any other line of business, products, or services that are substantially similar to those offered by Restoration 1 Businesses; provided, that the definition of Competitive Business will not include: (i) any business operated under a franchise agreement with us or our affiliates; or (ii) the ownership of less than 5% of the equity interest in a Competitive Business whose stock is publicly traded on a recognized United States stock exchange.</p>
s. Modification of the agreement	Sections 8.3 and 17.3	<p>The Franchise Agreement can be modified only by written agreement between you and us. We may modify the System Standards and Confidential Operations Manual during the term of your Franchise Agreement.</p>
t. Integration/merger clause	Section 17.3	<p>Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.</p>
u. Dispute resolution by arbitration or mediation	Section 18	<p>Subject to our rights to seek injunctive relief, all claims, controversies, or disputes from or relating to the Franchise Agreement must be arbitrated.</p>

Provision	Section in Agreement	Summary
v. Choice of forum	Sections 18.1 and 18.5	<p>Arbitration in the city in which we maintain our principal business address (currently Dallas, Texas).</p> <p>The venue for any other proceeding is exclusively the courts located in the county in which we maintain our principal business address, currently Dallas County, Texas (subject to applicable state law). See the State Specific Addenda attached to this Disclosure Document.</p>
w. Choice of law	Section 18.4	<p>All matters relating to arbitration will be governed by the Federal Arbitration Act. Except to the extent governed by the Federal Arbitration Act, the U.S. Trademark Act of 1946, or other federal law, any agreement between us and our affiliates and you and your affiliates, will be governed by the laws of the State of Texas (subject to applicable state law). See the State Specific Addenda attached to this Disclosure Document.</p>

## ITEM 18

### PUBLIC FIGURES

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

## 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 this 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.

As of December 31, 2022, there were a total of 290 franchised Restoration 1 Businesses. Each Restoration 1 Business represents one franchised territory. Some franchisees operate multiple franchised territories. Most franchisees that operate multiple franchised territories do not separately report Collected Gross Revenue for each franchised territory. As a result, we have provided Collected Gross Revenue data on a “per franchisee” basis (not on a “per territory” basis). The financial performance data below is provided in separate tables based on the number of franchised territories each franchisee operates. This financial performance representations presented below include 2022 Collected Gross Revenue data for the 141 franchisees operating a total of 239 franchised territories during the full 2022 calendar year. We excluded data for the following franchisees:

- (i) 7 franchised territories that operated during the entire 2022 calendar year but failed to report their 2022 Collected Gross Revenue to us;
- (ii) 44 franchised territories that were not operating during the entire 2022 calendar year because they opened after January 1, 2022;
- (iii) 13 franchised territories that were not operating during the entire 2022 calendar year because they were terminated or permanently closed prior to December 31, 2022.

The following table breaks down the remaining 141 franchisees and 239 franchised territories into subsets based on the total number of franchised territories operated by the franchisee:

Number of Territories Operated by Franchisee	Total Number of Franchisees in Subset	Total Number of Franchised Territories in Subset
1	81	81
2	35	70
3	18	54
4	3	12
5	2	10
6	2	12
<b>TOTAL</b>	<b>141</b>	<b>239</b>

The following tables list the 2022 Collected Gross Revenue data for the franchisees in each subset above. Tables 1, 2 and 3 also list the Collected Gross Revenue data for the top 25%, top 50% and top 75% of franchisees as well as the corresponding bottom 25%, bottom 50% and bottom 75% of franchisees. Tables 4, 5 and 6 do not include these subsets due to the small number of franchisees.

<b>Table 1: Collected Gross Revenue - Franchisees Operating 1 Territory (81 Franchisees)</b>					
Subset	Number of Franchisees	Average (# & % Meeting or Exceeding Average)	Median	Lowest	Highest
Top 25%	20	\$1,863,904 (5 of 20 - 25.0%)	\$1,634,425	\$1,107,525	\$6,204,096
Top 50%	41	\$1,280,129 (12 of 41 - 29.3%)	\$1,061,105	\$431,362	\$6,204,096
Top 75%	61	\$966,913 (24 of 61 - 39.3%)	\$696,171	\$252,728	\$6,204,096
Bottom 25%	20	\$130,308 (11 of 20 - 55.0%)	\$156,910	\$5,800	\$212,208
Bottom 50%	41	\$232,535 (21 of 41 - 51.2%)	\$252,728	\$5,800	\$431,362
Bottom 75%	61	\$398,521 (24 of 61 - 39.3%)	\$316,472	\$5,800	\$1,061,105
Total	81	\$760,344 (30 of 81 - 37.0%)	\$431,362	\$5,800	\$6,204,096

<b>Table 2: Collected Gross Revenue - Franchisees Operating 2 Territories (35 Franchisees)</b>					
<b>Subset</b>	<b>Number of Franchisees</b>	<b>Average (# &amp; % Meeting or Exceeding Average)</b>	<b>Median</b>	<b>Lowest</b>	<b>Highest</b>
Top 25%	9	\$2,268,192 (2 of 9 - 22.2%)	\$1,773,516	\$1,411,754	\$5,638,483
Top 50%	18	\$1,630,598 (6 of 18 - 33.3%)	\$1,406,414	\$740,384	\$5,638,483
Top 75%	26	\$1,335,238 (10 of 26 - 38.5%)	\$1,014,694	\$597,965	\$5,638,483
Bottom 25%	9	\$325,874 (6 of 9 - 66.7%)	\$348,914	\$102,255	\$471,383
Bottom 50%	18	\$502,148 (9 of 18 - 50.0%)	\$534,674	\$102,255	\$740,384
Bottom 75%	26	\$662,897 (13 of 26 - 50.0%)	\$667,286	\$102,255	\$1,401,074
Total	35	\$1,075,687 (12 of 35 - 34.3%)	\$740,384	\$102,255	\$5,638,483

<b>Table 3: Collected Gross Revenue - Franchisees Operating 3 Territories (18 Franchisees)</b>					
<b>Subset</b>	<b>Number of Franchisees</b>	<b>Average (# &amp; % Meeting or Exceeding Average)</b>	<b>Median</b>	<b>Lowest</b>	<b>Highest</b>
Top 25%	5	\$5,182,855 (2 of 5 - 40.0%)	\$5,012,219	\$2,179,246	\$9,142,006
Top 50%	9	\$3,587,306 (4 of 9 - 44.4%)	\$2,179,246	\$1,109,999	\$9,142,006
Top 75%	14	\$2,618,070 (4 of 14 - 28.6%)	\$1,547,774	\$648,730	\$9,142,006
Bottom 25%	5	\$441,411 (3 of 5 - 60.0%)	\$469,105	\$178,330	\$648,730
Bottom 50%	9	\$658,395 (4 of 9 - 44.4%)	\$648,730	\$178,330	\$1,040,315
Bottom 75%	14	\$1,034,020 (6 of 14 - 42.9%)	\$926,252	\$178,330	\$2,179,245
Total	18	\$2,122,850 (6 of 18 - 33.3%)	\$1,075,157	\$178,330	\$9,142,006

<b>Table 4: Collected Gross Revenue - Franchisees Operating 4 Territories (3 Franchisee)</b>					
<b>Subset</b>	<b>Number of Franchisees</b>	<b>Average (# &amp; % Meeting or Exceeding Average)</b>	<b>Median</b>	<b>Lowest</b>	<b>Highest</b>
Total	3	\$2,009,686 (1 of 3 - 33.3%)	\$1,753,136	\$810,160	\$3,465,760

<b>Table 5: Collected Gross Revenue - Franchisees Operating 5 Territories (2 Franchisees)</b>					
<b>Subset</b>	<b>Number of Franchisees</b>	<b>Average (# &amp; % Meeting or Exceeding Average)</b>	<b>Median</b>	<b>Lowest</b>	<b>Highest</b>
Total	2	\$1,394,683 (1 of 2 - 50.0%)	\$1,394,683	\$1,140,932	\$1,648,433

<b>Table 6: Collected Gross Revenue - Franchisees Operating 6 Territories (2 Franchisees)</b>					
<b>Subset</b>	<b>Number of Franchisees</b>	<b>Average (# &amp; % Meeting or Exceeding Average)</b>	<b>Median</b>	<b>Lowest</b>	<b>Highest</b>
Total	2	\$3,614,991 (1 of 2 - 50.0%)	\$3,614,991	\$2,726,464	\$4,503,518

**Notes:**

“Collected Gross Revenue” means the aggregate of all revenue and consideration of any kind derived from your Franchised Business, whether from check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding (a) all refunds actually made to customers in good faith, (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, and (c) uncollected amounts not paid by customers. With respect to National Accounts Clients, Collected Gross Revenue includes all revenue received by us for performance of services, without deduction for dispatch or claims management fees or similar fees. The figures in the chart do not reflect the operating costs and expenses that you will incur in operating your Franchised Business, such as royalties, advertising and marketing fees and costs, payroll, vehicle finance or lease payments, insurance, telephone, utilities, and central telephone number fees. These figures also do not include depreciation or amortization or taxes.

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**Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.** Written substantiation of the data used in preparing this information will be made available upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may

provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Sherry Rose, Chief Executive Officer, Restoration 1 Franchise Holding, LLC, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (800) 933-0803; the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

<b>TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised <sup>1</sup>	2020	219	252	+33
	2021	252	271	+19
	2022	271	290	+19
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
<b>Total Outlets</b>	<b>2020</b>	<b>219</b>	<b>252</b>	<b>+33</b>
	<b>2021</b>	<b>252</b>	<b>271</b>	<b>+19</b>
	<b>2022</b>	<b>271</b>	<b>290</b>	<b>+19</b>

1. The franchise agreements for five Restoration 1 Businesses were terminated since December 31, 2022.

<b>TABLE 2 – TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2020 TO 2022</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2020	1
	2021	0
	2022	0
Colorado	2020	1
	2021	0
	2022	0
Florida	2020	0
	2021	0
	2022	1
Georgia	2020	0
	2021	2
	2022	1
Idaho	2020	2
	2021	0
	2022	0



<b>TABLE 2 – TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2020 TO 2022</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Illinois	2020	3
	2021	0
	2022	1
New York	2020	0
	2021	0
	2022	1
North Carolina	2020	1
	2021	0
	2022	4
South Carolina	2020	0
	2021	0
	2022	2
Pennsylvania	2020	1
	2021	0
	2022	0
Tennessee	2020	0
	2021	0
	2022	1
Texas	2020	2
	2021	2
	2022	0
<b>Total</b>	<b>2020</b>	<b>11</b>
	<b>2021</b>	<b>4</b>
	<b>2022</b>	<b>11</b>

<b>TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022</b>								
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operation</b>	<b>Outlets at End of Year</b>
Alabama	2020	5	3	0	0	0	0	8
	2021	8	1	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Arizona	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
Arkansas	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	8	1	0	0	0	1	8
	2021	8	2	0	0	0	0	10
	2022	10	4	1	0	0	0	13

**TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation	Outlets at End of Year
Colorado	2020	11	0	0	0	0	0	11
	2021	11	0	0	0	0	0	11
	2022	11	0	0	0	0	0	11
Connecticut	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	1	0	0	0	4
District of Columbia	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Florida	2020	16	4	0	0	0	0	20
	2021	20	2	5	0	0	0	17
	2022	17	5	0	0	0	0	22
Georgia	2020	9	2	0	0	0	0	11
	2021	11	1	0	0	0	0	12
	2022	12	0	0	0	0	0	12
Idaho	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois	2020	5	1	0	0	0	0	6
	2021	6	5	0	0	0	0	11
	2022	11	3	0	0	0	0	14
Indiana	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Iowa	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana	2020	4	0	1	0	0	0	3
	2021	3	0	1	0	0	0	2
	2022	2	1	0	0	0	0	3
Maryland	2020	6	0	0	0	0	0	6
	2021	6	1	0	0	0	0	7
	2022	7	0	1	0	0	0	6
Massachusetts	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	4	0	0	0	0	5

**TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation	Outlets at End of Year
Michigan	2020	4	2	0	0	0	0	6
	2021	6	4	0	0	0	0	10
	2022	10	2	0	0	0	0	12
Minnesota	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Mississippi	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Missouri	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Hampshire	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	5	2	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
New York <sup>2</sup>	2020	6	5	0	0	0	0	11
	2021	11	1	0	0	0	0	12
	2022	12	2	0	0	0	0	14
North Carolina	2020	16	0	0	0	0	0	16
	2021	16	0	4	0	0	0	12
	2022	12	0	0	0	0	0	12
Ohio	2020	6	0	1	0	0	0	5
	2021	5	4	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Oklahoma	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Oregon	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Pennsylvania	2020	3	2	0	0	0	0	5
	2021	5	5	1	0	0	0	9
	2022	9	1	2	0	0	0	8

**TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation	Outlets at End of Year
Rhode Island	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
South Carolina	2020	6	1	0	0	0	0	7
	2021	7	0	1	0	0	0	6
	2022	6	0	0	0	0	0	6
South Dakota	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Texas	2020	29	1	1	0	0	0	29
	2021	29	0	0	0	0	0	29
	2022	29	2	3	0	0	0	28
Utah	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	2	0	0	0	2
Vermont	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Virginia	2020	9	6	0	0	0	0	15
	2021	15	0	0	0	0	0	15
	2022	15	0	2	0	0	0	13
Washington	2020	7	1	0	0	0	0	8
	2021	8	2	0	0	0	0	10
	2022	10	1	0	0	0	0	11
West Virginia	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Wisconsin	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
<b>Totals</b>	<b>2020</b>	<b>219</b>	<b>40</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>252</b>
	<b>2021</b>	<b>252</b>	<b>32</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>271</b>
	<b>2022</b>	<b>271</b>	<b>32</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>290</b>

- The franchise agreements for five Restoration 1 Businesses in New York were terminated since December 31, 2022.

<b>TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020 TO 2022</b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of Year</b>
<b>Totals</b>	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2022</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
California	3	5	0
Connecticut	1	1	0
Florida	3	3	0
Georgia	1	1	0
Kentucky	0	1	0
Minnesota	1	1	0
Pennsylvania	0	1	0
Tennessee	0	1	0
Texas	3	4	0
Washington	6	6	0
Wisconsin	1	1	0
<b>TOTALS</b>	<b>19</b>	<b>25</b>	<b>0</b>

Exhibit F contains a list of the names of all current franchisees and the address and telephone number of each of their outlets as of December 31, 2022. Exhibit F also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, transferred, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year ending December 31, 2022, or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Within the last three years, franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisee but be aware that not all such franchisees will be able to communicate with you.

We have established the FAC to engage in meetings with our senior leadership. To contact the FAC, please reach out to Sherry Rose at sherry@restoration1hq.com. The FAC is not incorporated or organized under state law. Other than the FAC, we are not aware of any franchisee organizations associated with our franchise system.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit E is our: (i) unaudited interim balance sheet as of March 31, 2023, and the statements of operations and cash flow for the three-month period then ended; and (ii) audited balance sheets as of December 31, 2022, December 31, 2021, and December 31, 2020, and the related statements of income, retained earnings, and cash flow for the fiscal years then-ended. Our fiscal year end is December 31.

## **ITEM 22**

### **CONTRACTS**

Exhibit B-1 — Franchise Agreement

Exhibit 1— Unlimited Guaranty and Personal Undertaking

Exhibit 2 — Holders of Legal or Beneficial Interest in Franchisee; Governing Persons

Exhibit 3 — Electronic Funds Transfer Authorization

Exhibit 4 — State Specific Riders

Exhibit 5 — Franchise Disclosure Questionnaire

Exhibit B-2 — Sample General Release

Exhibit B-3 — Consent to Transfer

Exhibit B-4 — Reconstruction Services Addendum

## **ITEM 23**

### **RECEIPTS**

Exhibit G contains two documents that serve as a receipt of this Disclosure Document. Please sign and date each copy, return one copy to us, and retain the other for your records.

**EXHIBIT A**  
**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not be registered to sell franchises in any or all of these states.

#### **California**

Department of Financial Protection &  
Innovation  
Commissioner of Department of Financial  
Protection & Innovation  
1 (866) 275-2677

#### *Los Angeles*

Suite 750  
320 West 4th Street  
Los Angeles, California 90013  
(213) 576-7505

#### *Sacramento*

2101 Arena Blvd.  
Sacramento, California 95834  
(916) 445-7205

#### *San Diego*

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 610-2093

#### *San Francisco*

One Sansome Street, Suite 600  
San Francisco, California 94104  
(415) 972-8559

#### **Hawaii**

(state administrator)  
Business Registration Division  
Securities Compliance Branch  
Department of Commerce  
and Consumer Affairs  
P.O. Box 40  
Honolulu, Hawaii 96810  
(808) 586-2722

(agent for service of process)  
Commissioner of Securities of the State of  
Hawaii  
Department of Commerce and Consumer  
Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

#### **Illinois**

Franchise Bureau  
Office of the Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465



## **Indiana**

(state administrator)  
Indiana Secretary of State  
Securities Division, E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

(agent for service of process)  
Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

## **Maryland**

(state administrator)  
Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(agent for service of process)  
Maryland Securities Commissioner  
at the Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

## **Michigan**

(state administrator)  
Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7177

(agent for service of process)  
Michigan Department of Commerce,  
Corporations and Securities Bureau  
P.O. Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

## **Minnesota**

Minnesota Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

## **New York**

(state administrator)  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236

(agent for service of process)  
New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6th Floor  
Albany, New York 12231-0001  
(518) 473-2492

## **North Dakota**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505  
(701) 328-4712

## **Oregon**

Department of Business Services  
Division of Finance & Corporate Securities  
350 Winter Street, NE, Room 410  
Salem, Oregon 97310-3881  
(503) 378-4387

**Rhode Island**

Department of Business Regulation  
Division of Securities  
John O. Pastore Complex  
Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9645

**South Dakota**

Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

**Virginia**

(state administrator)

State Corporation Commission  
Division of Securities  
and Retail Franchising  
1300 East Main Street, Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9733

**Washington**

(state administrator)

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

(agent for service of process)

Director  
Department of Financial Institutions  
Securities Division  
150 Israel Road, S.W.  
Tumwater, Washington 98501

**Wisconsin**

(state administrator)

Securities and Franchise Registration  
Wisconsin Department of Financial  
Institutions  
4022 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-1064

(agent for service of process)

Office of the Secretary  
Wisconsin Department of Financial  
Institutions  
P.O. Box 8861  
Madison, Wisconsin 53708-8861  
(608) 261-9555

**EXHIBIT B-1**  
**FRANCHISE AGREEMENT**



**RESTORATION 1 FRANCHISE HOLDING, LLC**

**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT  
SUMMARY PAGE**

**EXPIRATION DATE:** \_\_\_\_\_

**FRANCHISEE(S):** \_\_\_\_\_

**TYPE OF BUSINESS ENTITY:** \_\_\_\_\_

**STATE OF FORMATION:** \_\_\_\_\_

**AUTHORIZED TRADE NAME:** Restoration 1 of \_\_\_\_\_

**FRANCHISED BUSINESS OFFICE:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**FRANCHISE MODEL:**  Standard Franchise

Micro Market Franchise

**CONVERSION:**  Conversion Franchise

Non-Conversion Franchise

**MARKET TERRITORY:** The area identified on the attached map.

**POPULATION:** Market Territory population: \_\_\_\_\_.

**STORAGE:**  on-site (same site as Franchised Business Office)

off-site

**FRANCHISE FEE:** \$ \_\_\_\_\_

**VETERAN'S DISCOUNT:**  You do qualify for a Veteran's Discount

You do not qualify for a Veteran's Discount

**MINIMUM AVERAGE MONTHLY REVENUE:** \$32,500 per month (trailing 6 months) beginning on 25<sup>th</sup> month

**ROYALTY FEE:** Greater of: (i) 7% of Collected Gross Revenue for the previous month (except for a Conversion Franchise, 3.5% of Collected Gross Revenue during the initial 6 months after opening); or (ii) the Minimum Royalty Fee as follows:

Months After Opening	Minimum Royalty Fee
<b>Standard Franchise</b>	
Initial 6 full/partial months	\$0 per month
7 <sup>th</sup> through 24 <sup>th</sup> full months	\$500 per month
25 <sup>th</sup> through 36 <sup>th</sup> full months	\$1,500 per month
Remainder of term	\$2,000 per month

\_\_\_\_\_  
Franchisor Initial

\_\_\_\_\_  
Franchisee Initial

Micro Market Franchise	
Initial 12 full/partial months	\$0 per month
13 <sup>th</sup> through 24 <sup>th</sup> full months	\$500 per month
Remainder of term	\$1,000 per month

**BRAND FUND  
CONTRIBUTION:**

An amount specified by us from time to time, but not to exceed 2% of Collected Gross Revenue

**TRANSFER FEE:**

\$5,000

**FRANCHISOR ADDRESS  
FOR NOTICES:**

Restoration 1 Franchise Holding, LLC  
Attn: Chief Executive Officer  
2929 Carlisle St., Suite 100  
Dallas, Texas 75204

**ADDITIONAL COMMENTS:**

None

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Franchisor Initial

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Franchisee Initial

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2. FRANCHISE OWNERS
3. ELECTRONIC FUNDS TRANSFER AUTHORIZATION
4. STATE SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT
5. FRANCHISE DISCLOSURE QUESTIONNAIRE

**RESTORATION 1 FRANCHISE HOLDING, LLC  
FRANCHISE AGREEMENT**

This Franchise Agreement (including all exhibits hereto, as amended, restated, supplemented, or otherwise modified from time to time, this “**Agreement**”) is entered into on the Effective Date by and between Restoration 1 Franchise Holding, LLC a Delaware limited liability company, having its principal place of business at 2929 Carlisle St., Suite 100, Dallas, Texas 75204 (“**we**” “**us**” and “**our**”), and the franchisee identified in the Summary Page (“**you**” and “**your**”).

**BACKGROUND:**

WHEREAS, we have developed and will further develop distinctive and proprietary business systems, methods, designs, layouts, standards, and specifications, all of which we may improve, substitute, further develop, or otherwise modify from time to time (together, the “**System**”) identified by the name “Restoration 1®” and other trademarks, service marks, graphics, trade names, trade dress, slogans, and other commercial symbols as we may approve from time to time (“**Marks**”), to establish and operate a business providing residential and commercial water, fire, smoke, and mold restoration services and additional products and services authorized by us (“**Restoration 1 Business**”);

WHEREAS, we grant to qualified persons and business entities the right to own and operate a Restoration 1 Business using the System and the Marks; and

WHEREAS, you wish to operate a Restoration 1 Business, have applied for a franchise, and have been approved by us in reliance upon the representations made herein and therein to operate a Restoration 1 Business under the terms of this Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

**1. GRANT AND SCOPE OF FRANCHISE**

**1.1. Grant**

We hereby grant to you, and you undertake and accept, upon the terms and conditions herein contained, a limited and non-exclusive license to operate one Restoration 1 Business using the System and Marks on the terms described in this Agreement (your “**Franchised Business**”). You may not sublicense the use of the System or Marks to any person, or delegate the operation or supervision of your Franchised Business, without our prior written approval.

**1.2. Market Territory**

1.2.1. You and we have agreed on a geographic area described on the Summary Page of this Agreement (the “**Summary Page**”) to act as your territory for conducting marketing activities and soliciting customers (the “**Market Territory**”). You hereby agree that, without our prior authorization, you and your Owners will not, and each of you will cause your respective affiliates, representatives, an personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory.

1.2.2. You acknowledge and agree that it is integral to the franchise system that you respect the territorial restrictions contained in this Agreement, and that your failure to respect such boundaries affects not only other franchisees but also our relationship with our other franchisees and the integrity of the franchise system itself. You further acknowledge and agree that the harm caused by such failure would be difficult to calculate. Therefore, you agree that if you breach the terms of Section 1.2.1, without

limiting our other rights including our right of termination under Section 12.2, you must pay us liquidated damages in an amount equal to the greater of: (i) \$5,000 per incident for any marketing, advertising, or promotional activities conducted outside of your Market Territory in breach of Section 1.2, or (ii) 100% of the job value for any work obtained in breach of Section 1.2. You acknowledge and agree that the foregoing amount represents a reasonable forecast of just compensation for the breach.

1.2.3. You understand that your Market Territory is strictly a limitation on the geographic area where you may conduct marketing activities. **Your Market Territory is not an exclusive territory and you will have no territorial protections in the Market Territory.** Nothing in this Agreement will restrict or limit, in any manner, our or our affiliates' rights to conduct marketing or other business activities, solicit or accept customers, and/or grant licenses or franchises of any kind, in any location whatsoever. We may operate and/or authorize other franchisees to operate, solicit customers, and conduct services in your Market Territory from time to time, as we determine in our sole discretion. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

## 2. FEES

### 2.1. Franchise Fee

Upon execution of this Agreement, you must pay us an initial fee ("**Franchise Fee**") in the amount stated on the Summary Page. The Franchise Fee is deemed fully earned upon execution of this Agreement and is non-refundable under any circumstances.

### 2.2. Royalty Fee

2.2.1. You must pay us a monthly royalty fee calculated in the manner described on the Summary Page ("**Royalty Fee**"). The due date and intervals of the Royalty Fee will be provided in the Confidential Operations Manual, and remain subject to change from time to time, provided that they will not be changed without at least 30 days prior notice to you. With no less than 30 days prior notice, we may increase the amount of the Minimum Royalty Fees reflected on the Summary Page in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor's Consumer Price Index since the Effective Date, or such later date as we last adjusted the Minimum Royalty Fees.

2.2.2. For the purposes of this Agreement, "**Collected Gross Revenue**" means the aggregate of all revenue and consideration of any kind derived from your Franchised Business, whether from check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding (a) all refunds actually made to customers in good faith, (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, and (c) uncollected amounts not paid by customers. With respect to National Accounts Clients, Collected Gross Revenue includes all revenue received by us for performance of services, without deduction for dispatch or claims management fees or similar fees.

### 2.3. Taxes

If any taxes, fees, or assessments are imposed on your payment of any fees (except taxes imposed on your net taxable income), you must also pay the amount of those taxes, fees, or assessments. If we for any reason pay any such taxes on your behalf, such amounts will be indemnified by you under Section 16.2 of this Agreement.

### 2.4. Technology Fee

We may require you to pay a fee from time to time for technology related services (the "**Technology Fee**"). We may periodically modify the amount of the Technology Fee and the method

or timing for payment. The Technology Fee is in addition to all direct out-of-pocket costs you must otherwise incur to acquire, maintain, or service the Technology Systems as described in Section 10.3. The amount of the Technology Fee may also be determined in part by factors that are unique to your Franchised Business (such as the number of email addresses provided to you and your representatives).

## **2.5. Transfer Account and Payment Method**

You must open and maintain a single commercial deposit account for your Franchised Business (the “**Transfer Account**”). All Collected Gross Revenue from your Franchised Business must be deposited in the Transfer Account immediately upon receipt. You must ensure that there are sufficient funds in the Transfer Account to cover amounts owed to us prior to the date such amounts are due. You agree to execute such documents required by us to authorize us to directly debit amounts owed under this Agreement from the Transfer Account. The current form of Electronic Depository Transfer Authorization is attached to this Agreement as Exhibit 3. You may not close the Transfer Account without our prior written approval. You may periodically designate an alternative method of payment for any payment due hereunder and you agree to comply with our payment instructions. All amounts payable to us or our affiliates must be in United States Dollars (\$USD).

## **2.6. Interest on Past Due Amounts**

All amounts owed under this Agreement to us that are not received by us on the due date, will bear interest at a rate of 1.5% per month (or the maximum rate permitted by law, if less) from the date payment is due to the date payment is received by us. In addition, you must pay us for all costs we incur in the collection of any unpaid and past due amounts, including reasonable attorney fees.

## **2.7. Undisclosed Sales**

If you fail to report your Collected Gross Revenue when due, then for each payment under this Agreement calculated based on Collected Gross Revenue, we may debit the Transfer Account 110% of the average of the last three applicable payments. If the amounts that we debit from the Transfer Account are less than the amounts actually owed (once the Collected Gross Revenue is accurately determined), we will debit the Transfer Account for the balance. If the amounts that we debit from the Transfer Account are greater than the amounts actually owed, we will credit the excess against the amounts we otherwise would debit from the Transfer Account on the next payment due date.

## **2.8. Application of Payments**

Notwithstanding any designation, we have the right to apply any payments by you or your Owners to any past due amounts that you or your affiliates owe us or our affiliates, including for Royalty Fees, Brand Fund Contributions, purchases of products or services, license fees for proprietary software and platforms, or any other amount owed to us or our affiliates in any proportion or priority. You may not withhold payment of any amounts owed to us or our affiliates for any reason, including for any alleged non-performance by us or off-set such amounts in any manner.

# **3. TERM AND RENEWAL**

## **3.1. Initial Term**

This Agreement will begin on the date that we sign this Agreement (the “**Effective Date**”) and will expire on the Expiration Date stated on the Summary Page. If no Expiration Date is specified on the Summary Page, this Agreement will expire on the 10<sup>th</sup> anniversary of the Effective Date.

### 3.2. Successor Term

Subject to the conditions below, you have the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with us. Your right to a successor franchise is limited to one successive term of 10 years. To qualify for a successor franchise, each of the following pre-conditions must have been fulfilled and remain true as of the last day of the term of this Agreement:

(a) You and your affiliates and Owners have, during the entire term of this Agreement, substantially complied with this Agreement, and all other agreements with us and our affiliates;

(b) You have updated the Franchised Business Office, service vehicle(s), and equipment, to reflect our then-current System Standards applicable to new franchisees;

(c) You and your affiliates and Owners have satisfied all monetary obligations owed to us and our affiliates, and have timely met these obligations throughout the term of this Agreement;

(d) You and your affiliates and Owners are not in default of any provision of this Agreement or any other agreement between you and us;

(e) You have given written notice of your intent to operate a successor franchise to us not less than nine months nor more than twelve months prior to the end of the term of this Agreement;

(f) You and your Owners have executed our then-current form of franchise agreement and associated documents, agreements, and guarantees, which franchise agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, or Brand Fund Contribution, or a different or modified Market Territory;

(g) You reimburse us for our direct out-of-pocket costs for processing the renewal (including legal fees);

(h) You and your Owners satisfy our then-current qualifications for new franchisees;

(i) We are then offering franchises for Restoration 1 Businesses in the geographic market area of your Market Territory; and

(j) You and your Owners have executed a general release, in a form prescribed by us, of any and all claims against us, any affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), except to the extent prohibited by the applicable law.

## 4. DEVELOPMENT OF FRANCHISED BUSINESS

### 4.1. Franchised Business Office

The street address or description of the premises of the location from which you will operate your Franchised Business (your “**Franchised Business Office**”) is described on the Summary Page. If you have not identified the site that will be your Franchised Business Office as of the Effective Date, you will have a period of 90 days from and after the Effective Date to obtain our approval of the proposed site of your Franchised Business Office. After the Franchised Business Office is approved, you agree that we have the right to enter the address into the Summary Page without that change being deemed an amendment to this Agreement. The service tools and equipment for your Franchised

Business may not be stored at the any location other than the Franchised Business Office, other than pursuant to Section 4.2 below. You are solely responsible for obtaining occupancy rights to the Franchised Business Office, and for maintaining, insuring, and paying all associated costs for the Franchised Business Office. You must manage and administer your Franchised Business from the Franchised Business Office, including maintaining the books and records of your Franchised Business at the Franchised Business Office. We may from time to time establish System Standards for the Franchised Business Office, including relating to size, safety, or insurance requirements, and you agree to comply with all System Standards. You may not relocate the Franchised Business Office without our prior written consent.

#### **4.2. Storage Space**

If there is insufficient space at the Franchised Business Office to store your Franchised Business' service tools and equipment, then you may be permitted to store the same off-site within a leased storage unit, provided that you inform us in writing of the location of the storage unit. The storage unit may not display any signage reflecting the Marks. We may from time to time establish other System Standards for off-site storage, including relating to size, safety, or insurance requirements, and you agree to comply with all System Standards for such off-site storage. We reserve the right to make off-site storage mandatory if we determine that it is necessary to satisfy our System Standards, or that your Franchised Business Office does not offer sufficient storage.

#### **4.3. Service Vehicles**

You must purchase one or more service vehicles that meet our System Standards to conduct your Franchised Business. You must wrap all service vehicles and any associated trailer according to our System Standards. You may not use your service vehicle(s) for any purpose unrelated to your Franchised Business. You and your staff must exclusively use the service vehicle(s) we have approved and meeting our System Standards to travel to and from job sites. You must keep your vehicle in good maintenance and repair and ensure that it is consistently washed and kept in clean and safe condition. Each person that drives your vehicle must: (a) be appropriately licensed and insured; and (b) drive in a safe manner in compliance with all applicable laws.

#### **4.4. Opening of Franchised Business**

We will provide you our System Standards for the service vehicle, service tools and equipment and other equipment and supplies necessary to establish and operate a Restoration 1 Business. Within 150 days after the Effective Date, you must have: (a) obtained and provided us copies of all certifications, permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual; (b) established the Franchised Business Office; (c) acquired and set-up all required office equipment including broadband or high-speed internet service; (d) acquired and set up at least one telephone number dedicated to your Franchised Business; (e) acquired a service vehicle meeting our System Standards, and have it wrapped and lettered it in accordance with our System Standards; (f) acquired the service tools, equipment, and initial inventory required for the operation of your Franchised Business; (g) if necessary, secure off-site storage space for tools and equipment; (h) furnished us with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request; (i) completed the Training Program to our satisfaction; (j) hired and trained the personnel necessary or required for the operation of your Franchised Business; and (k) paid in full all amounts due to us. You may not commence operations until you have met all of the conditions above and our System Standards, and you receive notice from us that you are authorized to open.

## **5. INTELLECTUAL PROPERTY**

### **5.1. Ownership**

We and our affiliates are the sole and exclusive owners of the Marks and the System. Your use of the Marks and the System, and any goodwill created thereby, will inure to the benefit of us and our affiliates. You will not at any time acquire an ownership interest in the Marks or the System by virtue of any use and/or by virtue of this Agreement. You may not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or the System, or assist any other person in contesting the validity or ownership of any of the Marks or the System. Any unauthorized use of the Marks or the System by you or your Owners or affiliates is a breach of this Agreement and an infringement on the intellectual property rights of us and our affiliates. All provisions of this Agreement relating to the Marks and the System apply to any changes and/or additions to the Marks or the System that we authorize from time to time.

### **5.2. Limitations on Use**

You are permitted to use the Marks and the System solely to conduct the Franchised Business in compliance with this Agreement. You may not use any trademarks, service marks or commercial symbols other than the Marks to identify or operate your Franchised Business. You may not use any Mark or portion of any Mark as part of any Business Entity name. You may not use any Mark or the System in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You must give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Restoration 1 Business. You may not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to us. You must identify yourself as the independent owner of your Franchised Business in connection with all of your dealings with customers, employees, and the public, and in accordance with any System Standards established by us.

### **5.3. Notification of Infringements and Claims**

You must immediately notify us of any apparent or threatened: (i) infringement of the Marks or any component of the System, (ii) challenge to your use of any of the Marks or any component of the System, and/or (iii) claim by any person of any rights in any of the Marks or any component of the System. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim; provided, you may communicate with your counsel at your expense. We have the right to take such action as we deem appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks and/or the System. You must execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, are necessary or advisable to protect and maintain our interests in any such litigation or other proceeding or to otherwise protect and maintain our interest in the Marks and/or the System.

### **5.4. Indemnification for Use of Marks**

We will reimburse you for all expenses reasonably incurred by you in any trademark or similar proceeding disputing your authorized use of any Mark, provided that you have complied with the provisions of Section 5.3 and have complied with this Agreement and our directions in responding to such proceeding. At our option, we or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark and/or any component of the System. This indemnification will not include the expense to you of removing signage or discontinuance of the use

of the Marks and/or any component of the System. This indemnification will not apply to litigation between us and you wherein your use of the Marks or System is disputed or challenged by us. This indemnification will not apply to any separate legal fees or costs incurred by you if you obtain independent counsel after we have appointed counsel to represent you and us.

### **5.5. Changes to the Marks and System**

If we deem it necessary for you to modify or discontinue use of any of the Marks or components of the System, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols to identify Restoration 1 Businesses, you must comply with our directions promptly after notice to you by us. We will not be required to reimburse you for your expenses derived from update, addition, or modification to, or discontinuance of any Marks or any components of the System or any loss of goodwill associated therewith or for any expenditures made by you to promote any modified or substitute Mark or modified System.

### **5.6. Online Activities**

Except as approved by us in writing or specified in the Confidential Operations Manual, you may not develop, maintain, or authorize any website, domain name, email address, social media account, other online, virtual, digital presence of any kind (“**Online Presence**”) that displays any of the Marks, promotes or advertises your Franchised Business, links to any Online Presence maintained by us for the brand, or engage in any promotional or similar activities, whether directly or indirectly, and/or offer any products or services for sale on any Online Presence. If we approve the use of any such Online Presence, you will develop and maintain such Online Presence only in accordance with our guidelines, including guidelines for posting any messages or commentary on other third-party platforms, preparing and linking a privacy policy to such Online Presence, and other System Standards we may establish from time to time. At our request, you agree to grant us or our designees access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to gain access, control, or ownership of such Online Presence.

## **6. COVENANTS**

### **6.1. Confidential Information**

6.1.1. In connection with your franchise under this Agreement, you and your Owners and personnel may from time to time be provided and/or have access to non-public information about the System and the operation of Restoration 1 Businesses (the “**Confidential Information**”), including: (1) training programs and operations materials (including the Confidential Operations Manual); (2) the System Standards and methods and techniques for operating Restoration 1 Businesses; (3) market research and strategies, customer service techniques, and other practices for generating and maintaining customers; (4) specifications for, suppliers of, and methods of ordering, products and services; (5) any software, technology, or Online Presences which are proprietary to us or the System, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (6) the operating results and financial performance of Restoration 1 Businesses, including your Franchised Business; (7) customer and client lists, terms, job pricing and history, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

6.1.2. All Confidential Information will be owned by us and our affiliates. You will not acquire any interest in the Confidential Information, other than the right to use it to develop and operate your Franchised Business in compliance with this Agreement. You acknowledge that the Confidential



Information includes our trade secrets and other information that is proprietary to us and our affiliates, derives value from not being known to the public and our competitors, has been developed by us and our affiliates at significant cost and effort, and is critical to the competitive advantage of us and our affiliates and franchisees. You acknowledge that any unauthorized use or disclosure of the Confidential Information would be an unfair method of competition and will result in irreparable harm to us and our affiliates. You and your Owners therefore agree that during and after the term of this Agreement you will, and you will cause each of your respective spouses, immediate family members, affiliates, and assigns to: (a) not use the Confidential Information for any purpose other than the development and operation of your Franchised Business in accordance with this Agreement; (b) keep confidential and not disclose the Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Franchised Business in accordance with this Agreement (and you agree that you will be responsible for any violation of this requirement by any such representatives or employees); (c) not make unauthorized copies of any Confidential Information; (d) adopt and maintain reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to Key Personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure agreement on terms no less favorable than the terms applicable to Confidential Information under this Agreement; and (e) at our request, destroy or return any of the Confidential Information.

6.1.3. We are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

## **6.2. Additional Developments**

All ideas, concepts, techniques or materials concerning any Restoration 1 Business and/or the System or developed, in whole or in part, using Confidential Information, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, shall be promptly disclosed to us and shall be deemed our sole and exclusive property and work made-for-hire for us, automatically and without compensation to you, your Owners, or any of your employees or representatives. We have the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for us, you shall assign, and by this Agreement, do hereby assign to us, all right, title, and interest in that item. You shall sign any documents required by us to memorialize such assignment. You agree to take all actions to assist our efforts to obtain or maintain intellectual property rights in any item related to the System, whether developed by you or not.

## **6.3. Exclusive Relationship**

6.3.1. You acknowledge that we granted you a franchise in consideration of your agreement to deal exclusively with us. You further acknowledge that we would be unable to protect the System and our Confidential Information against unauthorized use or disclosure if you or your Owners were involved in any manner in any Competitive Business (defined below). Therefore, you and your Owners each agree not to, and to cause each of your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) own, maintain, or acquire any direct or indirect interest in or relationship with any Competitive Business, whether as record or beneficial owner, investor, employee, partner, director, officer, representative, agent, lessor, lender, or otherwise; and/or (ii) advise, operate, or provide assistance or services of any kind or nature to any Competitive Business:

(a) during the term of this Agreement, in any location; and

(b) for a period of 2 years from and after the date of termination or expiration of this Agreement, in your Market Territory or any location that is within a 25 mile radius of your Market Territory.

6.3.2. **“Competitive Business”** means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides): (1) water, fire, and smoke cleanup and restoration services, (2) mold mitigation and remediation, (3) biohazard cleanup and removal, (4) removal, transportation, and return of damaged property to a secure location for processing, cleaning, and restoration (sometimes referred to as “pack-out” services), (5) content processing, cleaning, and restoration, and/or (6) any other line of business, products, or services that are substantially similar to those offered by Restoration 1 Businesses; provided, that the definition of Competitive Business will not include: (a) any business operated under a franchise agreement with us or our affiliates; or (b) the ownership of less than 5% of the equity interest in a Competitive Business whose stock is publicly traded on a recognized United States stock exchange.

6.3.3. If any person fails to comply with these obligations after the termination or expiration of this Agreement, the 2 year restricted period for that person will commence on the date the person begins to comply, which may be the date a court order is entered enforcing this provision.

6.3.4. The foregoing covenants will apply to the transferor and its owners for a period of 2 years following the date of such transfer, with the force and effect as if this Agreement had been terminated for such parties as of such date.

6.3.5. You and your Owners acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in these covenants will not deprive any of you of your personal goodwill or ability to earn a living.

#### **6.4. Covenants of Other Individuals**

You agree that we will have the right to require certain of your Owners, Key Personnel, management-level employees and officers, and other representatives and owners of you that will have access to Confidential Information to sign certain covenants we designate, including those that are similar to those contained in this Section. You must ensure that we and our affiliates are named as third-party beneficiaries with the right to enforce covenants contained in such agreements. Upon our request, you must provide us with copies of all such executed nondisclosure and non-competition agreements. We may modify our decisions on which persons will be required to sign such covenants from time to time. You must notify us, upon request, of all employees, representatives, and other individuals to whom you have granted access to Confidential Information, and/or who are involved in the management and supervision of your Franchised Business.

#### **6.5. Non-Interference**

During and after the term of this Agreement, you and your Owners each agree not to, and to cause each of your respective your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly interfere or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, investors, suppliers, consultants, or other business partners, and/or otherwise induce or attempt to induce any such persons to terminate, reduce or modify any relationship with us or our affiliates.

#### **6.6. Non-Disparagement**

During and after the term of this Agreement, you and your Owners each agree not to, and to cause each of your respective your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) disparage or otherwise speak or write negatively of us, our

affiliates, any of our or our affiliates' directors, officers, employees, or representatives, the "Restoration 1®" brand, the System, any Restoration 1 Business, any business using the Marks, or any other brand concept operated or franchised by us or our affiliates; and/or (ii) take any other action which would subject any of the foregoing to ridicule, scandal, reproach, scorn, disrepute, or indignity, or which would negatively impact or injure the goodwill of the System and/or the Marks.

## **7. TRAINING AND ASSISTANCE**

### **7.1. Initial Training**

7.1.1. We will provide a training program on the material aspects of operating a Restoration 1 Business (the "**Training Program**") to you (or if you are a Business Entity, your Owners) and up to three additional employees or representatives (one of which must be your Designated Owner or Designated Manager, as applicable under Section 11.4) (together, your "**Key Personnel**"). You may invite additional employees to attend the Training Program if space allows; provided, that if we approve such requests, we may charge our then-current training fee, plus all expenses, for each additional individual attending the Training Program, and/or for any portion of the Training Program conducted more than one time to accommodate the schedules of your attendees.

7.1.2. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program in our discretion. We will provide the Training Program at the times and locations we determine, which may include conducting any portion of the Training Program virtually. We will also determine the length and content of the Training Program. We may vary the Training Program based on the experience and skill level of the individual(s) attending. Scheduling of the Training Program is based on your and our availability and the projected opening of your Franchised Business.

7.1.3. Your Key Personnel must complete the Training Program to our satisfaction before beginning to operate your Franchised Business. If any of your Key Personnel fail to satisfactorily complete the Training Program, then we reserve the right to require such person(s) to attend additional training at a time and location of our choice, and we will charge you our then-current training fee, plus all expenses, for such additional training. If you and your Key Personnel complete the Training Program to our satisfaction and have not expressly informed us at the end of the Training Program that they do not feel sufficiently trained in the operation of your Franchised Business, then you and your Key Personnel will be deemed to have been trained sufficiently.

7.1.4. If you hire a new Designated Manager or your Designated Owner changes at any time, the new Designated Manager or Designated Owner must attend and successfully complete our then-current Training Program before providing services to your Franchised Business.

### **7.2. Personnel Training**

You are solely responsible for training all of your employees, contractors, and other personnel that have not attended the Training Program, at your sole cost and expense. We may periodically require you to disclose to us the training curriculum and materials that you use to train your personnel, and/or set System Standards relating to the training that you offer, to ensure that all personnel receive appropriate training to conduct your Franchised Business in accordance with our System Standards. If we at any time during the term of this Agreement determine that any of your personnel are unable to satisfactorily supervise and fulfill their duties in accordance with our System Standards, we may require such persons to cease providing services at your Franchised Business until they complete additional training with you or with us, and if we provide any such training to such personnel, you must pay our then-current training fee, plus expenses, for such additional training we provide.

### **7.3. Additional Training**

7.3.1. Subject to limitations on scheduling, availability and similar resources, we may provide you with advice from time to time regarding your Franchised Business. Our advice and guidance will be furnished in the formats we periodically designate, which may include updates to our Confidential Operations Manual, written bulletins and newsletters, via telephone or electronic meetings, and/or consultation at our offices. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

7.3.2. You may request additional training for you, your Owners, or your personnel from time to time during the term of this Agreement. If we agree to provide you such additional training, we and you will jointly determine the duration of this additional training, and we reserve the right to charge you our then-current training fee for such additional training, plus expenses.

7.3.3. We may require you and your Key Personnel and/or certain other employees of your Franchised Business attend various training courses, trade shows, ongoing education programs, and/or webinars at the times and locations designated by us, which may be offered by us or our affiliates, vendors, or other designees of ours. In addition to these training courses, programs, and events, we may additionally require you and/or any of your Key Personnel to attend periodic meetings of franchise owners or managers. These meetings will be held at our discretion and at the locations we designate, and we reserve the right to charge meeting or conference fees for such events.

7.3.4. If we determine that you are not operating your Franchised Business in full compliance with this Agreement and/or the Confidential Operations Manual, we may require that your Key Personnel attend additional training that is relevant to your operational deficiencies, and we reserve the right to charge you our then-current training fee for such additional training, plus expenses.

7.3.5. We may from time to time establish System Standards that will require you (or if you are a Business Entity, your Owners), your Designated Manager (if applicable), and/or other personnel of your Franchised Business to attend third-party training or certification courses, or obtain certain technical certificates or licenses. You must comply and ensure that your personnel comply with all training and certification requirements that we establish from time to time.

### **7.4. Training Expenses**

You agree to pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel or any other employee incurs during any and all meetings and/or training courses and programs. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for the travel and living expenses and out-of-pocket costs that we and such representatives incur to provide you and your personnel any training.

## **8. SYSTEM STANDARDS**

### **8.1. System Standards**

We have developed and will continue to develop as part of the System certain specifications, standards, operating procedures, and rules that we prescribe as mandatory for operating Restoration 1 Businesses generally, or your Franchised Business specifically (as they be modified from time to time, the "**System Standards**"). You acknowledge and agree that operating and maintaining your Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all Restoration 1 Businesses. You further acknowledge and agree that we have granted you the franchise under this Agreement in reliance on your commitment to strictly observe all System

Standards when operating your Franchised Business. To that effect, you and your Owners each hereby agree to at all times strictly comply, and cause your Franchised Business and its personnel to strictly comply, with all System Standards that we adopt from time to time, including System Standards relating to: (i) the amount, types, quality and specifications of equipment, supplies and inventory; (ii) sales and marketing materials, techniques, special offers, campaigns and programs; (iii) the use and display of the Marks; (iv) participation in customer programs; (v) minimum criteria for employee qualifications, training, and staffing levels (though you have sole responsibility relating to hiring/firing, promotion, hours, compensation, benefits, discipline, and working conditions for your employees); (vi) customer service warranties, policies, programs, and quality control measures; (vii) product and service offerings and packages; (viii) days and hours of operation; (ix) invoicing practices, methods of accepting and accounting for customer payments, and use of payment services; (x) designated and approved suppliers and supply chain programs; (xi) bookkeeping, accounting, recordkeeping, and data processing and security practices; (xii) participation criteria and standards for servicing our National Account Clients; (xiii) insurance limits and coverage; and (xiv) such other aspects of operating a Restoration 1 Business that we determine to be necessary or prudent to preserve or enhance the System, the Restoration 1® brand, and the goodwill of the Marks and the System.

## **8.2. Confidential Operations Manual**

We will make information about the System Standards, and other suggestions and general guidance for operating a Restoration 1 Business available to you during the term of this Agreement, which may include one or more manuals, bulletins, publications, newsletters, memoranda, videos, and other communications from us and our representatives, in printed, electronic, audio/video, or other form (collectively, the “**Confidential Operations Manual**”). We may modify the Confidential Operations Manual periodically, including changing System Standards. If there is a dispute over its contents, our master copy of the Confidential Operations Manual will control. You agree that the Confidential Operations Manual’s contents are considered Confidential Information and that you will not disclose the Confidential Operations Manual to any person other than any employee who needs to know its contents to perform their duties. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Confidential Operations Manual without our approval. At our option, we may make some or all of the Confidential Operations Manual available through an Online Presence. If we do so, you agree to monitor and access that Online Presence for any updates to the Confidential Operations Manual. Any passwords or other digital identifications necessary to access the Confidential Operations Manual on any Online Presence will be deemed to be part of Confidential Information.

## **8.3. Modification to the System**

You understand that the System will continue to evolve during the term of this Agreement and that the System Standards are subject to change. You agree to promptly make all upgrades and modifications to your Franchised Business during the term of this Agreement as may be required to ensure that your Franchised Business at all times complies with our then-current System Standards. You acknowledge and agree that you will be solely responsible for the costs associated with updating and maintaining your Franchised Business in compliance with System Standards during the entire term of this Agreements. Changes to the System and the System Standards may require you to incur additional costs or invest additional capital into your Franchised Business.

## **8.4. Variance**

We have the right to vary our System Standards for any franchisee based on that particular franchisee’s qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which we deem

to be of importance to the successful operation of any particular Restoration 1 Business. We are not required to disclose or grant to you a like or similar variance hereunder.

## **9. ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **9.1. Your Local Advertising**

9.1.1. You are solely responsible for conducting all local advertising for your Franchised Business. You must advertise and market your Franchised Business in any advertising medium we determine, using forms of advertisement we approve. You must also list your Franchised Business with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for your advertising. All advertising materials that you use and any advertising activities that you conduct must be factually accurate, conform to the highest standards of ethical advertising, and comply with all federal, state and local laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others.

9.1.2. You must submit to us, for our prior approval, all advertising and promotional materials that you wish to use to promote your Franchised Business and/or that display the Marks. You may not use any advertising, promotional, or marketing materials that we have not approved. We may revoke our approval of any advertising, promotional, or marketing materials at any time. You must promptly cease using any advertising, promotional, or marketing materials disapproved by us.

9.1.3. We may require you to spend a minimum of up to 2% of Collected Gross Revenue each month on advertising, promotions, and public relations for your Franchised Business in your Market Territory (“**Local Advertising Expenditure**”). We will determine what type of expenditures that will count towards your Local Advertising Expenditure. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the Franchised Business Office and/or on service vehicle(s), such as in-store signage or vehicle wraps, will not be counted towards your Local Advertising Expenditure. On our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months.

9.1.4. We have the right from time to time to require you to pay part or all of the Local Advertising Expenditure to the Brand Fund, in addition to the Brand Fund Contribution, and/or to pay such amounts over to us or our designee to conduct marketing on your behalf. We may at any time, on one or more occasions, with at least 30 days’ notice to you, change the proportion of the Local Advertising Expenditure that you must spend directly, versus contribute to the Brand Fund, versus pay to us or our designee.

### **9.2. Brand Fund**

9.2.1. We have the right to establish and administer a marketing, advertising and promotion fund to facilitate advertising and marketing efforts for the Restoration 1<sup>®</sup> brand, the franchise system, any products or services offered by Restoration 1 Businesses, and/or Restoration 1 Businesses (“**Brand Fund**”). You hereby agree to contribute monthly to the Brand Fund an amount specified by us from time to time (“**Brand Fund Contribution**”) up to 2% of Collected Gross Revenue. The Brand Fund Contribution must be paid by you in the manner we designate from time to time, which may include collecting amounts in the same manner as the Royalty Fees. We will notify you at least 30 days before changing Brand Fund Contribution requirements.

9.2.2. We will have exclusive control over all programs and services administered by the Brand Fund, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. We do not guarantee that any particular franchisee will benefit directly from expenditures by the Brand Fund, or that any such expenditures will be in proportion to any franchisee's contributions. The program(s) may be local, regional or national in scope. We do not guarantee the results of any Brand Fund programs, services, or expenditures in any manner. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences, software, applications or other technology solutions; administering advertising, marketing, and promotional campaigns and programs; using public relations and marketing agencies and other advisors to provide assistance; conducting customer surveys and programs; developing market research and other marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the Restoration 1® brand, and/or Restoration 1 Businesses. We may also use the Brand Fund to pay for the Brand Fund's other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time in our sole discretion.

9.2.3. We will keep a record of the Brand Fund separately from our other funds, though we are not required to hold such funds in a separate account. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund in our sole discretion.

9.2.4. We may at any time, on 30 days' prior written notice to you, reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will first pay all outstanding invoices and debts incurred by the Brand Fund, and then we will return the remaining balance to franchisees in proportion to their Brand Fund Contributions in the 12 months prior to such termination.

9.2.5. We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to the terms of this Agreement.

9.2.6. An accounting of the operation of the Brand Fund will be prepared annually and will be available to you upon request. We retain the right to have the Brand Fund reviewed or audited and reported on, at the expense of the Brand Fund, by an independent certified public accountant selected by us. We may also administer the Brand Fund through a separate Business Entity whenever we deem appropriate, and such Business Entity will have all of the rights and duties specified in this Section 9.2.

9.2.7. You acknowledge that the Brand Fund is not a trust and we assume no fiduciary duty in administering the Brand Fund.

### **9.3. Franchise System Websites and Data**

We may establish, acquire, or host any Online Presence to advertise, market, and promote Restoration 1 Businesses and/or the Restoration 1® brand, the products and services that they offer and

sell, and/or a franchise opportunity (a “**Franchise System Website**”). We may (but are not required to) provide information on any Franchise System Website about your Franchised Business. You must provide us with the information and materials we request to develop, update, and modify the description of your Franchised Business on any Franchise System Website. You must notify us whenever any information on any Franchise System Website is not accurate. We will own all intellectual property and other rights in all Franchise System Websites, including as it relates to your Franchised Business, and all data, content, information and materials derived from any Franchise System Websites (including account information and preferences, login credentials, analytic data and reports, user submitted content and data, and all messages and other information or materials directed to or from messaging platforms associated with any Franchise System Website). We have the unrestricted right to access and use all Franchise System Websites and all information derived from such Franchise System Websites without limitation, including the right to download, read, store, copy, delete, modify, and/or host it, in any manner of our choosing. We may temporarily or permanently remove references to your Franchised Business from any or all Franchise System Websites if you or your Owners or affiliates are in default of any obligation under this Agreement or our System Standards, and/or upon the expiration or termination of this Agreement. We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. You acknowledge and agree that we will have unrestricted access to all such email accounts, and all document, data, materials, and messages shared from or by such accounts.

#### **9.4. Contact Information**

You agree that, as between us and you, we reserve the right to all telephone numbers, Online Presences, and/or any other type of contact information or directory listing for your Franchised Business or that you use in the operation or promotion of your Franchised Business (collectively, the “**Contact Information**”). The Contact Information may be used only for your Franchised Business in accordance with this Agreement and our System Standards and for no other purpose. We reserve the right to notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Franchised Business is inaccurate or violates our System Standards, and request that they modify such Contact Information, and/or remove such Contact Information until it can be corrected.

### **10. RECORDS, REPORTING, AND TECHNOLOGY SYSTEMS**

#### **10.1. Books and Records**

You must maintain full, complete and accurate books, records and accounts in accordance with the accounting and record-keeping systems prescribed by us. You must retain all books and records related to your Franchised Business during the term of this Agreement, and for five years thereafter, including purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by us or required by law.

#### **10.2. Financial Statements and Reports**

You also agree to deliver us in the manner and format that we prescribe from time to time: (i) no later than the date that the Royalty Fee is due each month, a signed and verified statement of Collected Gross Revenue for the preceding month; (ii) within 12 days after the end of each calendar month, a balance sheet as of the preceding month-end and income statement for the preceding month and year-to-date; (iii) within 90 days after the end of each calendar year, a balance sheet as of the preceding year-end and income statement for the preceding year; (iv) within the time limits specified



by us from time to time, such other periodic operating statements, financial statements, tax returns, and other information we request regarding you and your Franchised Business. We may establish System Standards for all reports and financial statements, which may include requiring that financial statements be prepared in accordance with GAAP, that such financial statements be reviewed or audited by a certified public accountant, and/or that such financial statements be generated using software, applications, or integrations we specify. We have the right to disclose any financial and operational information relating to your Franchised Business to third parties at our discretion, including current or prospective lenders, investors, and other business partners. We may periodically change the intervals or due dates for reports described above, provided we provide you no less than 30 days' notice prior to any such change.

### **10.3. Technology Systems**

10.3.1. You must acquire and use all hardware, software, and IT systems that we specify from time to time, including computer, point-of-sale systems, financial software, telecommunications, security and similar systems, together with the associated hardware, software, applications, integrations, and related equipment and services (collectively the “**Technology Systems**”). We may establish System Standards for the Technology Systems and/or require the use of designated Technology Systems for any purpose associated with your Franchised Business, including purchasing, estimating, pricing, scheduling, accounting, order entry, inventory control, security, data management, information storage, retrieval and transmission, customer information, customer programs, marketing, communications, or any other business purpose. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.

10.3.2. You must take all steps necessary to enable us to have independent and unlimited access to the data collected through the Technology Systems, including information regarding your Collected Gross Revenue, relating to customers and jobs completed, and any other information relating to your Franchised Business. You must provide us, upon request, with all user IDs and passwords for your Technology Systems, including upon termination or expiration of this Agreement.

10.3.3. You are solely responsible for protecting the Technology Systems against computer viruses, bugs, power disruptions, disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.

10.3.4. You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information in accordance with applicable law and industry best practices, including, where required, obtaining necessary consents and making required disclosures. It is entirely your responsibility (even if we provide you any assistance or guidance) to confirm that the safeguards you use to protect such information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure. If you become aware of a suspected or actual breach of security or unauthorized access involving any such information, you will notify us immediately and specify the extent to which such information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach.

10.3.5. You agree to comply with our website privacy policy, as it may be amended. You further agree to comply with any requests to return or delete customer's personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws.

10.3.6. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from designated or approved third party suppliers, which may be us or our affiliates. We also reserve the right to enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers.

#### **10.4. Right to Audit**

We or our designee have the right, with or without notice, to examine, copy and audit your books and records, accounting reports, client invoices, job reports, tax returns, and other business records and information. We also may demand access to books and records of any business operated any of your Owners, Designated Manager, and/or any affiliate of the foregoing, to the extent needed to ensure that you are complying with this Agreement, including non-competition covenants and the restrictions on soliciting jobs outside of your Market Territory, requirements for offering Reconstruction Services, and restrictions on providing other services to customers of your Franchised Business. If any audit should reveal that any payments to us have been underpaid, then you must immediately pay to us the amount of the underpayment plus applicable late fees and interest. If the audit or any other inspection should reveal that you have not spent the required Local Advertising Expenditure, or if the inspection discloses an underpayment of 3% or more of any amount due to us for any period covered by the audit, then you must also reimburse us for any and all costs and expenses connected with the audit (including travel expenses and reasonable accounting and attorneys' fees). If any audit reveals that you and/or you or your Owners are in breach of any terms of this Agreement, then we may also require you to reimburse our costs for conducting the audit (including accounting and attorneys' fees). The foregoing remedies are in addition to any other remedies we may have. At our request, you agree to authorize and direct any third parties, including accounting and legal professionals, to release to us any and all books and records contemplated by this Section.

### **11. OPERATION OF YOUR FRANCHISED BUSINESS**

#### **11.1. Authorized Products, Services and Suppliers**

11.1.1. You must provide or offer for sale or use at your Franchised Business all of the services, products, supplies, equipment and other items that we from time to time designate. You may not offer or provide any other services, products, supplies, equipment, and other items as part of your Franchised Business without our express approval. **You may not offer or provide any other products and services, and/or permit any of your affiliates, employees, Owners, or other representatives to offer or provide any other products and services, related to or arising in connection with any project conducted by your Franchised Business, without our prior written approval.** You may not offer or sell any products or services from your Franchised Business at wholesale, resale, or other alternative distribution channels, or to dealers, or distributors, or franchisees, without our prior written approval.

11.1.2. All products, supplies, equipment, and other items provided by your Franchised Business must comply in all respects with our System Standards. We are under no obligation to authorize every Restoration 1 Business to offer the same services, products, supplies, equipment, and other items. We may condition our approval for you to offer any services, products, supplies, equipment and other items on our then-current criteria, including your compliance with this Agreement.

11.1.3. You agree to obtain and use the equipment, supplies, inventory, and other products, assets, and services we designate from time to time as meeting our System Standards, including your

Technology Systems, service vehicles, and any other equipment, supplies, inventory, signage, third-party services, and signs and other products and services that that we approve for Restoration 1 Businesses. You agree not to use any other equipment, supplies, inventory, and other products, assets, and services that do not meet our System Standards without our express approval. We may require that you purchase any products or services only from a supplier designed or approved by us, and/or that satisfy our System Standards (which may be a third-party vendor or supplier, or may be us or our affiliate).

11.1.4. If you wish to use any products, services, or suppliers that we have not approved (for products and services that require our approval), you must first send us sufficient information, specifications and samples for us to determine whether the service, product, or supplier complies with our System Standards. We are not required to consider alternative suppliers and we may refuse to consider such requests for any reason. You must bear all expenses incurred by us in connection with determining whether we will approve an item, service or supplier. Approval of a supplier may be conditioned on the supplier's ability to provide a sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section will be construed to require us to approve any particular supplier, or to require us to make available to prospective suppliers, standards and specifications that we deem confidential. We have the right to review from time to time our approval of any products, services, or suppliers. We may revoke our approval of any products, services, or suppliers at any time. You must promptly cease using, selling or providing any products, services, or suppliers disapproved by us.

11.1.5. You acknowledge and agrees that we and/or our affiliates may derive compensation or other benefits based on your purchases or leases from designated or approved suppliers, and that we have the right to retain such compensation or benefits in consideration of the valuable services provided by us and/or our affiliate. You shall have no interest in or claim to such compensation or benefit.

11.1.6. If you operate a conversion franchise, you agree, at your sole cost and expense, to re-image, renovate, refurbish, and modernize your existing business, within the time frame required by us, including the design, equipment, signs, inventory assortment, presentation of trademarks and service marks, supplies and other products and materials to meet our then-current standards and specifications for a Franchised Business, as specified in the Confidential Operations Manual.

## **11.2. Reconstruction Services**

If you wish to offer any restoration, reconstruction, or other products and services in connection with a project conducted by your Franchised Business, to restore the property to its former condition (“**Reconstruction Services**”), you (or any affiliate of yours or your Owners that will provide such Reconstruction Services) must first execute our then-current Reconstruction Services Addendum, in form and substance designated by us. Neither you nor any of your affiliates may offer any Reconstruction Services for any projects associated with your Franchised Business without approval by us and execution of the designated Reconstruction Services Addendum.

## **11.3. Condition of your Franchised Business**

You shall maintain the service tools and equipment, service vehicles, signage and other components of your Franchised Business to meet the highest standards of professionalism, cleanliness, sanitation, safety, and courteous service. You must repair or replace all products, equipment, inventory, supplies and other assets as necessary to comply with our health and safety standards and specifications and any applicable laws or regulations. The expense of such maintenance shall be borne by you.

#### **11.4. Management**

Subject to the terms and conditions of this Agreement, you (or if you are a Business Entity, your Designated Owner) will be solely responsible for the management, direction and control of your Franchised Business. If you (or if you are a Business Entity, your Designated Owner) do not wish to supervise the day-to-day operations of your Franchised Business, then you may request that we approve an alternative person to supervise the day-to-day affairs of your Franchised Business (your “**Designated Manager**”). We may establish conditions for approving any such Designated Manager or Designated Owner, as applicable, which may include the completion of training, confirmation that such individual will have no competitive businesses activities, and/or execution of a non-disclosure agreement or other covenants we require. You (or if you are a Business Entity, your Designated Owner) or your Designated Manager, as applicable, must supervise the management and day-to-day operations of your Franchised Business on a full-time basis and continuously exert best efforts to promote and enhance your Franchised Business and the goodwill associated with the Marks.

#### **11.5. Your Personnel**

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Franchised Business. You agree that any employee, agent, or independent contractor that you hire will be your employee, agent, or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Franchised Business in compliance with federal, state, and local employment laws. You agree to maintain a competent, conscientious, and trained staff sufficient to service customers and operate your Franchised Business in accordance with our System Standards.

#### **11.6. Compliance with Applicable Laws**

11.6.1. You shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of your Franchised Business, including all zoning and local permits necessary to operate your Franchised Business from the Franchised Business Office, and shall operate your Franchised Business in full compliance with all applicable laws, ordinances, and regulations. We make no representation to you with regard to any legal requirements that you must satisfy or comply with in connection with the operation of your Franchised Business. You shall be solely responsible for investigating and complying with all such laws, ordinances, and regulations with regard to the operation of your Franchised Business.

11.6.2. You represent and warrant to us that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been: (1) listed on the U.S. Treasury Department’s List of Specially Designated Nationals, the U.S. Commerce Department’s Denied Persons List, Unverified List, Entity List, or General Orders, the U.S. State Department’s Debarred List or Nonproliferation Sanctions, or the Annex to U.S. Executive Order 13224; or (2) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism. You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the term of this

Agreement, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

#### **11.7. Notification of Proceedings and Breaches**

You must notify us not more than five days after the commencement of any action, suit or proceeding involving you or your Franchised Business, or the issuance of any order, writ, injunction, judgment, award, or decree which may affect the operation or financial condition of your Franchised Business. You must deliver to us within 2 days of receipt a copy of any and all notices you receive from any person, Business Entity or governmental authority claiming that you, your representatives, or your Franchised Business has violated any laws, regulations, permits, licenses, agreements or other committed any other breach, default or violation in connection with your Franchised Business, and/or that any audit, investigation, or similar proceeding by any such person or governmental authority is pending or threatened against you on the basis of any of any the foregoing, including any default notices from any landlord or supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations or law, or which may otherwise adversely affect your operation or financial condition or that of your Franchised Business.

#### **11.8. Compliance with Good Business Practices**

You acknowledge that the quality of customer service and the demeanor of you and your employees is material to this Agreement and the relationship created and hereby. Therefore, you agree to give prompt, courteous, and efficient service to customers of your Franchised Business and to cause your Franchised Business to adhere to the highest standards of honesty, fair dealing and ethical conduct in all dealings with its customers, vendors and the general public. We have the right to intervene and satisfy any customer that we determine was not properly addressed by you, including by refunding the customer for any amounts we deem appropriate, and you must reimburse us for such refunded amounts or other remedies we offer any customer.

#### **11.9. Call Center Program**

If we require, you will participate in the call center program, as it exists from time to time, which may include using and publishing a telephone number we designate, receiving calls from a call center established and operated by us, engaging a designated service provider (which may be us, our affiliate, or a third party) to answer calls, set customer appointments, and provide other related services, and acquiring, installing, and using related technology, and using designated service providers. You must pay all fees imposed by the service provider for these services and enter into any related user or service agreements. At any time that a call center program is not implemented, you must arrange for the answering of all incoming phone calls during regular business hours. In addition to our other remedies under this Agreement, if you fail to comply with this requirement on two or more occasions, then we may require you to engage the services of a professional call center services provider approved in advance by us, at your expense.

#### **11.10. Minimum Performance Criteria**

You agree to use your best efforts to promote and increase the sales and recognition of services offered through your Franchised Business. There are no minimum performance criteria during the first 2 years of operations of your Franchised Business. Beginning with the 25<sup>th</sup> month of operation, your Franchised Business must achieve average Collected Gross Revenue per month no less than the minimum average monthly revenue specified on the Cover Page (calculated as total Collected Gross Revenue during the prior trailing six-month period, divided by six). With no less than 30 days prior notice, we may increase the amount of the minimum average monthly Collected Gross Revenue reflected on the Summary Page in an amount not to exceed the aggregate rate of inflation established

by the U.S. Bureau of Labor's Consumer Price Index since the Effective Date, or such later date as we last adjusted the minimum average monthly Collected Gross Revenue.

#### **11.11. National Account Clients**

We or our affiliates may periodically enter into agreements with clients that require service (the “**National Account Clients**”). We may, at our election, provide these services ourselves or through our affiliates or designees, and/or may subcontract servicing rights to one or more third parties or franchisees, in our discretion. We may establish criteria or qualifications for franchisees that wish to service National Accounts Clients, including different service standards, requirements for accepting or declining jobs, insurance requirements, or other conditions we establish. If we offer you the right to provide services to a National Account Client, you must provide the services in accordance with all of our System Standards, plus the terms, fees, and conditions that we have negotiated with the National Account Client. We may invoice the National Account Client and collect payment directly. We may also charge our then-current fees for participation in the program, including dispatch, management, declined job fees, or other processing or administrative fees. In such cases, we will deduct from the payment any applicable fees and any amounts calculated under this Agreement on the basis of such Collected Gross Revenue, and remit to you the balance within a reasonable time following receipt.

#### **11.12. Pricing**

You shall have the sole right to determine the prices to be charged by your Franchised Business for services offered to customers, other than: (i) prices charged National Accounts Clients, which we will negotiate in advance with our National Accounts Clients; and (ii) we will have the sole right to determine the prices to be charged for products sold through any Franchise System Website, even if such sales are to persons identified as customers of your Franchised Business.

#### **11.13. Periodic Visits and Inspections**

We or our designees may make periodic visits, which may be announced or unannounced, to your Franchised Business and/or any job site for services conducted by your Franchised Business for the purposes of consultation, assistance, and inspection with respect to the operation and management of your Franchised Business. We may take photographs, videos and otherwise monitor your Franchised Business operations, remove samples, inspect your Technology Systems, speak with your customers or personnel, and/or conduct customer surveys or other market research and testing. You agree to cooperate with us and our designees fully during all periodic visits and inspections. If we determine after any inspection that one or more failures of System Standards exist, or any circumstance exists that prevent us or our designees from properly inspecting your Franchised Business or any job site, we may re-inspect one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary, and you will reimburse all of our and our designees' costs associated with the failed audit and/or such re-inspections and follow-up visits, including supplier fees, travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

#### **11.14. Insurance Coverage**

11.14.1. During the term of this Agreement, you must maintain in force at your sole expense the minimum types and amounts of insurance that we require as part of our System Standards. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. We reserve the right to require increased coverage if you wish to service National Accounts Clients. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Franchised Business' operation or activities of you and your personnel. We may periodically increase

the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages at any time. These insurance policies must be purchased from licensed insurers having a rating of “A/VIII” or higher.

11.14.2. Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days’ prior written notice to us of a policy’s material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Franchised Business on your behalf, in which event you agree to cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee.

11.14.3. Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Franchised Business’ operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Franchised Business that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

### **11.15. Service Warranties**

11.15.1. You acknowledge and agree that certain products and services your Franchised Business provides to customers may be subject to one or more customer warranties, guarantees, commitments and/or similar customer service programs, including those offered by you and your affiliates and/or third-party service providers and manufacturers that offer products and services used by your Franchised Business (collectively, “**Service Warranties**”). During and after the term of this Agreement, you agree to honor all Service Warranties made to customers of your Franchised Business, including using your best efforts to assist customer of your Franchised Business tendering claims to any third-party serviced providers and manufacturers. You must obtain our approval of all Service Warranties before you offer them to customers of your Franchised Business. We may establish System Standards for any such Serviced Warranties from time to time. Notwithstanding any System Standards, approvals, or support we provide relating to Service Warranties, you acknowledge and agree that all Service Warranties offered by your Franchised Business are strictly your obligation and responsibility, and are not offered or guaranteed in any manner by us or our affiliates.

11.15.2. If you fail to honor any Service Warranties to your customers, you agree that we have the right to take any action we deem appropriate to honor such Service Warranties on your behalf, including by providing any services or products or support ourself, or through our designees, affiliates, representatives, or other franchisees, and you hereby agree to reimburse us any and all costs incurred by us, our designees, affiliates, representatives, or other franchisees. We have the right to require you to pay us a reasonable deposit or hold-back, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business. This amount would be refunded to you after expiration or termination of all Service Warranties offered by your Franchised Business, less any deductions arising if we have to honor any such Service Warranties on your behalf.

### **11.16. Subcontractors**

Notwithstanding anything to the contrary, you agree that you must obtain our prior written approval of any subcontractor that will be used to provide services of any kind for your Franchised

Business. You acknowledge and agree that, even if we approve any subcontractor for a particular job, you will remain fully liable for all obligations under your Franchise Agreement for all operations from your Franchised Business, including those performed by any approved subcontractors. You will also be fully liable for the actions, omissions, and performance of any and all subcontractors and their personnel. Your obligations under Section 16.2 will apply to any damages, fines, costs, expenses or liability arising from the actions, omissions or operations of your subcontractors.

## **12. DEFAULT AND TERMINATION**

### **12.1. Automatic Termination**

This Agreement will terminate automatically, without notice, if you become insolvent (meaning unable to pay bills in the ordinary course of business as they become due); if a receiver of your property or any part thereof is appointed by a court; if you make a general assignment for the benefit of your creditors; if a final judgment against you remains unsatisfied of record for 30 days or longer (unless *supersedeas* bond is filed); if execution is levied against your business or property; or if a suit to foreclose any lien or mortgage against the Franchised Business Office or equipment is instituted against you and not dismissed within 30 days or is not in the process of being dismissed.

### **12.2. Termination by Franchisor**

We may terminate this Agreement, effective immediately on delivery of written notice of termination to you, if:

- (a) You fail to obtain our approval and commence operations of your Franchised Business by the deadline specified in and otherwise pursuant to Section 4.4;
- (b) Your Key Personnel fail to complete the Training Program to our satisfaction;
- (c) You fail to maintain all required professional licenses, permits and certifications for a period exceeding 5 business days;
- (d) You or your Owners make any material misrepresentation or omission in your application for the franchise granted hereby, or otherwise to us in the course of entering into this Agreement;
- (e) You or your Owners are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely affect our reputation, you, or the operation of your Franchised Business;
- (f) You or your Owners or affiliates engage in any activities, behavior or conduct that are prohibited under the covenants contained in Section 6;
- (g) You abandon, fail or refuse to actively operate your Franchised Business for 5 or more consecutive days (unless approved by us in advance);
- (h) You or your Owners conduct or attempt to conduct any transfer in violation of Section 14 without our prior approval;
- (i) Your Franchised Business is at any time not under the full-time management and supervision of a Designated Owner or Designated Manager that we have approved;
- (j) You submit to us on two or more separate occasions at any time during the term of this Agreement any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to us by more than 5% for any accounting period;



(k) You misuse or make an unauthorized use of any of the Marks or commit any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

(l) You fail to comply with any term of this Agreement two or more separate occasions within any period of 12 consecutive months, whether or not cured;

(m) You violate any health or safety law, ordinance or regulation, or operate your Franchised Business in a manner that presents an immediate health or safety hazard to your customers, employees, or the public, and do not begin to cure such violation or hazard immediately, and correct such violation or hazard within 72 hours;

(n) You or any of your Owners or affiliates fail to pay any other third-party, including any lender or creditor, any other amounts owed in connection with your Franchised Business when due, and do not cure such failure within any applicable cure period granted by such third-party, if any;

(o) You or your Owners or affiliates default under any other agreement between us or any of our affiliates and you or any of your Owners or affiliates, such that we or our affiliate, as the case may be, have the right to terminate such agreement or such agreement automatically terminates, including any applicable Reconstruction Services Addendum;

(p) You fail to comply with any applicable law or regulation, and fail to cure such failure within 10 days after delivery of written notice;

(q) You fail to pay any amounts due under this Agreement, and fail to cure such default within 5 days after delivery of written notice default;

(r) You fail to procure or maintain insurance as specified in Section 11.14 of this Agreement, and fail to cure such default within 10 days after delivery of written notice of default; or

(s) You breach any other provision of this Agreement, and fail to cure such default within 30 days after delivery of written notice of default.

### **12.3. Termination by Franchisee**

If you are in full compliance with all of the terms of this Agreement and we materially breach this Agreement and fail to cure such breach within 60 days after receiving written notice identifying the claimed breach, you may elect to terminate this Agreement unless the breach cannot reasonably be cured within such 60 days. If the breach cannot reasonably be cured in such 60 days, you may elect to terminate this Agreement only if we do not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish you reasonable proof of such efforts.

### **12.4. Additional Remedies**

At any time that you are in default of any obligation under this Agreement, until such time as you correct the default, in addition to all other rights under this Agreement, we have the right to: (i) terminate or suspend your right to participate in any programs or benefits associated with the System, including the right to provide services to National Accounts Clients; and/or (ii) cease selling or supplying any products or services to you for which we are an Approved Supplier, or require you to post a bond, deposit, or pay for such products in advance of processing any such order.

## **13. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **13.1. Actions to be Taken**

Upon termination or expiration, this Agreement and all rights granted hereunder to you shall terminate and you shall immediately, at your own expense:

(a) Cease to operate your Franchised Business and cease all use of the Marks and the System, unless we instruct you otherwise in connection with our exercise of our option to purchase your Franchised Business under Section 13.3;

(b) Remove all materials bearing the Marks from all equipment, service vehicles, and any and all other supplies and equipment, and take all other actions we designate to avoid association between you and your assets and us, the Restoration 1® brand and System, unless we instruct you otherwise in connection with our exercise of our option to purchase your Franchised Business under Section 13.3;

(c) Cease to represent to the public or hold yourself out as a present or former franchisee of ours, and take all action as may be necessary to cancel or assign to us, at our option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name “Restoration 1®” or any other Mark;

(d) Pay all sums owing to us and any affiliate under this Agreement and/or any other past due amounts owing to us or our affiliates;

(e) Return to us or destroy, as we direct, the Confidential Operations Manual and all other Confidential Information, including records, files, brochures, agreements, customer lists and data, and any and all other materials provided by us to you relating to the operation of your Franchised Business;

(f) Cease using and, at our direction, either assign to us or deactivate any Contact Information and/or Online Presence that you used to operate your Franchised Business and/or that displays any of the Marks, in each case as we designate;

(g) pay us a reasonable a deposit or hold-back, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business prior to termination or expiration, which we may retain and preserve until such time as the Service Warranties are satisfied or have expired, as we determine; and

(h) Comply with all other System Standards we establish (and all applicable laws) in connection with the closure and de-identification of your Franchised Business, including as it relates to disposing of personally identifiable and other protected classes of information and data, in any form, in your possession or the possession of any of your employees.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to affect the foregoing purposes.

## **13.2. Final Payments**

13.2.1. Within 5 business days following expiration or termination of this Agreement, you must pay us a final payment in an amount calculated as the product of your Accounts Receivable (defined below) as of the date of expiration or termination, multiplied by 70%, multiplied by the aggregated rate of your Royalty Fee and Brand Fund Contribution as of the date of termination or expiration, as applicable. Such amount is payable in lieu of the Royalty Fees and Brand Fund Contributions that would otherwise be payable on Collected Gross Revenue after the date of expiration or termination. The parties

acknowledge and agree that such payment represents a reasonable estimation of future Collected Gross Revenue on your Accounts Receivable as of the date of expiration or termination, and is not a penalty. “**Accounts Receivable**” for purposes of this provision means any and all outstanding revenue due to you for services performed by your Franchised Business.

13.2.2. To secure payment of the final payments described in this Section 13.2 and all other amounts due under this Agreement, you hereby grant to us a security interest in, and collaterally assign to us all of our rights and interests to, your Accounts Receivable and the proceeds thereof. If we exercise our rights under this Section 13.2.2, we will have the exclusive right to contact your customers for collection purposes, and do all other things appropriate or necessary to collect the Accounts Receivable. We will have the right to retain from collected amounts any applicable Royalty Fees and Brand Fund Contributions due and owing thereon, and to reimburse us and our affiliates and representatives, all collection costs including collection agency fees, attorneys’ fees, and court costs. We will remit any balance in excess of such retained amounts to you within 30 days of collection.

13.2.3. If you terminate this Agreement in any manner other than Section 12.3, or if we terminate this Agreement due to your default, the parties acknowledge and agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue we otherwise would have otherwise derived through the remainder of the term of this Agreement. Therefore, you and we hereby agree that a reasonable estimation of such damages, less any cost savings we might have experienced, is an amount equal to the net present value of the Royalty Fees and Brand Fund Contributions that would have become due had this Agreement not been terminated, from the date of termination until the earlier of: (a) 2 years following the date of termination; or (b) the scheduled expiration of the term of this Agreement. For the purposes of this Section 13.2.3, Royalty Fees and Brand Fund Contributions will be calculated based on your average monthly Collected Gross Revenue during the 12 full calendar months immediately preceding the termination date; provided, that if your Franchised Business was not operating for a full 12 months as of the termination, such calculations will be based on the average monthly Collected Gross Revenue of all Restoration 1 Businesses during our fiscal year immediately preceding the termination date. You must pay us the foregoing amounts within 15 business days of termination of this Agreement. You and we agree that the calculation described in this Section 13.2.3 is a calculation only of the lost revenue to us from Royalty Fees and Brand Fund Contributions based on the early termination, and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

### **13.3. Our Option to Purchase Certain Business Assets**

We have the right (but not the obligation), for a period of 30 days after termination or expiration of this Agreement, to purchase any or all assets of your Franchised Business including improvements, vehicles, service tools and equipment, supplies and other inventory or equipment. The purchase price for the assets will be equal to their depreciated book value, excluding any value attributable to the Marks, the System, and/or participation in our franchise system. If we and you cannot agree on fair market value, fair market value will be determined by an independent accredited appraiser we appoint, which appraiser will be bound by the criteria for the purchase price described herein, and you and we will share equally the cost of such appraiser. If we elect to exercise our option to purchase any or all assets of your Franchised Business, we have the right to set off all amounts due from you or your affiliates to us or our affiliates, if any, against the purchase price. If we purchase any or all assets of your Franchised Business, we are entitled to all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. We have the unrestricted right to assign our option to purchase.

### **13.4. Assumption of Management**

13.4.1. We have the right but not the obligation to assume management of your Franchised Business, or to appoint a designee to assume its management, for any period of time we deem appropriate, if: (1) you abandon or fail actively to operate your Franchised Business; (2) you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or (3) this Agreement expires or is terminated and we are transitioning your Franchised Business' operations to us or another person we designate, or determining whether to do so. All funds from your Franchised Business' operation while it is under our or our designee's management will be kept in a separate account, and all expenses will be charged to this account. If we or our designee assume your Franchised Business' management, you agree to pay us (in addition to the Royalty Fee, Brand Fund Contributions, and other amounts due to us or our affiliates) our then-current fee for such management services, plus our or our designee's direct out-of-pocket costs and expenses.

13.4.2. If we or our designee assume your Franchised Business' management, you acknowledge that we or our designee will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Franchised Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Franchised Business purchases, while we or our designee manage it. Our decision to assume management of your Franchised Business, or to appoint a third party to assume management of your Franchised Business, will not affect our right to terminate this Agreement under Section 12.2. Your indemnification obligations set forth under Section 16.2 will continue to apply during any period that we or our designee assume your Franchised Business' management.

### **13.5. Survival of Certain Provisions**

All obligations under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire, including the following provisions, which the parties agree will survive termination or expiration hereof, without limiting the generality of the foregoing: Section 5.1 (Intellectual Property), Section 6 (Covenants), Section 11.15 (Service Warranties), Section 13 (Rights and Duties Upon Expiration or Termination), Section 16 (Relationship and Indemnification), Section 17 (General Conditions and Provisions), and Section 18 (Dispute Resolution).

## **14. TRANSFERABILITY OF INTEREST**

### **14.1. Transfer by Franchisor**

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by us and such rights will inure to the benefit of any person to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of our functions, the assignee shall assume our obligations hereunder and we will thereafter have no liability for the performance of any obligations contained in this Agreement. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations; provided, that such delegation will not relieve our obligations under this Agreement.

### **14.2. Transfer by Franchisee**

14.2.1. Your rights and duties as set forth in this Agreement, and the franchise herein granted, are personal to you (or your Owners), and we have entered into this Agreement in reliance upon your

(and your Owners) personal or collective skills, experience, character, aptitude, and financial ability. Accordingly, without our prior written approval, neither you nor any Owner may, voluntarily or involuntarily, directly or indirectly, sell, assign, convey, gift, give away, pledge, mortgage, sublicense, or otherwise transfer or encumber, whether by operation of law or otherwise: (a) this Agreement or any interest in this Agreement, (b) the franchise granted hereby, (c) all or substantially all of the assets of your Franchised Business, or (d) any direct or indirect ownership interest in you, your franchise rights under this Agreement, or your Franchised Business, including any right to share in the governance or profits thereof. A transfer of your Franchised Business' ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement.

14.2.2. We will review each transfer in our sole discretion, and may condition our approval on any factors we determine, including that:

(a) All obligations owed by you or your affiliates to us and our affiliates, and all other outstanding obligations relating to your Franchised Business, are fully paid and satisfied;

(b) You and your Owners have materially complied with this Agreement during the term hereof, and you and your Owners are not at the time you request consent for the transfer (or at any time between the date of such request and the time of the transfer) in violation of any term of this Agreement;

(c) You and your Owners, and the prospective transferee and its owners, each sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable law) against us and our affiliates;

(d) You comply with our then-current transfer procedures, including that we may request you to submit an application in writing, and/or that the prospective transferee and its owners satisfy certain application and certification requirements;

(e) We determine that the prospective transferee, its owners, and representatives (including, its designated manager, if applicable) satisfy our criteria for new franchisees, including that we have approved any premises that will be used by the prospective transferee to operate your Franchised Business;

(f) We determine that the terms of the transfer are not detrimental or unfavorable to your Franchised Business or our rights, including that the terms of any financing will not adversely affect the operation of your Franchised Business, and/or that any obligations between the buyer and seller being subordinate to the franchise obligations owed to us or our affiliates;

(g) The prospective transferee expressly assumes in writing, in a form we approve, any and all outstanding Service Warranties for your Franchised Business;

(h) The prospective transferee and its owners execute the form of franchise agreement associated agreements, instruments, and documents then being required for new franchisees and owners, as applicable, which may be substantially different from this Agreement, and may include a different Royalty Fee, Brand Fund Contribution rates and other material provisions; provided, the initial term of such franchise agreement shall be the remaining term of this Agreement, and all renewal terms shall be governed by any remaining renewal terms hereunder, and the Market Territory shall be the same as the Market Territory granted pursuant to this Agreement;

(i) You, or the prospective transferee, pay us a transfer fee in the amount stated in the Summary Page;

(j) The prospective transferee and its key personnel complete, to our satisfaction, our then-current initial training program; and

(k) You provide us the evidence we reasonably request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of your Franchised Business, including by transferring all necessary and appropriate business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements.

14.2.3. We may review all information regarding your Franchised Business that you give the prospective transferee, correct or supplement any information that we believe is inaccurate or incomplete, and give the prospective transferee copies of any reports regarding your Franchised Business. Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the prospective transferee, a guarantee of your Franchised Business' or prospective transferee's prospects of success, or a waiver of any claims we have against you or your Owners, or of our right to demand the prospective transferee's full compliance with this Agreement.

14.2.4. Notwithstanding anything to the contrary, if you enter into this Agreement as an individual, if you and your Owners are in full compliance with this Agreement, you may transfer this Agreement to an Business Entity in which you maintain management control, and of which you own and control 100% of all outstanding ownership, beneficial, and voting interests; provided, that (i) that Business Entity will own all of your Franchised Business' assets, and will conduct all of your Franchised Business' business, (ii) that Business Entity will conduct no business other than your Franchised Business, (iii) that Business Entity must expressly assume all of your obligations under this Agreement and all Service Warranties, (iv) you provide us with all organizational documents for the Business Entity that we require, and (v) you reimburse us for any direct costs we incur in processing such transfer, including attorneys' fees. You agree to remain personally liable under this Agreement as if the transfer to the Business Entity did not occur, including by signing a personal guaranty of the obligations of such Business Entity. You must also sign transfer documents satisfactory to us to document the transfer, which may include a release of any and all claims by you and your affiliates (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates.

14.2.5. You may not use the Marks to advertise or solicit offers for any prospective transfer that would require our consent under this Section 14.2, including that you may not list any interests or assets the transfer of which would require our consent under this Section 14.2 for sale with any broker, listing agent, or listing directory without our approval.

14.2.6. Upon the death or incapacity of you (if you are an individual) or any Owner (if you are a Business Entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in your Franchised Business or in you to a third party approved by us pursuant to the terms of this Agreement. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by applicable law. During such 180-day period, your Franchised Business must remain at all times under the primary management of a Designated Manager who we have approved. For the purposes hereof, "**incapacity**" means the inability of such person to fulfill their obligations under this Agreement, as applicable, including by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation.

### **14.3. Right of First Refusal**

14.3.1. If you, or any of your Owners, proposes to conduct any transfer that would require our consent under Section 14.2, you agree obtain and deliver to us a *bona fide*, executed written offer or proposal from the prospective transferee, along with all pertinent documents including any contract or due diligence materials. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of you or any of your owners. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price.

14.3.2. We will have a right of first refusal, exercisable by written notice to you, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to you; provided, that: (a) we notify you within 30 days after we receive a copy of the offer and all other documents and information we have requested that we are electing to exercise our right of first refusal hereunder; (b) we may substitute cash for the fair market value of any form of payment proposed in such offer; (c) our credit shall be deemed at least equal to the credit of any proposed buyer; (d) we receive from you all customary representations and warranties from the seller of the assets or such interests, including relating to title, ownership, condition, encumbrances, liabilities, and authority. After exercising this right of first refusal, we will have up to 60 days to close the purchase. We have the unrestricted right to assign any or all of this right of first refusal.

14.3.3. If we do not exercise our right of first refusal on the terms above, the offer or proposal may be accepted by you or any of your Owners, subject to our prior written approval as required under Section 14.2. Should the sale fail to close the transaction within 120 days after the offer is delivered to us, or if there is a material change to the terms of the sale (which you agree to notify us of promptly), we will have an additional right of first refusal in accordance with this Section.

## **15. OWNERS OF FRANCHISEE**

### **15.1. Your Ownership Information**

You represent and warrant to us that the information on Exhibit 2 is an accurate and complete description of: (a) each person who signs this Agreement as franchisee, if you are the sole proprietorship; or (b) each person who holds a direct or indirect ownership, voting, or beneficial interest in you, if you are a Business Entity (each an “**Owner**”).

### **15.2. Your Business Entity**

15.2.1. If you enter this Agreement as a corporation, limited liability company, limited partnership or other legal entity or organization (each a “**Business Entity**”), you represent and warrant to us that you are validly existing and in good standing under the laws of the state of your incorporation or formation, and have the authority to execute this Agreement, and perform your obligations under this Agreement. You agree to maintain organizational documents at all times that state that this Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to this Agreement’s restrictions. You agree that your Franchised Business will be the only business that such Business Entity operates, unless we approve you to acquire and operate additional Restoration 1 Businesses.

15.2.2. If you are a Business Entity, you must identify one of your Owners who is a natural person with at least a 10% direct or indirect ownership interest and voting power in you (your “**Designated Owner**”). We must approve the person that will act as your Designated Owner. Your Designated Owner will be authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to your Franchise Agreement. Any decision made by the Designated Owner will be final

and binding on you and we will be entitled to rely solely on the decision of the Designated Owner without discussing the matter with any other party. We will not be held liable for any actions based on any decision or actions of the Designated Owner. The person acting as your Designated Owner must have full corporate power and authority to enter into the Franchise Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

### **15.3. Guaranty by Owners**

Each of your Owners and their respective spouses must execute a guaranty in the form we prescribe, agreeing to be personally bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us and/or our affiliates. Our current form of guaranty is attached hereto as Exhibit 1.

## **16. RELATIONSHIP AND INDEMNIFICATION**

### **16.1. Relationship**

This Agreement is purely a contractual relationship between the parties and does not appoint or make you an agent, representative, joint venturer, partner, or employee of ours for any purpose whatsoever. You may not represent or imply to third parties that you are an agent of ours, and you are in no way authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the term of this Agreement, you shall hold yourself out to the public only as a franchisee and an owner of your Franchised Business operating your Franchised Business pursuant to a franchise from us. Under no circumstances shall we be liable for any act, omission, contract, debt, nor any other obligation of yours, or for any injuries to persons or property resulting from your Franchised Business. Any third-party contractors and vendors retained by you are independent contractors of yours alone. This Agreement does not establish a fiduciary relationship between the parties.

### **16.2. Indemnification**

During and after the term of this Agreement, you hereby agree to hold harmless and indemnify us, our affiliate, and all of our and their owners, holders of a legal or beneficial interest, officers, directors, executives, managers, employees, agents, successors and assigns from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees) incurred in connection with any action, suit, demand, claim, obligations, investigation or proceeding, or any settlement thereof, which arises from or is based upon your, your Owners', your affiliates', or your or their employees' or other representatives': (a) ownership or operation of your Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between you and your affiliates and us or our affiliates; and/or (d) acts, errors, omissions, negligence, or misconduct of any kind. Each indemnified party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions. 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 for indemnity.

## **17. GENERAL CONDITIONS AND PROVISIONS**

### **17.1. No Waiver**

17.1.1. No failure of ours to exercise any power reserved to it hereunder, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of our right to demand exact



compliance with the terms of this Agreement. Waiver by us of any particular default by you shall not be binding unless in writing and executed by us and shall not affect nor impair our right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by us of any payment(s) due shall not be deemed to be a waiver by us of any breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of 10 days' prior written notice.

17.1.2. The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: 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.

## **17.2. Notices**

All notices required or permitted under this Agreement shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director, or partner of the recipient party); (b) on the day after transmission by e-mail or other reasonably reliable electronic communication system, if received during ordinary business hours, otherwise the following business day; (c) the next business day after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Registered Mail, return receipt requested. All notices, payments, and reports required by this Agreement shall be sent to us or you at the address reflected on the Summary Page; except that it will always be deemed acceptable to send notice to you at the address of the Franchised Business Office. Either party may change its address by a written notice sent in accordance with this Section 17.2.

## **17.3. Entire Agreement**

This Agreement, including its exhibits, constitutes the entire, complete, and fully integrated agreement between us and you concerning the subject matter hereof, and supersedes all prior representations, promises, and agreements. No amendment, change or variance from this Agreement shall be binding on either party unless memorialized in a writing executed by both parties. Nothing in this or any related agreement, however, is intended to disclaim any representations we made in the franchise disclosure document that we furnished to you.

## **17.4. Severability**

17.4.1. Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If we determine that a finding of invalidity adversely affects the basic consideration of this Agreement, we have the right to, at our option, terminate this Agreement.

17.4.2. Each of the covenants contained in Section 6 is deemed unenforceable by virtue of its scope, but would be enforceable if modified, you and we agree that the 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. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17.4.3. If any applicable and binding law of any jurisdiction requires more notice of this Agreement's termination or of our refusal to enter into a renewal franchise agreement than this Agreement requires, or some other action that this Agreement does not require, or any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law, ordinance, rule or regulation will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety.

### **17.5. Construction**

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or Business Entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies. The use of the term “**including**” in this Agreement, means in each case “including, without limitation.” The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

### **17.6. Third-Party Beneficiaries**

Except as expressly provided herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or Business Entity other than us or you, and our and your respective successors and assigns any rights or remedies under this Agreement.

### **17.7. Execution**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature.

## **18. DISPUTE RESOLUTION**

### **18.1. Arbitration**

18.1.1. All controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related: (1) this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates); (2) our relationship with you or the franchise granted hereby; (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of this arbitration provision, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “**AAA**”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our (or our successor's or assign's, as applicable) then current principal place of business (currently,

Dallas, Texas). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

18.1.2. The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

18.1.3. In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. 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. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

18.1.4. Arbitration proceedings will be conducted on an individual basis. no arbitration proceeding may be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on behalf of any party by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

18.1.5. In any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." No interrogatories or requests to admit shall be propounded, unless the parties mutually agree.

18.1.6. The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect and survive the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

## **18.2. Injunctive Relief**

Nothing in this Agreement, including the provisions of Section 18.1, bars our right to obtain specific performance of the provisions of this Agreement and injunctive or other equitable relief against threatened conduct that will cause us, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and

that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

### **18.3. Cost of Enforcement or Defense**

The prevailing party in any dispute or proceeding shall be entitled to recover from the other party all damages, costs and expenses, including mediation, arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such dispute or proceeding.

### **18.4. Choice of 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 (9 U.S.C. §§ 1 et. seq.), the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et. seq.), or other federal law, this Agreement (or any other agreement between us and our affiliates and you and your affiliates), the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Texas, without regard to its conflict of laws rules; provided, however, that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

### **18.5. Consent to Jurisdiction**

Subject to Section 18.1, we and you agree that that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Dallas, Texas), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you or your Franchised Business or Market Territory is located.

### **18.6. Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy.

### **18.7. Limitation of Claims**

TO EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT (OR ANY OTHER AGREEMENT BETWEEN US AND OUR AFFILIATES, AND YOU AND YOUR AFFILIATES), THE FRANCHISE, AND ALL OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED UNLESS A PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

### **18.8. Limitation of Damages**

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.2, WE AND YOU (AND YOUR 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 US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**18.9. Waiver of Jury Trial and Punitive Damages**

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.2, WE AND YOU (AND YOUR 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 US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF US

**18.10. Class Action Waiver**

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

[Signature Page to Follow]

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

**FRANCHISOR:**

**Restoration 1 Franchise Holding, LLC**

**FRANCHISEE:**

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## EXHIBIT 1 TO THE FRANCHISE AGREEMENT

### UNLIMITED GUARANTY AND PERSONAL UNDERTAKING

THIS UNLIMITED GUARANTY AND PERSONAL UNDERTAKING (this “**Guaranty**”) is executed and delivered to Franchisor to be effective as of the effective date of the Franchise Agreement (defined below). Each of the undersigned make the following representations and warranties to Franchisor, and agree to the following:

1. I have read the franchise agreement between Restoration 1 Franchise Holding, LLC (“**Franchisor**”) and \_\_\_\_\_ (the “**Franchisee**”) together with any associated exhibits, agreements, addenda, riders, and other instruments (together, the “**Franchise Agreement**”) and am familiar with its terms (capitalized terms not defined herein will have the meaning in the Franchise Agreement).

2. I own a beneficial interest in the Franchisee and/or the Franchised Business, and/or would be considered an “Owner” within the definition contained in the Franchise Agreement.

3. I understand that, were it not for this Guaranty, Franchisor would not have agreed to enter into the Franchise Agreement.

4. I agree to be personally bound by, and personally liable for the breach of, each and every provision in 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 that without limiting the foregoing, I will comply with all of the covenants of confidentiality, exclusivity, non-interference, and non-disparagement contained in Section 6 of the Franchise Agreement.

5. I will comply with all of the provisions contained in Section 14 of the Franchise Agreement concerning the transfer of any interest I may have in the Franchised Business or the Franchisee.

6. I agree that the provisions contained in Section 18 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty, including the requirement to arbitrate all claims under Section 18.1. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its attorneys’ fees and costs.

7. I hereby personally and unconditionally guarantee to Franchisor and its successors and assigns the punctual and full payment of all amounts owed by the Franchisee under the Franchise Agreement. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee or any other guarantor or person before seeking recovery from me under this Guaranty.

8. No modification, change, impairment, or suspension of any of Franchisor’s rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee’s obligations, I agree that Franchisor’s release of such security will neither affect my liability under this Guaranty or be asserted as a defense to enforcement of this Guaranty.

9. I hereby waive: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right I may have to require that an action be brought against Franchisee or any other person as a condition of my liability; (e) any and all other notices and legal or equitable defenses to which I may be entitled; and (f) defense

of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

10. My liability under this Guaranty shall 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 the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

11. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT.**

12. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

13. This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of the Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither my obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for enforcement will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for enforcement.

14. If more than one person has personally guaranteed any performance under and/or agreed to be bound by the Franchise Agreement, my liability with such person shall be joint and several with such guarantors, parties, and the Franchisee.

15. This Guaranty shall be binding on me and my heirs, executors, administrators, and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, I warrant and agree that my death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that my estate and heirs shall continue to be liable hereunder with respect to any obligations guaranteed hereunder.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if the Franchisee is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such guarantor (or on such guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

By signing below, any undersigned spouse acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to guarantor's performance of this Guaranty. Each guarantor represents and warrants that, if no signature appears below for such guarantor's spouse, such guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

*[SIGNATURE PAGE TO FOLLOW]*



**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature to be effective as of the Effective Date.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

**EXHIBIT 2 TO THE FRANCHISE AGREEMENT**

**FRANCHISE OWNERS**

(a) You operate as the following (please complete):

- Sole Proprietorship
- Business Entity formed in the State of \_\_\_\_\_

(b) The following is a list of your Owners:

<b>Name</b>	<b>Home Address</b>	<b>Telephone Number</b>	<b>Email Address</b>	<b>% of Ownership</b>

(c) The following individuals of your officers, managers, or other governing persons:

<b>Name</b>	<b>Home Address</b>	<b>Telephone Number</b>	<b>Email Address</b>	<b>Title</b>

**EXHIBIT 3 TO THE FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER  
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO  
RESTORATION 1 FRANCHISE HOLDING, LLC ("PAYEE")**

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above-named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by Depositor. This authority is to remain in full force and effect until Depository has received joint written notification from Payee and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. The Depositor agrees with respect to any action taken pursuant to the above authorization:

- 1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- 2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- 3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository (Bank Name): \_\_\_\_\_ Bank Account Name: \_\_\_\_\_  
Bank Acct #: \_\_\_\_\_ Routing # \_\_\_\_\_

(Please attach one voided check for the above account)

Depositor:	Depository:
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and your Franchised Business is or will be operated in the State of Illinois.

2. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following sentence is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of the Franchise Agreement are subject to Sections 19 and 20 of the Illinois Franchise Disclosure Act.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**  
**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
(insert legal name)

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND.** This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) your Franchised Business is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **FRANCHISE FEE.** The following is added to the end of Section 2.1 of the Franchise Agreement:

All initial fees and payments will be deferred until such time as we complete our initial obligations under this Agreement and you have begun operating your Franchised Business.

3. **RELEASES.** The following is added to the end of Sections 3.2(j) and 14.2(c) of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following is added to the end of Section 12.1 of the Franchise Agreement:

This Section might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 18.5 of the Franchise Agreement:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **ARBITRATION.** The following language is added to the end of Section 18.1 of the Franchise Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

7. **LIMITATIONS OF CLAIMS.** The following is added to the end of Sections 18.7 and 18.8 of the Franchise Agreement:

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

8. **RELEASES.** The Franchise Agreement is further amended to state that “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**  
**RESTORATION 1 FRANCHISE**  
**HOLDING, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
(insert legal name)

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND.** This Rider is being signed because (a) your Franchised Business will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled it, or actually present in the State of Minnesota.

2. **INTEREST ON LATE PAYMENTS.** The following language is added to the end of Section 2.7 of the Franchise Agreement:

Notwithstanding the foregoing, you and we acknowledge that under Minnesota Statute 604.113 your penalty for an insufficient funds check will be limited to \$30 per occurrence.

3. **RELEASES.** The following is added to the end of Sections 3.2(j) and 14.2(c) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **RENEWAL AND TERMINATION.** The following is added to the end of Sections 3.2 and 12 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 you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

5. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 13.2 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **INJUNCTIVE RELIEF.** The following is added to the end of Section 18.2 of the Franchise Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

7. **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following is added to the end of Section 18.10 of the Franchise Agreement:

Notwithstanding the foregoing, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **MINNESOTA LAW.** Notwithstanding anything to the contrary, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**

**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

Sign: \_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

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

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



**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, your Franchised Business is or will be operated in the State of New York.

2. **RELEASES AND WAIVERS**. The following is added to the end of Sections 3.2(n) and 14.2.2(c) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.4, as amended.

3. **CHOICE OF FORUM AND CHOICE OF LAW**. Nothing herein shall be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York General Business Law, as amended, and the regulations issued thereunder.

4. **TRANSFER**. The following is added to the end of Section 14.1 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 financially able to assume our obligations under this Agreement.

5. **TERMINATION**. The following sentence is added to the end of Section 12.3 of the Franchise Agreement:

You also 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.

[Signature Page to Follow]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**

**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

**FRANCHISEE:**

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

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

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

Sign: \_\_\_\_\_

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

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

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND.** This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if you are domiciled in the State of North Dakota, your Franchised Business is or will be operated in the State of North Dakota.

2. **FRANCHISE FEE.** The following is added to the end of Section 2.1 of the Franchise Agreement:

All initial fees and payments will be deferred until such time as we complete our initial obligations under this Agreement and you have begun operating your Franchised Business.

3. **RELEASES.** The following is added to the end of Sections 3.2(n) and 14.2(c) of the Franchise Agreement:

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.

4. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 6.3 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

5. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 13.2 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.

6. **ARBITRATION.** The following language is added to the end of Section 18.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree.

7. **GOVERNING LAW.** The second sentence of Section 18.4 of the Franchise Agreement is deleted in its entirety and replaced with the following language:

Except to the extent governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.), the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et. seq.), or other federal law, and except as otherwise required by North Dakota law, this Agreement (or any other agreement between us and our affiliates and you and your affiliates), the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Texas, without regard to its conflict of laws rules; provided, however, that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

8. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 18.5 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

9. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 18.9 of the Franchise Agreement is deleted.

10. **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following is added to the end of the first paragraph Section 18.10 of the Franchise Agreement:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**  
**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
(insert legal name)

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) an offer to sell is made or accepted in the State of Rhode Island, or (b) an offer to buy is accepted in the State of Rhode Island, or (c) you are a resident of the State of Rhode Island and your Franchised Business is or will be operated in the State of Rhode Island.

2. **GOVERNING LAW**. The following is added at the end of Section 18.4 of the Franchise Agreement:

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 is added at the end of Section 18.5 of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**  
**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

**FRANCHISEE:**  
\_\_\_\_\_  
(insert legal name)

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

### **RIDER TO THE FRANCHISE AGREEMENT FOR USE IN WASHINGTON**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (d) your Franchised Business is or will be located or operated, wholly or partly, in the State of Washington.

2. **CERTAIN FEES**. The following is added to the end of Section 2.1 of the Franchise Agreement:

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

3. **WASHINGTON LAW**. The following paragraphs are added to the end of the 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.

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

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.

Washington Rider

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.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**

**RESTORATION 1 FRANCHISE  
HOLDING, LLC**

**FRANCHISEE:**

\_\_\_\_\_  
(insert legal name)

Sign: \_\_\_\_\_

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

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

Sign: \_\_\_\_\_

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

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

**EXHIBIT 5 TO THE FRANCHISE AGREEMENT**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

You are preparing to enter into a Restoration 1<sup>®</sup> Franchise Agreement. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

Please review each of the following questions carefully and provide responses.

1. Have you received and carefully reviewed the Disclosure Document provided to you?  
 Yes                       No
2. Do you understand all of the information contained in the Disclosure Document?  
 Yes                       No

If you answered “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

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3. Have you received and carefully reviewed the Franchise Agreement and each exhibit, appendix, and schedule attached to the Franchise Agreement?  
 Yes                       No
4. Do you understand all of the information contained in the Franchise Agreement and each exhibit, appendix, and schedule attached to it?  
 Yes                       No

If you answered “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

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5. Have you been given the opportunity, whether or not you may have done so, to discuss the risks of operating a Restoration 1<sup>®</sup> Franchise with an attorney, accountant or other professional advisor?  
 Yes                       No

6. Do you understand that the purchase of a Restoration 1<sup>®</sup> Franchise is a business decision that has many of the same risks associated with starting any type of business and that the success or failure of your Restoration 1<sup>®</sup> Franchise will depend in large part upon your skills and



abilities, the number of hours you work, your ability to follow and apply the System, competition from other businesses providing the same services, interest rates, inflation, the economy, labor costs, supply costs, and other economic and business factors?

Yes  No

7. 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 such dealings are solely between you and us?

Yes  No

If you answered “No” to any of the Questions 1 through 7, please provide a full explanation of 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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8. Other than any statements specifically provided in Item 19 of our Disclosure Document, have any of our employees or representatives made any promise, prediction, guarantee, projection or other statement concerning the revenues, profits and/or income of a Restoration 1<sup>®</sup> Franchise?

Yes  No

9. Have any of our employees or representatives made any promise, prediction, guarantee, projection or other statement about the amount of money you may earn or the revenue or profits that you should or might expect to achieve as a franchisee that is contrary to, in addition to, or different from, the information contained in our Disclosure Document?

Yes  No

10. Have any of our employees or representatives made any statement or promise regarding the costs you may incur in operating a Restoration 1<sup>®</sup> Franchise; the advertising, marketing, training, support service or assistance that we will furnish to you; or any other statement, promise or agreement that is contrary to, or different from, the information contained in the Disclosure Document provided to you?

Yes  No

11. Have any of our employees or representatives made any promise or agreement concerning the amount or type of customers that may be available to you if you purchase a Restoration 1<sup>®</sup> Franchise?

Yes  No

11. If you answered “Yes” to any of the Questions 8 through 11, please provide a full explanation of 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.

Explanation

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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 that you have responded truthfully to the above questions.

Name of Franchisee/Applicant:

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

\_\_\_\_\_, Individually

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

\_\_\_\_\_, Individually

**EXHIBIT B-2**  
**GENERAL RELEASE**

**WAIVER AND RELEASE OF CLAIMS**

**RESTORATION 1 FRANCHISE HOLDING, LLC** (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) are currently parties to a certain Franchise Agreement (the “Agreement”) dated \_\_\_\_\_, 20\_\_\_\_. You have asked us to take the following action or to agree to the following request: \_\_\_\_\_

\_\_\_\_\_ We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

You and your owners, jointly and severally, on behalf of themselves and their spouses and immediate family members, and each such foregoing person’s or entity’s respective affiliates, employees, owners, officers, directors, successors, assigns, spouses and immediate family members (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our current and former affiliates, parents, subsidiaries, franchisees, owners, agents, insurers and our and their respective affiliates, employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the “**Franchisor Parties**”), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, and known or unknown, suspected or unsuspected, whether at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date of this document (together, “**Claims**”), including any and all Claims in any way arising out of or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties. You and your owners, on your own behalf and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU,

HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the franchise you operate under the Agreement is located in Maryland or if any of the Releasing Parties is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

If the franchise you operate under the Agreement is located in Washington or if any of the Releasing Parties is a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

[signature page to follow]

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date first written above.

**FRANCHISOR:**

**FRANCHISEE:**

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**EXHIBIT B-3**  
**CONSENT TO TRANSFER**

## CONSENT TO TRANSFER

This **CONSENT TO TRANSFER** (this “**Consent**”) is made as of \_\_\_\_\_ (the “**Effective Date**”) by and among **RESTORATION 1 FRANCHISE HOLDING, LLC**, a Delaware limited liability company (“**Franchisor**”), \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Transferor**”), \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Transferor Owner**”), \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Transferee**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Transferee Owner**”). Transferor, Transferor Owner, Transferee, and Transferee Owner are hereafter collectively referred to as the “**Franchise Parties.**” All capitalized used but not defined in this Consent have the meaning given to them in Franchise Agreement (as defined below).

## **RECITALS**

A. Franchisor and Transferor are parties to a certain franchise agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) pursuant to which Transferor owns and operates the Franchised Business within the territory described therein;

B. Transferor has notified Franchisor that it wishes to sell, transfer, and convey the Franchised Business to Transferee, and Transferee wishes to purchase, own, and operate the Franchised Business, pursuant to the terms of that certain \_\_\_\_\_ dated \_\_\_\_\_ executed between \_\_\_\_\_ and \_\_\_\_\_ (the “**Transfer**”); and

C. Under the Franchise Agreement, the Transfer requires Franchisor’s prior written consent, which it is willing to grant on the terms of this Consent.

## **AGREEMENT**

**IN CONSIDERATION** of the foregoing, the covenants and agreements contained in this Consent, and other good and valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Consent to Transfer and Waiver of Right of First Refusal.** Subject to the terms and conditions of this Consent, Franchisor hereby consents to the Transfer and waives its right of first refusal to acquire the Franchised Business. This Consent is strictly limited to the Transfer and will not be construed as Franchisor’s consent to, or the waiver of its rights in respect of, any further or subsequent transfers, each of which will require Franchisor’s separate prior written consent under the Franchise Agreement.

2. **Execution of New Franchise Agreement.** Under the Franchise Agreement, Franchisor may, and does hereby, condition its consent to the Transfer on Transferee’s and Transferee Owner’s execution, concurrently with the execution of this Consent, of the current form of franchise agreement for the Franchised Business, including all related documents such as Unlimited Guaranty and Personal Undertaking (collectively, the “**New Franchise Agreement**”). Therefore, concurrently with the execution of this Consent, Transferee and Transferee Owner will execute a New Franchise Agreement, which will from and after the Effective Date govern Transferee’s ownership and operation of the Franchised Business.



3. **Termination of Franchise Agreement and Surviving Obligations.** Upon the execution of the New Franchise Agreement as described above, the Franchise Agreement shall be deemed automatically terminated; provided that, the termination of the Franchise Agreement does not (a) affect any obligations that arose or accrued under the Franchise Agreement (or any other related agreements to which they were a party) prior to the termination, or (b) release Transferor from any obligations that, as provided in the Franchise Agreement (or any other related agreements to which they were a party), survive or are triggered by the termination of those agreements (including, for example, the post-termination obligations regarding payment of amounts owed, confidentiality, noncompetition, cessation of use of Marks and other intellectual property, and all other such obligations described in the Franchise Agreement, and the indemnification obligations thereunder with respect to claims arising from or based on events which occurred prior to termination).

4. **Payment of Transfer Fee.** Under the Franchise Agreement and as a condition of granting its consent to the Transfer, Franchisor may, and hereby does, require Transferor to pay a lump sum transfer fee equal to five thousand dollars (\$5,000). Transferor agrees to pay or cause Franchisor to be paid, the transfer fee concurrently upon the execution of this Consent.

5. **Representations and Warranties.** The Franchisee Parties each, jointly and severally, represent and warrant to Franchisor that:

(i) Transferee is a legal entity that is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization;

(ii) each Franchisee Party has all requisite power and authority to be bound by the terms of this Consent and to carry out and perform its obligations under this Consent; and

(iii) except for Franchisor's consent, which will be granted on its execution of this Consent, all conditions precedent to the Transfer (including, without limitation, all required landlord consents, if applicable) have been satisfied or waived, and upon Franchisor's consent and upon Franchisor's consent the Franchised Business will be owned and operated by Transferee.

6. **Further Assurances.** Each Franchisee Party hereby covenants and agrees, at its own expense, to execute and deliver, at Franchisor's request and without additional consideration, such further instruments and to take such other action as Franchisor may request to more effectively consummate the Transfer and the effectiveness of this Consent.

7. **Release.** The Franchisee Parties on behalf of themselves and their current and former affiliates, and each of the foregoing persons' officers, directors, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the "**Franchisee Group**") hereby release, acquit and forever discharge Franchisor, any and all of its past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the "**Franchisor Group**") from any and all claims, liabilities, damages, expenses, actions or causes of action of any kind which any member of the Franchisee Group may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature

whatsoever (collectively “**claims**”), including any claims directly or indirectly arising out of or relating to the Franchise Agreement or the offer, sale or acceptance of the franchises related thereto (including, but not limited to any disclosures and representations made in connection therewith). The Franchisee Parties further covenant on behalf of the Franchisee Group not to sue any member of the Franchisor Group on any of the claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any claims released by this paragraph.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

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

This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

8. **Non-Disparagement.** The Franchisee Parties agree not to, and cause the other members of the Franchisee Group and any other person not to, directly or indirectly (i) disparage, discredit, or otherwise speak negatively of any member of the Franchisor Group, the Restoration 1 brand and its franchisees, or any other brands owned by the members of the Franchisor Group, (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System or the Marks; or (iii) take any other action which would constitute an act of moral turpitude and/or is or could reasonably become the subject of public scandal, disrepute, or infamy.

9. **Franchisor's Role.** The Franchisee Parties agree that (i) they have negotiated the Transfer without Franchisor's involvement, and (ii) Franchisor's only involvement in the Transfer transaction is limited to exercising its right of consent to the Transfer in accordance with the Franchise Agreement. The Franchisee Parties hereby represent to Franchisor that the Transfer will not violate any applicable laws or jeopardize the operations of the Franchised Business.

10. **Dispute Resolution.** Any disputes arising under this Consent shall be subject to and resolved in accordance with the choice of law and dispute resolution provisions of the Franchise Agreement (Section 18), the provisions of which are incorporated herein as though copied in their entirety.

11. **Binding Effect.** This Consent inures to the benefit of the parties and their respective successors and assigns and will be binding upon the parties and their respective successors, permitted assigns, and legal representatives. If there is any conflict between the provisions of this Consent and the provisions of the Franchise Agreement, the provisions of this Consent will prevail.

12. **Miscellaneous.** This Consent constitutes the entire understanding between the parties with respect to the matters it contemplates. All references in this Consent to the singular usage will be construed to include the plural and the masculine and neutral usages to include the other and the feminine. This Consent may be executed in multiple copies, each of which will be deemed an original. This Consent may be executed by electronic means.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties have executed this Consent as of the Effective Date.

**FRANCHISOR**

**RESTORATION 1 FRANCHISE HOLDING, LLC**, a Delaware limited liability company

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

**TRANSFeree**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

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

**TRANSFEROR**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

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

**TRANSFeree OWNER**

a(n) \_\_\_\_\_

Sign: \_\_\_\_\_

**TRANSFEROR OWNER**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

Sign: \_\_\_\_\_

**EXHIBIT B-4**

**RECONSTRUCTION SERVICES ADDENDUM**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**RECONSTRUCTION SERVICES ADDENDUM**

This Reconstruction Services Addendum (“**Addendum**”) is made as of \_\_\_\_\_ (the “**Addendum Date**”) by and between Restoration 1 Franchise Holding, LLC a Delaware limited liability company, having its principal place of business at 2929 Carlisle St., Suite 100, Dallas, Texas 75204 (“**we**” “**us**” and “**our**”), each of the undersigned parties (“**Reconstruction Parties**”), and \_\_\_\_\_ (“**Franchisee**”).

**BACKGROUND**

1. We are party to that certain franchise agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) with Franchisee, pursuant to which we granted Franchisee the right to own and operate a Restoration 1® franchised business (the “**Franchised Business**”). Any capitalized term that is not defined herein shall have the meaning ascribed to such term in the Franchise Agreement.

2. Franchisee and/or one or more of its Owners and/or one or more of its or their affiliates wishes to offer Reconstruction Services, which requires our consent under the Franchise Agreement, and our consent is conditioned on the terms and conditions contained in this Addendum, which must be executed by any and all persons or entities offering Reconstruction Services.

**AGREEMENT**

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Authorization of Reconstruction Services.** We hereby authorize the Reconstruction Parties to offer Reconstruction Services (as defined in the Franchise Agreement) on the terms and conditions set forth in this Addendum. **Each Reconstruction Party hereby agrees that it will not, and will cause each of its affiliates, owners, employees, and representatives not to, offer or provide any other products and services, related to or arising in connection with any project conducted by the Franchised Business, without our prior written approval.** This Addendum will have a term that begins on the Addendum Date and ends on the earlier of: (i) the expiration or termination of the Franchise Agreement, for any reason; or (ii) the termination hereof under Section 8 or 9 below.

2. **Application of Franchise Agreement.** Each Reconstruction Party hereby agrees that from and after the Addendum Date, all Reconstruction Services will be deemed part of the Franchised Business, and will be subject in all respects to the Franchise Agreement. In furtherance of the foregoing, each Reconstruction Party that is not expressly party to the Franchise Agreement hereby agrees to join the Franchise Agreement and to be subject to all obligations of Franchisee under the Franchise Agreement, except as modified hereby, including: (i) the obligation to comply with all of our System Standards, including as they relate to Reconstruction Services; (ii) the obligation to secure all necessary license, permits, certificates, and insurance, and to comply with all applicable laws and regulations in conducting the Reconstruction Services, (iii) the obligation to indemnify us and our affiliates for liabilities arising from the Reconstruction Services; (iv) all covenants of confidentiality, non-competition, non-interference, and non-disparagement; (v) all limitations on use, and acknowledgements of ownership, of the Marks and the System; (vi) the obligation to deliver financial, sales, and other reports to us, which will include reports relating to the operations of the Reconstruction Parties; (vii) our right to inspect the Reconstruction Services, including field visits at any applicable job site; (viii) our right to audit the books and records of any Reconstruction Parties; (ix) the obligation to obtain our approval of any subcontractors; and (x) all obligations to secure our approval prior to a

transfer to any portion of the Franchise Business, including the Reconstruction Services, and/or any direct or indirect ownership in any Reconstruction Party. Reconstruction Parties and Franchisee each acknowledge and agree that their liability under the Franchise Agreement is joint and several with Franchisee, all other Reconstruction Parties, and all guarantors of the obligations thereof.

3. **Ownership of Reconstruction Parties.** Each of the Reconstruction Parties hereby represents and warrants to us that, if any of such Reconstruction Parties is a Business Entity, that the information on Exhibit 2 is an accurate and complete description of: (a) each person who signs this Addendum as a Reconstruction Party, if it is a sole proprietorship; or (b) each person who holds a direct or indirect ownership, voting, or beneficial interest in any Reconstruction Party. Each person disclosed on Exhibit 2 will constitute an Owner under the Franchise Agreement and be subject to the obligations applicable thereto. If any Reconstruction Party enters this Addendum is a Business Entity, it hereby represents and warrants to us that it is validly existing and in good standing under the laws of the state of its incorporation or formation, and has the authority to execute this Addendum, and perform all of its obligations under this Addendum and the Franchise Agreement. Each of the Owners and their respective spouses identified on Exhibit 2 must execute a guaranty in the form we prescribe, agreeing to be personally bound, jointly and severally, by all provisions of this Addendum and the Franchise Agreement. Our current form of guaranty is attached hereto as Exhibit 1.

4. **Construction Revenue and Reports.** Each Reconstruction Party agrees to separately account for and report to us all Collected Gross Revenues pertaining to Reconstruction Services (“**Construction Gross Revenues**”), pursuant to the reporting requirements otherwise applicable to Collected Gross Revenue under the Franchise Agreement. Except with respect to the calculation of Royalty Fees and Brand Fund Contributions described below, and the foregoing obligation to separately report Construction Gross Revenues to us, all references in the Franchise Agreement to Collected Gross Revenues shall be deemed to include Construction Gross Revenue.

5. **Royalty Fee.** Subject to Section 6, each Reconstruction Party hereby agrees to pay us a monthly Royalty Fee in the amount of 2% of all Construction Gross Revenue, in addition to the Royalty Fee otherwise payable under the Franchise Agreement on Collected Gross Revenue that is not Construction Gross Revenue. The Royalty Fees on Construction Gross Revenue shall be paid to us in the time and manner specified by the Franchise Agreement for all other Royalty Fees. We may periodically establish discount programs for Royalty Fees, though we are not obligated to do so. We may initiate, modify, or discontinue these discount programs at any time with notice to you. We may also condition these discounts on criteria we establish periodically, such as compliance with all agreements with us, and satisfaction of our criteria to offer the applicable products or services.

6. **Subcontractors.** Each Reconstruction Party must obtain our prior written approval of any subcontractor that it will use to provide Reconstruction Services. Each Reconstruction Party, together with Franchisee, and each of their respective guarantors, will remain fully liable for all obligations under this Addendum and the Franchise Agreement for all Reconstruction Services, including those performed by any approved subcontractors. Each Reconstruction Party, together with Franchisee, and each of their respective guarantors, will be fully liable for the actions, omissions, and performance of any and all subcontractors and their personnel, which will constitute agents of such Reconstruction Party.

7. **Brand Fund Contribution.** Each Reconstruction Party hereby agrees, in addition to the Brand Fund Contribution payable under the Franchise Agreement on Collected Gross Revenue

(which will apply to all Collected Gross Revenue that is not Construction Gross Revenue), to pay us a monthly Brand Fund Contribution in the amount of 0.5% of all Construction Gross Revenue. The Brand Fund Contribution on Construction Gross Revenue shall be paid to us in the time and manner specified by the Franchise Agreement. The Brand Fund Contribution on Construction Gross Revenue, together with the Brand Fund Contribution on other Collected Gross Revenue, may exceed the 2% limit for Brand Fund Contributions, as described in the Franchise Agreement.

8. **No Support Obligations.** Each Reconstruction Party hereby acknowledges and agrees that we are entering into this Addendum strictly because the Reconstruction Parties wish to offer services associated with their Franchised Business, we have no obligation to provide any training or support with respect to Reconstruction Services. Each Reconstruction Party will be solely responsible for training for its personnel and representatives, and conducting all business of offering the Reconstruction Services. Additionally, we have no obligation to conduct any marketing or advertising promoting Reconstruction Services, notwithstanding the fact that Reconstruction Parties must pay Brand Fund Contributions on Construction Gross Revenue.

9. **Termination by Us.** Each Reconstruction Party acknowledges and agrees that we have the right to modify the products and services that may be offered by Restoration 1 Businesses from time to time under the Franchise Agreement. As such, we may revoke our authorization for any or all Reconstruction Parties to conduct the Reconstruction Services, and/or terminate this Addendum as to some or all of the Reconstruction Parties, at any time, upon 60 days' notice to the terminated Reconstruction Parties. Additionally, we may terminate or suspend the authorization of any or all Reconstruction Parties to conduct the Reconstruction Services immediately upon notice to the terminated Reconstruction Parties, if Franchisee and/or any Reconstruction Parties is in breach of the Franchise Agreement and/or this Addendum beyond any applicable cure period.

10. **Termination by Reconstruction Parties.** Each Reconstruction Party acknowledges and agrees that offering Reconstruction Services is entirely optional. Should any Reconstruction Party and/or its Owners voluntarily elect to offer Construction Services, it hereby acknowledges that its election to do so was based upon their own independent investigation, and that it may terminate this this Addendum at any time, upon 60 days' notice to us.

11. **Effects of Termination.** Upon termination of this Addendum for any reason, each Reconstruction Party and its Owners must immediately: (a) cease offering and providing any Reconstruction Services immediately; (b) comply with all obligations under Section 13.1 of the Franchise Agreement, as it relates to the Reconstruction Services and the terminated Reconstruction Parties, and not as it relates to any ongoing operations of the Franchised Business by Franchisee; and (c) pay us the amounts required under Section 13.2.1, on the basis of any Accounts Receivable generated from the Reconstruction Services arising prior to termination. Each Reconstruction Party and its Owners acknowledges that notwithstanding any termination of this Addendum, the terms under this Addendum and the Franchise Agreement that either expressly or by their nature survive termination thereof, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Addendum and will continue to apply to you and any Reconstruction Services and until satisfied or by their nature expire, including, including the following provisions of the Franchise Agreement: Section 5.1 (Intellectual Property), Section 6 (Covenants), Section 11.14 (Insurance Coverage), Section 11.15 (Service Warranties), Section 13 (Rights and Duties Upon



Expiration or Termination), Section 16 (Relationship and Indemnification), and Section 17 (General Conditions and Provisions), and Section 18 (Dispute Resolution).

12. **Release of Claims.** Each Reconstruction Party acknowledges and agrees that we have no obligation to authorize the offer of Reconstruction Services, and therefore in consideration thereof, each Reconstruction Party on behalf of themselves and their current and former parents, affiliates, and subsidiaries, and each of the foregoing person's respective direct or indirect owners, officers, directors, employees, representatives, predecessors, spouses, heirs, principals, attorneys, agents, successors, and assigns (the "**Releasing Parties**"), individually and collectively, release and forever discharge with prejudice, us and our current and former parents, subsidiaries, and affiliates, and each of our and their respective direct or indirect owners, officers, directors, employees, representatives, predecessors, spouses, heirs, principals, attorneys, agents, successors, and assigns (collectively, the "**Franchisor Parties**") of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, liabilities, losses, damages, and rights of every kind and nature whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity which any of them has, had or may have, from the beginning of time to the Addendum Date (collectively, "**Claims**"), including those arising out of or relating in any way to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business. Each Reconstruction Party on behalf of themselves and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this Section and warrant and represent that any of the Releasing Parties have not assigned or otherwise transferred any Claims released by this Section.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO**

**EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

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

This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

13. **Disputes.** Each Reconstruction Party agrees that the terms of this Addendum will be governed in all respects by the provisions applicable to interpretation, construction, dispute resolution, and enforcement under the Franchise Agreement, including the obligation to submit claims to binding arbitration, and all limitations on claims, damages, and waiver of rights.

14. **Amendment.** By executing this Addendum below, Franchisee acknowledges and agrees to the amendment of the Franchise Agreement as contemplated hereby, the joinder of the Reconstruction Parties, and agrees to remain jointly and severally liable for the obligations of Franchisee, its Owners, and the Reconstruction Parties, to the maximum extent possible.

15. **Miscellaneous.** This Addendum, when executed, together with the Franchise Agreement, constitute the entire agreement and understanding between the parties with respect to the subject matter contained herein. Any and all prior agreements and understandings between the parties relating to the subject matter contained in this Addendum, whether written or verbal, other than as contained within the executed Addendum and Franchise Agreement, are void and have no force and effect. Except as specifically modified or supplemented by this Addendum, all terms, conditions, covenants and agreements set forth in the Franchise Agreement shall remain in full force and effect. In the event of any inconsistency between the executed Franchise Agreement and this Addendum, this Addendum shall prevail. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document. This Addendum may be executed by electronic means.

*[Signature Page to Follow]*

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**Restoration 1 Franchise Holding, LLC**

**RECONSTRUCTION PARTIES:**

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

(insert legal name)

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

(insert legal name)

Sign: \_\_\_\_\_

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

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

Dated: \_\_\_\_\_

**EXHIBIT 1 TO THE RECONSTRUCTION SERVICES ADDENDUM  
UNLIMITED GUARANTY AND PERSONAL UNDERTAKING**

THIS UNLIMITED GUARANTY AND PERSONAL UNDERTAKING (this “**Guaranty**”) is executed and delivered to Franchisor (defined below) to be effective as of the effective date of the Reconstruction Services Addendum to which it is affixed. Each of the undersigned make the following representations and warranties to Franchisor, and agree to the following:

1. I have read the franchise agreement between Restoration 1 Franchise Holding, LLC (“**Franchisor**”) and Franchisee, together with any associated exhibits, agreements, addenda, riders, and other instruments, such as the Reconstruction Services Addendum to which this Guaranty is affixed (together, the “**Franchise Agreement**”), and am familiar with its terms (capitalized terms not defined herein will have the meaning in the Franchise Agreement).
2. I own a beneficial interest in the Franchisee, the Franchised Business, and/or a Reconstruction Party, and/or would be considered an “Owner” within the definition contained in the Franchise Agreement.
3. I understand that, were it not for this Guaranty, Franchisor would not have agreed to enter into the Reconstruction Services Addendum.
4. I agree to be personally bound by, and personally liable for the breach of, each and every provision in 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 that without limiting the foregoing, I will comply with all of the covenants of confidentiality, exclusivity, non-interference, and non-disparagement contained in Section 6 of the Franchise Agreement.
5. I will comply with all of the provisions contained in Section 14 of the Franchise Agreement concerning the transfer of any interest I may have in the Franchised Business or the Franchisee and/or any Reconstruction Party.
6. I agree that the provisions contained in Section 18 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty, including the requirement to arbitrate all claims under Section 18.1. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its attorneys’ fees and costs.
7. I hereby personally and unconditionally guarantee to Franchisor and its successors and assigns the punctual and full payment of all amounts owed by the Franchisee and/or any Reconstruction Party under the Franchise Agreement. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee and/or any Reconstruction Party and/or any other guarantor or person before seeking recovery from me under this Guaranty.
8. No modification, change, impairment, or suspension of any of Franchisor’s rights or remedies shall in any way affect any of my obligations under this Guaranty. If any party has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee’s and/or any Reconstruction Party’s obligations, I agree that Franchisor’s release of such security will neither affect my liability under this Guaranty or be asserted as a defense to enforcement of this Guaranty.
9. I hereby waive: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right I may have to

Exhibit 1

require that an action be brought against Franchisee or any other person as a condition of my liability; (e) any and all other notices and legal or equitable defenses to which I may be entitled; and (f) defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

10. My liability under this Guaranty shall 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 and/or any Reconstruction Party and/or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

11. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT.**

12. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

13. This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee and/or any Reconstruction Party and/or any assignee or successor of the Franchisee or any Reconstruction Party or by any abandonment of the Agreement by a trustee. Neither my obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for enforcement will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Franchisee and/or any Reconstruction Party and/or its estate in bankruptcy or of any remedy for enforcement.

14. If more than one person has personally guaranteed any performance under and/or agreed to be bound by the Franchise Agreement, my liability with such person shall be joint and several with such guarantors, parties, and the Franchisee.

15. This Guaranty shall be binding on me and my heirs, executors, administrators, and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, I warrant and agree that my death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that my estate and heirs shall continue to be liable hereunder with respect to any obligations guaranteed hereunder.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if the Franchisee is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such guarantor (or on such guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

By signing below, any undersigned spouse acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to guarantor's performance of this Guaranty. Each guarantor represents and warrants that, if no signature appears below for such guarantor's spouse, such guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

*[SIGNATURE PAGE TO FOLLOW]*

Exhibit 1

**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature to be effective as of the Effective Date.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

**EXHIBIT 2 TO THE RECONSTRUCTION SERVICES ADDENDUM  
OWNERS**

*(Please attach additional copies of this Exhibit for additional Reconstruction Parties)*

- (a) You operate as the following (please complete):
- Sole Proprietorship
  - Business Entity formed in the State of \_\_\_\_\_

(b) The is a list of your Owners:

Name	Home Address	Telephone Number	Email Address	% of Ownership

(c) The following individuals of your officers, managers, or other governing persons:

Name	Home Address	Telephone Number	Email Address	Title

**EXHIBIT C**  
**STATE ADDENDA**



**EXHIBIT C**  
**STATE ADDENDA**

**FOR THE FOLLOWING STATES: CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

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.

**FOR THE STATE OF CALIFORNIA**

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. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.
4. ITEM 17 of the Disclosure Document is supplemented to add the following:
  - The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer. 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 Sections 31000 through 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 through 20043).
  - The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
  - The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.
  - The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
  - The Franchise Agreement requires binding arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil

Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

- The Franchise Agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law.
- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 *et seq.*)
- The following URL address is for the franchisor's website: [www.restoration1.com](http://www.restoration1.com)

5. FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT BUSINESS OVERSIGHT AT <https://dfpi.ca.gov/>.

### **FOR THE STATE OF ILLINOIS**

1. ITEM 17 of the Disclosure Document is supplemented to add the following:

- Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will apply.
- Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
- Section 41 of the Illinois Franchise Disclosure Act provides that 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.
- Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

### **FOR THE STATE OF MARYLAND**

1. ITEM 5 of the Disclosure Document is supplemented to add the following:

- All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

2. ITEM 17 of the Disclosure Document is supplemented to add the following:

- Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.
- The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 *et seq.*), but we will enforce it to the extent enforceable.
- A franchisee may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

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

### **FOR THE STATE OF MINNESOTA**

1. ITEM 5 of the Disclosure Document is supplemented to add the following:
  - Liquidated Damages will not be enforced to the extent prohibited by applicable law.
2. ITEM 13 of the Disclosure Document is supplemented to add the following:
  - Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we will also indemnify you from any loss, costs, or expenses from any claims, suits, or demands regarding your use of the Marks in accordance with Minn. Stat. Section 80C.12, Subd. 1(g).
3. ITEM 17 of the Disclosure Document is supplemented to add the following:
  - With respect to franchises governed by Minnesota law, Minnesota Statutes, Section 80C.14, Subd. 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.
  - Minnesota Statutes Section 80C.21 and Minnesota Rules 2860.4400(J) might prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation, or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.
  - Any release required as a condition of transfer or assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minnesota Rule 2860.4400(D).

### **FOR THE STATE OF NEW YORK**

1. The Cover Page of the Disclosure Document is supplemented to add the following:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23<sup>RD</sup> FLOOR, NEW YORK, NEW YORK 10271.**

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

2. ITEM 3 of the Disclosure Document is supplemented to add the following:

With regard to us, our parent, predecessor, or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

- 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.
- No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- 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 held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable allegations.
- 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 or 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. ITEM 4 of the Disclosure Document is supplemented to add the following:

- Neither the franchisor nor its affiliate, its predecessor, officers, or general partners or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately before the date of this Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of ours held this position in the company or partnership.

4. ITEM 5 of the Disclosure Document is supplemented to add the following:

- We apply the initial franchise fee to defray our costs for site review and approval, sales, legal compliance, salary, and general administrative expenses and profits.
5. ITEM 17 of the Disclosure Document is supplemented to add the following:
- However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
  - You may terminate the Franchise Agreement on any grounds available by law.
  - 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 the Franchise Agreement.
  - The governing choice of law and choice of forum should 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.

#### **FOR THE STATE OF NORTH DAKOTA**

1. ITEM 5 of the Disclosure Document is supplemented to add the following:
- Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you begin operating your Franchised Business.
2. ITEM 6 of the Disclosure Document is supplemented to add the following:
- Liquidated Damages will not be enforced to the extent prohibited by applicable law.
  - Sections of the Disclosure Document requiring you to pay all costs and expenses incurred by us in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.
3. ITEM 17 of the Disclosure Document is supplemented to add the following:
- Post-termination covenants not to compete are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.
  - To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which you and we mutually agree.
  - Subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.
  - Except as otherwise required by North Dakota law, the laws of the state of Texas will apply.
  - Any release required as a condition of renewal and/or assignment or transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

## **FOR THE STATE OF RHODE ISLAND**

1. ITEM 17 of the Disclosure Document is supplemented to add the following:
  - Section 19-18.1-14 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. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

## **FOR THE STATE OF VIRGINIA**

1. ITEM 17 of the Disclosure Document is supplemented to add 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 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.

## **FOR THE STATE OF WASHINGTON**

1. ITEM 3 of the Disclosure Document is supplemented to add the following:
  - *In re Franchise No Poaching Provisions (Restoration 1 Franchise Holding, LLC)*, (No, 19-2-27572-3 SEA). In 2018, the State of Washington launched a campaign to eliminate ‘no-poach’ provisions from franchise agreements by requiring that franchisors registered in the State of Washington agree to discontinue use and enforcement of ‘no-poach’ provisions. On October 18, 2019, we entered into an Assurance of Discontinuance (“AOD”), in which we agreed to remove all ‘no-poach’ provisions from existing franchise agreements, not to include the ‘no-poach’ provision in any future franchise agreements, and refrain from enforcing any ‘no-poach’ provision. Other than as a mechanism for the court to approve and enter the AOD, no court proceeding was initiated against us. Under its express terms, the AOD is not to be construed as an admission of law, fact, liability, misconduct, or wrongdoing on our part.
2. ITEM 5 of the Disclosure Document is supplemented to add the following:
  - Pursuant to an order of the Department of Financial Institutions, we will defer collection of the initial franchise fee and other initial payments you owe us until we have completed all of our -pre-opening obligations to you under the Franchise Agreement and you have begun operating your Franchised Business.
3. ITEM 17 of the Disclosure Document is supplemented to add the following:
  - 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 involving a franchise purchased in Washington, the arbitration site shall 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 at the time of arbitration. 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.

**EXHIBIT D**

**TABLE OF CONTENTS  
OF CONFIDENTIAL OPERATIONS MANUAL**



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**EXHIBIT E**

**FINANCIAL STATEMENTS**

## **UNAUDITED FINANCIAL STATEMENTS**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**BALANCE SHEETS**  
**January 1, 2023 to March 31, 2023**  
**UNAUDITED FINANCIAL STATEMENTS**

**ASSETS**

	<u>YTD 2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	1,788,538	2,216,811
Accounts receivable, net	1,713,545	1,367,050
Accounts receivable, related party	10,789	-
Notes receivable, current	9,000	12,000
Prepaid expenses	350,017	401,405
Deferred costs, current	130,402	130,402
Inventory	-	-
Total current assets	4,002,290	4,127,668
Property and equipment, net	426,629	469,009
Other assets:		
Intangibles, net	26,223,002	27,027,630
Goodwill, net	9,933,669	10,283,464
Notes receivable, net of current	4,993	4,993
Deferred costs, net of current	950,262	950,262
Due from related party	935,080	652,697
Investments	35,000	35,000
Financing lease right-of-use assets, net	10,792	12,563
Operating lease right-of-use assets, net	348,744	380,934
Total other assets	38,441,542	39,347,543
Total assets	42,870,462	43,944,219

**LIABILITIES AND MEMBER'S EQUITY**

	<u>YTD 2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	587,231	619,945
Accounts payable, related party	-	154,119
Accrued expenses and other payables	263,043	584,353
Deferred revenue, current	169,241	274,491
Long-term debt, current	1,216,215	1,204,761
Capital lease, current	-	-
Finance lease liabilities, current	7,162	7,099
Operating lease liabilities, current	145,245	142,251
Total current liabilities	2,388,136	2,987,018
Deferred revenue, net of current	2,104,088	2,104,088
Long-term debt, net of current	28,798,391	29,152,337
Capital lease, net of current	-	-
Finance lease liabilities, net of current	3,756	5,546
Operating lease liabilities, net of current	247,055	283,950
Total liabilities	33,541,426	34,532,939

**THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**



Member's equity	9,329,035	9,411,280
Total liabilities and members' equity	42,870,462	43,944,219

**THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF OPERATIONS**  
**January 1, 2023 to March 31, 2023**  
**UNAUDITED FINANCIAL STATEMENTS**

**STATEMENTS OF OPERATIONS**

	<u>YTD 2023</u>	<u>2022</u>
Operating Revenues:		
Franchise fees	656,176	1,224,619
Royalty fees	2,821,857	10,187,053
Brand fund	13,804	60,870
Technology fees	286,293	1,084,921
Other	1,347,637	6,268,668
Total operating revenues	5,125,767	18,826,130
Operating expenses:		
Advertising	70,414	487,105
Commissions	260,580	628,452
Consulting	97,396	742,342
Depreciation and amortization	1,205,381	4,848,412
Insurance	2,833	141,711
Management fee	-	450,000
Office expense	3,715	179,018
Other expense	717,442	278,174
Professional fees	156,081	651,183
Claims management expense	1,237,044	5,191,422
Salaries, wages, and benefits	386,171	3,687,777
Technology services	179,395	770,915
Travel and entertainment	32,946	243,909
Website & marketing costs	237,756	1,039,826
Total operating expenses	4,587,155	19,340,245
Net loss from operations	538,612	(514,115)
Other income (expense):		
Gain on sale of assets	-	26,274
Interest expense	(624,892)	(2,610,954)
Other expense	4,036	(234,122)
Other Income	-	8,163
Total other income	(620,856)	(2,810,639)
Net loss	(82,244)	(3,324,754)

**THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**January 1, 2023 to March 31, 2023**  
**UNAUDITED FINANCIAL STATEMENTS**

**STATEMENTS OF CASH FLOWS**

	<u>YTD 2023</u>	<u>2022</u>
Cash Flows from operating activities		
Net Loss	(82,244)	(3,324,747)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,203,610	4,841,325
Amortization of finance lease right-of-use assets	1,772	7,087
Amortization of operating lease right-of-use assets	32,189	63,791
Bad debt expense	-	72,855
Long-term debt discount accretion	623,227	2,587,467
Gain on sale of assets	-	(26,274)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(357,283)	1,065,880
Prepaid expenses	51,387	(107,487)
Deferred costs	-	(226,552)
Inventory	-	44,961
Other assets	-	-
Increase (decrease) in:		
Accounts payable	(32,714)	(916,715)
Accounts payable, related party	(154,119)	1,099
Accrued expenses	(321,310)	(46,649)
Deferred revenue	(105,250)	545,253
Operating lease liabilities	(31,853)	(18,524)
Net cash used by operating activities	827,412	4,562,770
Cash Flows from investing activities		
Due from related party	(282,383)	(351,948)
Investment in subsidiaries	-	-
Proceeds from sale of assets	-	1,601,500
Purchase of property and equipment	(7,184)	(242,092)
Net cash used by investing activities	(289,567)	1,007,460
Cash Flows from financing activities		
Proceeds from note receivable	3,000	153,328
Payments on long-term debt	(967,353)	(4,239,412)
Reduction of finance lease liability	(1,766)	(7,006)
Net cash used by financing activities	(966,119)	(4,093,090)
Net (decrease) increase in cash and cash equivalents	(428,274)	1,477,140
Cash and cash equivalents, beginning of period	2,216,811	739,671
Cash and cash equivalents, end of period	1,788,537	2,216,811

**THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

## **AUDITED FINANCIAL STATEMENTS**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2022 and 2021**  
**with**  
**Independent Auditors' Report**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of  
Restoration 1 Franchise Holding, LLC and Subsidiaries

### **Opinion**

We have audited the accompanying consolidated financial statements of Restoration 1 Franchise Holding, LLC and Subsidiaries (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statement of operations, member's equity, and cash flows for the year then ended, 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 financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Consolidated Financial Statements**

The consolidated financial statements of the Company as of December 31, 2021 and the year then ended were audited by other auditors whose report dated March 2, 2022 expressed an unmodified opinion on those statements.

### **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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 within one year after the date that the consolidated financial statements are available to be issued.

### **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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

*Huseltin, Morgan + Neultsky, P.C.*

Dallas, Texas  
April 17, 2023



**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**BALANCE SHEETS**  
**December 31, 2022 and 2021**

**ASSETS**

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 2,216,811	\$ 739,671
Accounts receivable, net	1,367,051	2,460,786
Notes receivable, current	12,000	136,321
Prepaid expenses	401,404	293,917
Deferred costs, current	130,406	183,628
Inventory	-	44,961
Total current assets	4,127,672	3,859,284
Property and equipment, net	469,009	2,039,140
Other assets:		
Intangibles, net	27,027,630	30,246,141
Goodwill, net	10,283,464	11,682,642
Notes receivable, net of current	4,993	79,000
Deferred costs, net of current	950,262	670,488
Due from related party	652,696	300,748
Investments	35,000	35,000
Financing lease right-of-use assets, net	12,564	-
Operating lease right-of-use assets, net	380,934	-
Total other assets	39,347,543	43,014,019
Total assets	\$ 43,944,224	\$ 48,912,443

(Continued)

See accompanying notes to the consolidated financial statements.

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**BALANCE SHEETS**  
**December 31, 2022 and 2021**

**LIABILITIES AND MEMBER'S EQUITY**

	2022	2021
Current liabilities:		
Accounts payable	\$ 619,945	\$ 1,536,660
Accounts payable, related party	154,119	153,020
Accrued expenses and other payables	584,353	631,002
Deferred revenue, current	274,490	374,178
Long-term debt, current	1,204,760	3,645,214
Capital lease, current	-	4,622
Finance lease liabilities, current	7,099	-
Operating lease liabilities, current	142,251	-
Total current liabilities	2,987,017	6,344,696
Deferred revenue, net of current	2,104,088	1,459,147
Long-term debt, net of current	29,152,337	28,363,828
Capital lease, net of current	-	8,739
Finance lease liabilities, net of current	5,546	-
Operating lease liabilities, net of current	283,950	-
Total liabilities	34,532,938	36,176,410
Member's equity	9,411,286	12,736,033
Total liabilities and member's equity	\$ 43,944,224	\$ 48,912,443

**See accompanying notes to the consolidated financial statements.**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF OPERATIONS**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
Operating revenues:		
Franchise fees	\$ 1,224,620	\$ 971,550
Royalty fees	10,187,053	9,588,896
Brand fund Fees	60,870	864
Technology fees	1,084,921	925,980
Claims management fees	5,435,332	8,250,454
Other	833,335	656,116
Total operating revenues	18,826,131	20,393,860
Operating expenses:		
Advertising	487,105	763,303
Commissions	628,452	735,729
Consulting	742,342	421,288
Depreciation and amortization	4,848,412	4,680,079
Insurance	141,711	108,576
Management fee	450,000	423,000
Office expense	179,019	55,959
Other expense	278,167	111,050
Professional fees	651,183	728,228
Claims management expense	5,191,422	7,857,117
Salaries, wages, and benefits	3,687,777	3,402,563
Technology services	770,915	411,786
Travel and entertainment	243,909	229,540
Website & marketing costs	1,039,826	1,082,900
Total operating expenses	19,340,240	21,011,118
Net loss from operations	(514,109)	(617,258)
Other income (expense):		
Gain on sale of assets	26,274	-
Interest expense	(2,610,954)	(2,662,409)
Other expense	(234,120)	(14,342)
Other income	8,162	49,873
Total other income (expense)	(2,810,638)	(2,626,878)
Net loss	\$ (3,324,747)	\$ (3,244,136)

See accompanying notes to the consolidated financial statements.

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
**Years Ended December 31, 2022 and 2021**

Balance at December 31, 2020	\$ 15,340,169
Contributions	640,000
Net loss	<u>(3,244,136)</u>
Balance at December 31, 2021	12,736,033
Net loss	<u>(3,324,747)</u>
Balance at December 31, 2022	<u><u>\$ 9,411,286</u></u>

**See accompanying notes to the consolidated financial statements.**

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (3,324,747)	\$ (3,244,136)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,841,325	4,680,079
Amortization of finance lease right-of-use assets	7,087	-
Amortization of operating lease right-of-use assets	63,791	-
Bad debt expense	72,855	1,561
Long-term debt discount accretion	2,587,467	2,631,133
Gain on sale of assets	(26,274)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,065,880	1,760,882
Prepaid expenses	(107,487)	-
Deferred costs	(226,552)	-
Inventory	44,961	(44,961)
Other assets	-	(683,168)
Increase (decrease) in:		
Accounts payable	(916,715)	(1,096,088)
Accounts payable, related party	1,099	-
Accrued expenses	(46,649)	-
Deferred revenue	545,253	1,218,525
Operating lease liabilities	(18,524)	-
Net cash provided by operating activities	4,562,770	5,223,827
Cash flows from investing activities:		
Due from related party	(351,948)	(139,714)
Investment in subsidiaries	-	(2,179,829)
Proceeds from sale of assets	1,601,500	-
Purchase of property and equipment	(242,092)	(705,593)
Net cash provided (used) by investing activities	1,007,460	(3,025,136)

(Continued)

See accompanying notes to the consolidated financial statements.

**RESTORATION 1 FRANCHISE HOLDING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from financing activities:		
Proceeds from note receivable	153,328	-
Payments on long-term debt	(4,239,412)	(3,724,401)
Reduction of finance lease liability	(7,006)	-
Net cash used by financing activities	(4,093,090)	(3,724,401)
Net increase (decrease) in cash	1,477,140	(1,525,710)
Cash and cash equivalents, beginning of year	739,671	2,265,381
Cash and cash equivalents, end of year	\$ 2,216,811	\$ 739,671

**Supplemental Disclosures**

	2022	2021
Cash paid during the year for interest	\$ 25,966	\$ 31,276
<u>Non-cash investing and financing activities:</u>		
Financing lease right-of-use assets obtained in exchange for finance lease liability	\$ 19,651	\$ -
Operating lease right-of-use assets obtained in exchange for operating lease liability	\$ 444,725	\$ -

**See accompanying notes to the consolidated financial statements.**

**RESTORATION 1 FRANCHISE HOLDINGS, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

1. NATURE OF OPERATIONS

The consolidated financial statements include the financial statements of Restoration 1 Franchise Holding, LLC and its wholly-owned subsidiaries which include FranXperts LLC, Softroc Global, LLC, and TDC Holdings, LLC, which owns TDC Franchising, LLC (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Restoration 1 Franchise Holding, LLC is a franchisor of restoration companies completing property damage repairs with franchises across North America. The Company is a wholly-owned subsidiary of Stellar Brands, LLC ("Stellar"). The Company earns revenues predominately from initial franchise fees and royalty fees. The Company also facilitates a national program where they contract with various property management companies under master service agreements to provide repair services. The Company was organized in the state of Delaware on April 21, 2020. On April 24, 2020, control of the Company changed in a restructure agreement between the current and former members.

FranXperts provides franchise development and management consulting services. Softroc Global, LLC was organized and formed on March 1, 2021 and is a master franchisor that offers franchises for the operation of a business specializing in the installation, cleaning, maintenance and repair of rubber safety surfacing that serves as a long-lasting solution for existing concrete, asphalt, inter-locking brick, tile, and other surfaces. TDC Holdings, LLC is the sole-member of TDC Franchising, LLC. TDC Franchising, LLC dba The Driveway Company is a master franchisor that grants franchises for the operation of a business providing repair services of driveway using proprietary techniques.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Recently Adopted Accounting Pronouncements*

In January 2021, the Financial Accounting Standards Board issued Accounting Standards Update 2021-02: *Franchisors – Revenue from Contracts with Customers* ("ASU 2021-02") which provides a practical expedient to nonpublic franchisors for applying FASB Topic 606 to pre-opening services. The guidance allows for all pre-opening service obligations to be bundled and considered one single performance obligation rather than each pre-opening service (site selection, training, quality control, information technology, etc.) being its own standalone performance obligation. The Company elected to apply the practical expedient, see Note 9 for further discussion.

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases*, which supersedes the previous lease requirements in Accounting Standards Codification ("ASU") 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The Company adopted the new standard using the modified retrospective approach effective January 1, 2022 and utilized all of the available practical expedients.

*Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used for financial reporting purposes.

#### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, notes and accounts receivable, accounts payable, and accrued expenses. Management estimates that the fair value of all financial instruments as of December 31, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated financial statements.

#### Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of a credit risk principally consist of cash and trade receivables. The Company's franchisees operate throughout the United States. To reduce credit risk, the Company performs on-going credit evaluations of its franchisees' financial condition.

In the normal course of business, the Company may have bank account balances in excess of federally insured limits. If cash balances exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation, the excess balances could be at risk of loss. The amount at risk of loss at December 31, 2022 is \$1,966,791.

#### Accounts Receivable

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees. The allowance for doubtful accounts receivable represents the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. The Company writes off accounts receivable when franchises have resold or are terminated and other means for collection have been exhausted. Payments subsequently collected are credited back to the provision for doubtful accounts in the period the payments are received.

Allowances for doubtful accounts totaled \$42 and \$8,200 as of December 31, 2022 and 2021, respectively.

#### Notes Receivable

Notes receivable are related to the Company financing initial franchise fees with eligible franchisees. Notes receivable are stated at the outstanding principal amount, net of the allowance for uncollectible notes. The Company provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

At December 31, 2022 and 2021, all notes receivable are considered collectible, therefore, the Company did not have a reserve for uncollectible notes.

#### Costs to Obtain Contracts with Customers

The Company capitalizes incremental contract cost associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These costs are reported as deferred costs (assets) and are expensed pro-rata similarly to franchise fee revenue with a portion being recognized as a pre-opening services cost and the remaining on a straight line basis over the term of the underlying franchise agreement. Amortization of deferred costs is included in commission expenses in the Statements of Operations.



### Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

### Property and Equipment

Property and equipment are stated at cost. The Company capitalizes assets with useful lives greater than one year and a value of more than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives range from three to seven years. Repairs and maintenance costs that do not substantially increase the useful lives of the property and equipment are expensed as incurred.

### Intangible Assets

Intangible assets are recorded at their estimated fair values as of the date of acquisition. Intangible assets with definite lives consist of franchise contracts acquired and are amortized on a straight-line basis over their economic useful lives. The Company assesses the recoverability of its definite lived intangible assets primarily based on its current and anticipated future undiscounted cash flows. Intangible assets with indefinite lives consist of the Company's trade name.

### Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired through acquisitions. The Company has adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on a straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

### Income Taxes

Under existing provisions of the Internal Revenue Code, the income or loss of a limited liability company is recognized by the individual member for federal income tax purposes. Accordingly, no provision for federal income tax has been provided for in the accompanying consolidated financial statements. However, the Company remains liable for state income taxes.

Management has evaluated the Company's tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination. Accordingly, no provision for uncertainties in income taxes has been made in the accompanying consolidated financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Advertising

Advertising and promotion costs related directly to franchisees are expensed as incurred and are included in advertising expenses in the Statements of Operations. All general advertising and promotion costs of the Company are allocated as operating expenses in the Statements of Operations. Advertising expenses that were directly related to revenues for the years ended December 31, 2022 and 2021 totals \$0 and \$29,098, respectively. General advertising and promotion expenses for the years ended December 31, 2022 and 2021 totals \$487,105 and \$763,303, respectively.

### Reclassification

Certain reclassifications have been made to the presentation of the consolidated financial statements for the year ended December 31, 2021 to correspond with the current year's financial statement format. Total member's equity and net loss are unchanged due to these classifications.

### 3. BUSINESS COMBINATIONS

Through a series of transactions in February 2021, Restoration 1 Franchise Holding, LLC acquired all of the membership interest in FranXperts, LLC. At the time, FranXperts, LLC owned 100 percent of the membership interest of TDC Holdings, LLC. On March 22, 2021, FranXperts distributed its membership interest of TDC Holdings, LLC to Restoration 1 Franchise Holdings, LLC. Push down accounting was applied to the separate financial statements of each entity. As such, and by the Company's election, these consolidated financial statements only include the financial statements for the post-acquisition period of February 27, 2021 through December 31, 2021 for the 2021 year for FranXperts, LLC and TDC Holdings, LLC.

The following table summarizes the consideration paid for the membership interest and the amounts of the assets acquired and liabilities assumed at the acquisition date. The Company obtained preliminary third-party valuations of certain intangible assets.

Fair value of consideration transferred:	
Cash	\$ 1,450,000
Equity interest in affiliated entity	640,000
Note payable to seller	482,987
Total purchase price	<u>\$ 2,572,987</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 20,171
Investment	35,000
Property and equipment	15,063
Identifiable intangible assets	1,984,820
Accounts payable	(7,820)
Accrued liabilities	(297)
Capital lease assumed	(16,894)
Total identifiable net assets	2,030,043
Goodwill	<u>542,944</u>
Total purchase price	<u>\$ 2,572,987</u>

On March 3, 2021, Softroc Global, LLC acquired the trade names and trademarks of Softroc, LLC (“Softroc Business System”) for \$1,000,000. Consideration transferred consisted of \$50,000 in cash, a payable in the amount of \$700,000 and a contingent liability in the amount of \$250,000. In September 2021, \$100,000 of the contingent liability was paid. The remaining contingent liability balance of \$150,000 is payable within 60 days after the close of the first twelve-month period that Softroc Global, LLC generates \$5,000,000 of revenue from the Softroc Business System.

On April 24, 2020, all of the membership interest in the Company was acquired by a new owner. As a result of the acquisition, the Company will have access to additional funding to support the growth of the Company. Consideration transferred included a note to seller OPK Franchise Holding, LLC; see Note 8 for more information.

#### 4. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable by major classification and the related allowance for doubtful accounts at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Franchisee royalties, technology fees, and brand fund fees	\$ 813,047	\$ 847,154
National accounts	425,636	1,364,035
Other receivables	128,410	257,797
Less: allowance for doubtful accounts	<u>(42)</u>	<u>(8,200)</u>
Total	<u>\$ 1,367,051</u>	<u>\$ 2,460,786</u>

Bad debt expense for the years ended December 31, 2022 and 2021 totals \$72,855 and \$1,561, respectively.

#### 5. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification and the related accumulated depreciation and at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land and buildings	\$ -	\$ 1,581,409
Furniture, fixtures, and equipment	203,841	168,836
Software	<u>464,070</u>	<u>409,624</u>
	667,911	2,159,869
Less: accumulated depreciation	<u>(198,902)</u>	<u>(120,729)</u>
Total	<u>\$ 469,009</u>	<u>\$ 2,039,140</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totals \$219,853 and \$59,137, respectively.

## 6. INTANGIBLE ASSETS

The following is a summary of intangible assets and related accumulated amortization as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Franchise contracts acquired	\$ 32,185,120	\$ 32,185,120
Less: accumulated amortization	<u>(8,484,690)</u>	<u>(5,266,179)</u>
Total amortizable intangibles	23,700,430	26,918,941
Trade name	<u>3,327,200</u>	<u>3,327,200</u>
Total	<u>\$ 27,027,630</u>	<u>\$ 30,246,141</u>

Amortization expense for the years ended December 31, 2022 and 2021 totals \$3,218,511 and \$3,188,777, respectively. Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Franchise Contracts</u>
2023	\$ 3,218,512
2024	3,218,512
2025	3,218,512
2026	3,218,512
2027	3,218,512
Thereafter	<u>7,607,870</u>
	<u>\$ 23,700,430</u>

## 7. GOODWILL

The following is a summary of goodwill and the related amortization expense at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Goodwill	\$ 13,991,772	\$ 13,991,772
Less: accumulated amortization	<u>(3,708,308)</u>	<u>(2,309,131)</u>
Total	<u>\$ 10,283,464</u>	<u>\$ 11,682,641</u>

Amortization expense for the years ended December 31, 2022 and 2021 totals \$1,399,177 and \$1,390,129, respectively. Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Goodwill</u>
2023	\$ 1,399,177
2024	1,399,177
2025	1,399,177
2026	1,399,177
2027	1,399,177
Thereafter	<u>3,287,579</u>
	<u>\$ 10,283,464</u>

## 8. LONG TERM DEBT

Long term debt at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Alliance Bank		
Note payable to a bank bearing interest at 4.2% due in monthly installments of \$4,705 including principal and interest, with remaining balance due December 2026; secured by land and building	\$ -	\$ 625,000
Vincere Technology, LLC		
Note payable to former owner, non-interest bearing, due in semi-annual payments of \$85,000 starting July 1, 2021 through January 1, 2024.	250,683	325,757
OPK Franchise Holding, LLC		
Note payable to former owner, non-interest bearing, due in quarterly payments of \$882,353 starting March 1, 2021 through March 31, 2025. A final payment of \$27,500,000 is due on March 31, 2025. Secured by all assets of the Company.	29,956,414	30,908,285
Barry Meakings and Alain Meakings		
Contingent liability to former owner of Softroc Global, LLC related to acquisition of Softroc Global, LLC. The liability is due within 60 days after the close of the first twelve-month period that the Company generates \$5,000,000 of revenue from Softroc Global, LLC.	<u>150,000</u>	<u>150,000</u>
	30,357,097	32,009,042
Less: Current portion	<u>(1,204,760)</u>	<u>(3,645,214)</u>
Total	<u>\$ 29,152,337</u>	<u>\$ 28,363,828</u>

In connection with the business combination in April 24, 2020, the Company issued a note to the former owner, OPK Franchise Holding, LLC, for a total principal payments of \$27,500,000 and total guaranteed interest payments of \$15,000,000. The note does not state an interest rate and has been measured based on the present value of expected future cash flows discounted at a rate of 9.9 percent and consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross payments over note term	\$ 15,000,000	\$ 15,000,000
Lump sum at maturity	<u>27,500,000</u>	<u>27,500,000</u>
	42,500,000	42,500,000
Less: payments made to date	(7,058,824)	(3,529,411)
Less: unamortized discount	<u>(5,484,762)</u>	<u>(8,062,304)</u>
Fair value of seller's note	<u>\$ 29,956,414</u>	<u>\$ 30,908,285</u>

In connection with the business combination on February 26, 2021, the Company issued a note to the former owner, Vincere Technology, LLC, for \$760,000. The note does not state an interest rate and has been measured based on the present value of expected future cash flows discounted at a rate of 9.9 percent and consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross payments over note term	\$ 760,000	\$ 760,000
	760,000	760,000
Less: payments made to date	(505,000)	(420,000)
Less: unamortized discount	<u>(4,317)</u>	<u>(14,243)</u>
Fair value of seller's note	<u>\$ 250,683</u>	<u>\$ 325,757</u>

Principal payments on long term debt over the next five years and thereafter are as follows:

	<u>Vincere Technology, LLC</u>	<u>OPK Franchise Holding, LLC</u>	<u>Barry Meakings and Alain Meakings*</u>	<u>Total</u>
2023	\$ 170,000	\$ 3,529,412	\$ -	\$ 3,699,412
2024	85,000	3,529,412	-	3,614,412
2025	-	28,382,352	-	28,382,352
2026	-	-	-	-
2027	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ 255,000</u>	<u>\$ 35,441,176</u>	<u>\$ -</u>	<u>\$ 35,696,176</u>

\*No payment was included in this payment schedule for this note due to the liability being contingent and the Company cannot reasonably estimate the year in which the contingent payment will be due.

## 9. REVENUE RECOGNITION

The Company generates franchise revenues through royalties, initial and successor franchise fees, transfer fees, and other fees. The Company's primary performance obligations under the franchise license is providing certain pre-opening services and granting certain rights to use the Company's intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

The Company has elected not to adjust consideration for the effects of financing which is allowable under a practical expedient when the period between the receipt of payment and the transfer of the goods or services to the customer is one year or less.

The Company does not believe the contracts contain any terms that would result in variable consideration that should be considered in the transaction price. Thus, the transaction price for financial reporting purposes is the total value of the franchise agreement, excluding royalty fees, brand fund fees, and tech fees.

### Royalty and Brand Fund Revenues

Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise monthly dues and annual fees over the term of the franchise agreement. The franchise royalties represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur. Additionally, contributions to national advertising funds are due monthly and are recognized in income when earned.

### Franchise Licenses

Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. As stated in Note 2, the Company has elected the practical expedient available for the recognition of income related to franchise licenses. Accordingly, franchise licenses revenue recognition includes two performance obligations: 1) pre-opening services, 2) ongoing assistance and continued access to the brand's intellectual property provided to that franchisee through the term of the franchise agreement. Pre-opening services revenue is recognized once the services have been provided and the franchisee commences business operations. The Company recognizes franchise fee revenue of \$30,600 for pre-opening services based on an estimate of the cost of specific goods and services provided. The remaining franchisee fee revenue is amortized on a straight-line basis over the term of the franchise agreement.

Franchise fee revenue disaggregated by type for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Pre-opening revenue	\$ 863,578	\$ 467,200
Ongoing revenue	<u>361,042</u>	<u>504,350</u>
	<u>\$ 1,224,620</u>	<u>\$ 971,550</u>

Contract assets consist of deferred costs related to obtaining franchise contracts, such as broker fees, sales commissions, and general fees. The following table reflects the change in contract assets:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 854,116	\$ 323,931
Increase	855,004	1,265,914
Expense recognized	<u>(628,452)</u>	<u>(735,729)</u>
Ending balance	<u>\$ 1,080,668</u>	<u>\$ 854,116</u>

The following table illustrates estimated costs expected to be expensed in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2022.

2023	\$ 130,406
2024	130,406
2025	130,406
2026	130,406
2027	130,406
Thereafter	<u>428,638</u>
Total	<u>\$ 1,080,668</u>

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees, as well as transfer fees. The following table reflects the change in contract liabilities:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,833,325	\$ 584,800
Increase	10,732,306	10,837,421
Revenue recognized	<u>(10,187,053)</u>	<u>(9,588,896)</u>
Ending balance	<u>\$ 2,378,578</u>	<u>\$ 1,833,325</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2022. The Company has elected to exclude short term contracts, sales and usage-based royalties and any other variable consideration recognized on an "as invoiced" basis.

2023	\$ 274,490
2024	274,490
2025	274,490
2026	274,490
2027	274,490
Thereafter	<u>1,006,128</u>
Total	<u>\$ 2,378,578</u>

#### 10. RELATED PARTY TRANSACTIONS

The Company provides financial support to a commonly owned affiliated company, BlueFrog Plumbing & Drain, LLC ("BlueFrog"). The Company is not expected to receive this balance within the next year; therefore, the balance is classified as due from related party in the other assets section in the accompanying Consolidated Balance Sheets. For the years ended December 31, 2022 and 2021 the amount due from BlueFrog totals \$652,697 and \$300,749, respectively. The Company has confirmed that they will continue to support the operations of BlueFrog for liquidity needs.

The Company received financial support from a related party, RH1 Holdings, LLC. The Company is expected to repay this balance back within the next year. As such, the balance is classified as accounts payable, related party in the accompanying Consolidated Balance Sheets. For the years ended December 31, 2022 and 2021 the amount due to RH1 Holdings, LLC totals \$154,119 and \$153,020, respectively.

The Company participates in a shared services agreement with related party entities in which it provides shared services in exchange for a fee. These services include new franchisee onboarding and training, ongoing training for franchisees, supply chain assistance, marketing and advertising, back office support (legal, accounting, technology), and various other management services. The Company received \$417,697 and \$84,323 for these services for the years ended December 31, 2022 and 2021, respectively. These revenues are reported in other revenue in the accompanying Consolidated Statements of Operations.

Stellar participates in a management agreement with an affiliated entity. The agreement calls for \$112,500 quarterly payments as part of the compensation consideration to be paid under the agreement. These payment obligations have been passed on to the Company. The Company paid \$450,000 and \$423,000 for these services for the years ended December 31, 2022 and 2021, respectively. These expenses are reported in management fee in the accompanying Consolidated Statements of Operations.



## 11. LEASES

The Company leases office space under an operating lease and office equipment and a vehicle under a finance lease. Amortization of finance leased assets is included with depreciation expense.

The following is a summary of operating and finance leases as of December 31, 2022:

	<u>2022</u>
Operating leases:	
Operating lease right-of-use assets	<u>\$ 380,934</u>
Operating lease liabilities, current	142,251
Operating lease liabilities, net of current	<u>283,950</u>
Total operating lease liabilities	<u>\$ 426,201</u>
Finance leases:	
Finance lease right-of-use assets	<u>\$ 12,564</u>
Finance lease liabilities, current	7,099
Finance lease liabilities, net of current	<u>5,546</u>
Total finance lease liabilities	<u>\$ 12,645</u>
Weighted average remaining lease terms:	
Operating leases	3 years
Finance leases	2 years
Weighted average discount rates:	
Operating leases	3 percent
Finance leases	1.3 percent

The following are the lease components of lease expenses for the year ended December 31, 2022:

	<u>2022</u>
Operating lease cost	\$ 70,410
Non-component lease cost*	<u>36,443</u>
Total operating lease cost	<u>\$ 106,853</u>
* These lease costs are not included in the ROU asset balance or operating lease liability balance	
Finance lease cost:	
Amortization of right-of-use assets	\$ 7,087
Interest on lease liabilities	<u>206</u>
Total finance lease cost	<u>\$ 7,293</u>

Cash flow information related to leases for the year ended December 31, 2022 is as follows:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 25,143</u>
Operating cash flows from finance leases	<u>\$ 192</u>
Financing cash flows from finance leases	<u>\$ 7,020</u>
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	<u>\$ 444,725</u>
Finance leases	<u>\$ 19,651</u>

Future minimum lease payments under the above lease agreements are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 152,726	\$ 7,212
2024	157,215	5,316
2025	134,317	254
2026	-	-
2027	-	-
Thereafter	-	-
Principal lease payments	<u>444,258</u>	<u>12,782</u>
Less: Present value discount	<u>(18,057)</u>	<u>(137)</u>
Total	<u>\$ 426,201</u>	<u>\$ 12,645</u>

## 12. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company. Events could occur that would change this estimate materially in the near term.

## 13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through April 17, 2023, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Consolidated Financial Statements  
December 31, 2021 and 2020  
(With Independent Auditor's Report Thereon)



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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Restoration 1 Franchise Holding, LLC and Subsidiaries:

### *Opinion*

We have audited the consolidated financial statements of Restoration 1 Franchise Holding, LLC and Subsidiaries (a subsidiary of Stellar Brands, LLC) (the “Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and member’s equity, and cash flows for the year ended December 31, 2021 and the period from April 25, 2020 to December 31, 2020, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and the period from April 25, 2020 to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 that the consolidated financial statements are issued.

***Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion**. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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.

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.

*Joyce, Robinson, Boyd & Thomas, P.C.*

March 2, 2022

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)

Consolidated Balance Sheets

December 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 739,671	2,265,381
Accounts receivable, net	2,460,786	3,899,124
Notes receivable, current portion	136,321	172,626
Prepaid expenses	293,917	140,934
Deferred costs, current portion	183,628	32,393
Inventories	44,961	-
Total current assets	<u>3,859,284</u>	<u>6,510,458</u>
Property and equipment:		
Land and buildings	1,581,409	1,180,399
Furniture, fixtures, and equipment	168,836	19,571
Construction in process	-	198,308
	<u>1,750,245</u>	<u>1,398,278</u>
Less accumulated depreciation	<u>(78,692)</u>	<u>(19,556)</u>
Net property and equipment	<u>1,671,553</u>	<u>1,378,722</u>
Other assets:		
Trade names	3,327,200	2,126,500
Franchise contracts acquired, net	26,918,941	28,323,598
Goodwill, net	11,682,642	12,529,827
Notes receivable, excluding current portion	79,000	366,800
Deferred costs, excluding current portion	670,488	291,538
Due from related parties	147,738	108,024
Other long-term assets, net	402,586	40,934
Total other assets	<u>43,228,595</u>	<u>43,787,221</u>
Total assets	<u>\$ 48,759,432</u>	<u>51,676,401</u>

See accompanying notes to consolidated financial statements.

<u>Liabilities and Member's Equity</u>	<u>2021</u>	<u>2020</u>
Current liabilities:		
Current installments of long-term debt	\$ 30,802	27,503
Current installments of notes payable to sellers	3,614,412	3,529,412
Current installments of capital lease obligation	4,622	-
Accounts payable	1,673,154	3,081,192
Accrued expenses and other payables	524,517	204,450
Deferred revenue, current	<u>374,178</u>	<u>129,550</u>
Total current liabilities	6,221,685	6,972,107
Deferred revenue, net of current portion	1,429,147	455,250
Long-term debt, excluding current installments	594,198	618,953
Notes payable to sellers, net of current installments and debt discount	27,769,630	28,289,922
Capital lease obligation, net of current installments	<u>8,739</u>	<u>-</u>
Total liabilities:	<u>36,023,399</u>	<u>36,336,232</u>
Member's equity	<u>12,736,033</u>	<u>15,340,169</u>
Total liabilities and member's equity	<u>\$ 48,759,432</u>	<u>51,676,401</u>

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)

Consolidated Statements of Operations  
and Member's Equity

Year ended December 31, 2021  
Period from April 25, 2020 to December 31, 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Franchise sales fees	\$ 971,550	780,000
Franchise royalty fees	9,778,716	5,044,820
Property management service fees	8,250,454	9,175,059
Commissions	293,427	-
Website and marketing revenues	<u>926,844</u>	<u>540,583</u>
	<u>20,220,991</u>	<u>15,540,462</u>
Cost of revenues:		
Property management service costs	7,857,117	8,728,635
Website and marketing costs	<u>940,554</u>	<u>553,253</u>
	<u>8,797,671</u>	<u>9,281,888</u>
Gross profit	11,423,320	6,258,574
General and administrative expenses	<u>11,617,576</u>	<u>6,393,265</u>
Operating loss	(194,256)	(134,691)
Other income (expense):		
Interest expense, net	(2,662,409)	(1,760,176)
Management consulting fee	(423,000)	(271,978)
Other income, net	<u>35,529</u>	<u>7,014</u>
Net loss	(3,244,136)	(2,159,831)
Member's equity, beginning of period	15,340,169	17,500,000
Member contribution	<u>640,000</u>	<u>-</u>
Member's equity, end of period	<u>\$ 12,736,033</u>	<u>15,340,169</u>

See accompanying notes to consolidated financial statements.



**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)

Consolidated Statements of Cash Flows

Year ended December 31, 2021  
Period from April 25, 2020 to December 31, 2021

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (3,244,136)	(2,159,831)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,680,079	3,015,961
Allowance for doubtful accounts	1,561	11,034
Long-term debt discount accretion	2,631,133	1,738,384
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	1,760,882	(1,060,350)
Inventories	(44,961)	24,000
Other assets	(683,168)	(328,365)
Accounts payable and accrued expenses	(1,096,088)	432,159
Deferred revenues	1,218,525	584,800
Net cash provided by operating activities	<u>5,223,827</u>	<u>2,257,792</u>
Cash flows from investing activities:		
Due from related parties	(139,714)	(108,024)
Investment in subsidiaries, less cash acquired	(2,179,829)	-
Capital expenditures	(705,593)	(271,792)
Net cash used in investing activities	<u>(3,025,136)</u>	<u>(379,816)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(3,724,401)	(16,924)
Net cash used in financing activities	<u>(3,724,401)</u>	<u>(16,924)</u>
Net increase (decrease) in cash	(1,525,710)	1,861,052
Cash at beginning of period	<u>2,265,381</u>	<u>404,329</u>
Cash at end of period	<u>\$ 739,671</u>	<u>2,265,381</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 31,276</u>	<u>21,792</u>

See accompanying notes to consolidated financial statements.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Nature of Operations and Principles of Consolidation

The consolidated financial statements include the financial statements of Restoration 1 Franchise Holding, LLC and its wholly-owned subsidiaries (collectively, the “Company”), FranXperts, LLC, Softroc Global, LLC, and TDC Holdings, LLC, which owns TDC Franchising, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Restoration 1 Franchise Holding, LLC is a franchisor of restoration companies completing property damage repairs with franchises across North America. The Company is a wholly-owned subsidiary of Stellar Brands, LLC. The Company earns revenues predominantly from initial franchise fees, royalty fees, and advertising fee revenues. The Company also facilitates a national program where they contract with various property management companies under master service agreements to provide repair services. The Company was organized in the state of Delaware on April 21, 2020. On April 24, 2020, control of the Company changed in a restructure agreement between the current and former members.

FranXperts, LLC provides franchise development and management consulting services. Softroc Global, LLC was organized and formed on March 1, 2021 and is a master franchisor that offers franchises for the operation of a business specializing in the installation, cleaning, maintenance and repair of rubber safety surfacing that serves as a long-lasting solution for existing concrete, asphalt, inter-locking brick, tile and other surfaces. TDC Franchising, LLC dba The Driveway Company (the “Company”), is a master franchisor that grants franchises for the operation of a business providing repair services of driveways using the Company’s proprietary products and techniques.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At December 31, 2021 and 2020, and at various times during the periods, the Company had cash balances in excess of FDIC insured limits.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(c) Accounts Receivable

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees. The allowance for doubtful accounts receivable represents the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. The Company writes off accounts receivable when franchises have resold or are terminated and other means for collection have been exhausted. Payments subsequently collected are credited back to the provision for doubtful accounts in the period the payments are received.

Allowances for doubtful accounts were \$8,200 and \$11,034 as of December 31, 2021 and 2020, respectively.

(d) Notes Receivable

Notes receivable are related to the Company financing initial franchise fee with eligible franchisees. Notes receivable are stated at the outstanding principal amount, net of the allowance for uncollectible notes. The Company provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

At December 31, 2021 and 2020, there are no notes receivable considered delinquent.

(e) Inventories

Inventory consists primarily of purchased parts. Inventories are stated at the lower of cost or net realizable value.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(f) Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(g) Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs that do not substantially increase the useful lives of the property and equipment are expensed as incurred. Depreciation and amortization expense is provided using the straight-line method over the estimated useful lives of the related assets. Depreciation expense charged to operations was \$59,137 and \$19,556 during the periods ended December 31, 2021 and 2020, respectively.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

<b>Buildings</b>	<b>35 – 40 years</b>
<b>Building improvements</b>	<b>5 – 10 years</b>
<b>Furniture and fixtures</b>	<b>3 – 5 years</b>
<b>Autos and trucks</b>	<b>3 – 5 years</b>

(h) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company has elected the private company accounting alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Company evaluates the recoverability of the carrying value of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(h) Goodwill (continued)

In testing goodwill for impairment, the Company initially assesses qualitative factors to determine whether it is more likely than not that goodwill is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. The quantitative impairment test includes comparing the carrying value of the reporting unit, including the existing goodwill and intangible assets, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, a goodwill impairment charge is recorded for the amount in which the carrying value of the reporting unit exceeds the fair value of the reporting unit, up to the amount of goodwill attributed to the reporting unit.

The qualitative assessment performed by the Company indicated that it was more likely than not that the fair value of the reporting unit exceeds its carrying value, resulting in no impairment loss during 2021 and 2020.

(i) Intangible Assets

Intangible assets are recorded at their estimated fair values as of the date of acquisition. Intangible assets with definite lives consist of acquired franchise agreements, and are amortized on a straight-line basis over 10 years. The Company assesses the recoverability of its definite lived intangible assets primarily based on its current and anticipated future undiscounted cash flows.

(j) Income Taxes

As a single member limited liability company, the Company does not pay federal corporate income tax on its taxable income. **Instead, the Company's member is liable for federal income taxes on the Company's taxable income. Accordingly, no provision for federal income taxes is provided for in the accompanying consolidated financial statements.**

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(k) Revenue Recognition

The Company adopted FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue From Contracts with Customers* (“ASC 606”), upon inception. ASC 606 supersedes industry-specific guidance under ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors - Revenue Recognition* (together, the “Previous Standards”), and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

Franchise revenues consist primarily of royalties, initial and successor franchise fees, transfer fees, and other fees. The Company's primary performance obligations under the franchise license is providing certain pre-opening services and granting certain rights to use the Company's intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

Royalty fees and marketing and advertising revenues are calculated as a percentage of franchise monthly dues and annual fees over the term of the franchise agreement. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The franchise royalties represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur.

Additionally, under ASC 606, the Company allocates a portion of the initial franchise fee to pre-opening services, which is recognized as revenue once those services are provided. The remaining initial fee and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Under the Previous Standards, initial franchise fees were recognized as revenue when the related franchisees completed the Company's new franchisee training. Successor franchise fees and transfer fees were recognized as revenue upon execution of a new franchise agreement.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(k) Revenue Recognition (continued)

The Company also generates revenue from a national program where they contract with various property management companies under master service agreements to **provide repair services. The Company uses sub-contractors, primarily the Company's** authorized franchisees, to perform the services required. As the Company is responsible for negotiating the price, ensuring that the service is performed in accordance with the contract and carry the risk of collection, the Company determined that in these contracts the Company acts as the principle and records revenue from these contracts on a gross basis.

The Company accounts for all expenses that are related directly to national account expenses as cost of revenue. Advertising costs that are directly related to franchise advertising and promotion fund are expensed as incurred and included as part of costs of revenues.

(l) Deferred Revenue

Franchise deferred revenue results from initial and successor franchise fees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement and under the Previous Standard franchise deferred revenue represented cash received from franchisees for franchise fees for which revenue recognition criteria had not yet been met.

(m) Costs to Obtain Contracts with Customers

The Company capitalizes incremental contract costs associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These balances are reported as assets on the balance sheet and are amortized over the term of the franchise agreement of ten years. Amortization is primarily included as commissions in operating expenses in the statements of operations. At December 31, 2021, capitalized costs were \$854,116 and during 2021 \$485,515 had been charged to commissions expense. At December 31, 2020, capitalized costs were \$323,931 and during 2020 \$411,074 had been charged to commissions expense.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(n) Advertising Costs

The Company accounts for franchisee advertising contributions as a component of franchise revenue. The advertising and promotion costs related directly to franchisees are expensed as incurred and are included in cost of revenues in the statements of operations. All general advertising and promotion costs of the Company are allocated as operating expenses in the statements of operations. In 2021, advertising expenses that were directly related to revenues and cost of revenues totaled \$915,956, while general advertising and promotion expenses were \$314,633. In 2020, advertising expenses that were directly related to revenues and cost of revenues totaled \$553,253, while general advertising and promotion expenses were \$53,164.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

(2) Acquisitions

Through a series of transactions in February 2021, Restoration 1 Franchise Holding, LLC acquired all of the membership interest in FranXperts, LLC. At the time, FranXperts, LLC owned 100% of the membership interest of TDC Holdings, LLC. On March 22, 2021, FranXperts, LLC distributed its membership interest of TDC Holdings, LLC to Restoration 1 Franchise Holding, LLC. Push-down accounting was applied to the separate financial statements of each entity. The accompanying consolidated financial statements includes the accounts and records of FranXperts, LLC and TDC Holdings, LLC as of December 31, 2021 and for the period from February 27, 2021 to December 31, 2021.

The following table summarizes the consideration paid for the membership interest and the amounts of the assets acquired and liabilities assumed at the acquisition date. The Company obtained preliminary third-party valuations of certain intangible assets.



**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(2) Acquisitions (continued)

Fair value of consideration transferred:	
Cash	\$ 1,450,000
Equity interest in affiliated entity	640,000
Note payable to seller	<u>482,987</u>
Total	<u>\$ 2,572,987</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 20,171
Investment	35,000
Property and equipment	15,063
Identifiable intangible assets	1,984,820
Accounts payable	(7,820)
Accrued liabilities	(297)
Capital lease assumed	<u>(16,894)</u>
Total identifiable net assets	2,030,043
Goodwill	<u>542,944</u>
Total	<u>\$ 2,572,987</u>

On March 3, 2021, Sofiroc Global, LLC acquired the trade names and trademarks of **Softroc, LLC ("Softroc Business System")** for \$1,000,000. Consideration transferred consisted of \$50,000 in cash, a payable in the amount of \$700,000 and a contingent liability in the amount of \$250,000. In September 2021, \$100,000 of the contingent liability was paid. The remaining contingent liability balance of \$150,000 is payable within sixty (60) days after the close of the first twelve-month period that the Company generates \$5 million of revenue from the Softroc Business System.

Effective April 24, 2020, all of the membership interest in the Company was acquired by a new owner. As a result of the acquisition, the Company will have access to additional funding to support the growth of the Company. The Company elected to apply push-down accounting in its separate financial statements.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(2) Acquisitions (continued)

The following table summarizes the consideration paid for the membership interest and the amounts of the assets acquired and liabilities assumed at the acquisition date. The Company obtained preliminary third-party valuations of certain intangible assets.

Fair value of consideration transferred:	
Cash	\$ 17,500,000
Seller's note payable - at fair value	<u>30,080,950</u>
Total	<u>\$ 47,580,950</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 404,329
Accounts receivable	2,937,934
Notes receivable	1,080,426
Inventories	24,000
Prepaid expenses	136,500
Property and equipment	1,167,420
Identifiable intangible assets	32,527,500
Accounts payable	(2,339,145)
Accrued liabilities	(514,338)
Assumed long-term debt	<u>(663,380)</u>
Total identifiable net assets	34,761,246
Goodwill	<u>12,819,704</u>
Total	<u>\$ 47,580,950</u>

The goodwill of \$13,991,773 arising from these acquisitions consists largely of the synergies and new business development that will result from an injection of additional resources and capital that the new owners can make available to the Company.

During the period from April 25, 2020 to December 31, 2020, a measurement period adjustment was made that reduced notes receivable and increased goodwill by \$629,126.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(3) Intangible Assets and Goodwill

The changes in the carrying amount of goodwill for the periods ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning of period	\$ 12,529,827	12,819,704
Measurement period adjustment	-	629,126
Acquired goodwill	542,944	-
Amortization expense	<u>(1,390,129)</u>	<u>(919,003)</u>
End of period	<u>\$ 11,682,642</u>	<u>12,529,827</u>

The changes in the carrying amount of acquired franchise contracts for the periods ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning of period	\$ 30,401,000	30,401,000
Acquired franchise contracts	1,784,120	-
Amortization expense	<u>(5,266,179)</u>	<u>(2,077,402)</u>
End of period	<u>\$ 26,918,941</u>	<u>28,323,598</u>

Estimated amortization expense expected to be charged to operations for each of the next five years is \$4,617,689.

Unamortized intangible assets consist of trade names in the amount of \$3,327,200.

(4) Long-Term Debt

Long-term debt at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Note payable to a bank bearing interest at 4.2% due in monthly installments of \$4,705 including principal and interest, with remaining balance due December 2026; secured by land and building	\$ 625,000	646,456
Less current installments	<u>30,802</u>	<u>27,503</u>
Long-term debt, less current installments	<u>\$ 594,198</u>	<u>618,953</u>

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)

Notes to Financial Statements  
(Continued)

(4) Long-Term Debt (continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2021 are as follows: 2022, \$30,802; 2023, \$32,120; 2024, \$33,430; 2025, \$34,927; and 2026, \$493,721.

(5) Notes Payable to Sellers

In connection with the business combination transaction on February 26, 2021, the Company issued a note to the former owner that requires semi-annual payments of \$85,000 starting July 1, 2021 through January 1, 2024. The note does not state an interest rate and has been measured based on the present value of expected future cash flows discounted at a rate of 9.9% and consisted of the following at December 31, 2021:

		2021
Gross payments over note term	\$	340,000
Less debt discount		14,243
Fair value of seller's note		325,757
Less current installments		85,000
Note payable to seller, net of current installments and debt discount	\$	240,757

In connection with the business combination transaction on April 24, 2020, the Company issued a note to the former owner that requires quarterly payments of \$882,353 starting March 31, 2021 and a final payment of \$27,500,000 on March 31, 2025. The note does not state an interest rate and requires payments of all the agreed amounts irrespective of any early payments or settlement. The note is secured by pledge of all the assets of the Company.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(5) Notes Payable to Sellers (continued)

The note has been measured based on the present value of expected future cash flows discounted at a rate of 8.3% and consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross payments over note term	\$ 15,000,000	15,000,000
Lump sum at maturity	<u>27,500,000</u>	<u>27,500,000</u>
	42,500,000	42,500,000
Less debt discount	<u>8,062,303</u>	<u>10,680,666</u>
Fair value of seller's note	34,437,697	31,819,334
Less current payments	<u>3,529,412</u>	<u>3,529,412</u>
Note payable to seller, net of current installments and debt discount	<u>\$ 30,908,285</u>	<u>28,289,922</u>

Aggregate installments due to the sellers for each of the five years subsequent to December 31, 2021 are as follows: 2022, \$3,614,412; 2023, \$3,699,412; 2024, \$3,614,412; and 2025, \$28,382,352.

In addition, Softroc Global, LLC has recognized a contingent liability of \$150,000 due to the seller in the acquisition that is discussed further in Note 2. This liability has been presented with notes payable to sellers in the accompanying consolidated balance sheet as of December 31, 2021.

(6) Revenue Recognition

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. The following table reflects the change in contract liabilities:

	<u>2021</u>	<u>2020</u>
Beginning of period	\$ 584,800	-
Increase from franchise fees	2,190,075	1,364,800
Revenue recognized in period	<u>(971,550)</u>	<u>(780,000)</u>
End of period	<u>\$ 1,803,325</u>	<u>584,800</u>

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**  
(A Subsidiary of Stellar Brands, LLC)  
Notes to Consolidated Financial Statements  
(Continued)

(6) Revenue Recognition (continued)

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021. The Company has elected to exclude short term contracts, sales and usage based royalties and any other variable consideration recognized on an "as invoiced" basis.

<b>Contract liabilities to be recognized in:</b>	<u>Amount</u>
2022	\$ 374,178
2023	157,908
2024	157,908
2025	157,908
2026	157,908
Thereafter	<u>797,515</u>
Total	<u>\$ 1,803,325</u>

(7) Management Incentive Plan

**Stellar Brands, LLC ("Stellar")**, holds 100% of the equity interest in the Company. During 2021 and 2020, and indirectly through a member entity of Stellar, Stellar granted profit interest awards of Class B and Class C units to senior management of the Company. In connection with the management incentive plan of Stellar, management has been awarded 15,236 Class B shares and 15,236 Class C shares in Stellar. Class B units vest with respect to 25% (1/4th) of the total number of Class B Units granted on each of the first, second, third and fourth anniversaries of the Grant Date. Class C units vest one third (1/3rd) each time a specified financial goal is met. At December 31, 2021 and 2020 and April 24, 2020, no units were vested and management estimated their fair value to be immaterial.

(8) Related Party Transactions

The Company provides financing for the operations of an affiliated company, **BlueFrog Plumbing and Drain, LLC ("BlueFrog")**. BlueFrog is also a wholly owned subsidiary of Stellar. As of December 31, 2021 and 2020, amounts due from BlueFrog were \$300,748 and \$212,024, respectively. In addition, at December 31, 2021 the Company had a balance of \$153,010 and \$104,000 for amounts due to Stellar. Both of these balances are presented net in due from related parties on the accompanying balance sheet due to the common ownership of the Company and BlueFrog by Stellar.

**Restoration 1 Franchise Holding, LLC  
and Subsidiaries**

(A Subsidiary of Stellar Brands, LLC)

Notes to Consolidated Financial Statements  
(Continued)

(8) Related Party Transactions (continued)

In addition, on April 24, 2020 Stellar entered into a management agreement with an affiliated entity. The agreement calls for \$112,500 quarterly payments as part of the compensation consideration to be paid under the agreement. These payment obligations have been passed on to the Company and BlueFrog. In 2021 and 2020, the Company incurred and charged \$423,000 and \$271,978, respectively, to management consulting fee expense under the agreement.

(9) Commitments and Contingencies

The Company is subject to claims and lawsuits that arose primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company. Events could occur that would change this estimate materially in the near term.

(10) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 2, 2022, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.

**Restoration 1 Franchise Holding, LLC\***  
(A Subsidiary of RHI Holdings, LLC)  
Financial Statements  
December 31, 2020 and  
April 24, 2020  
(With Independent Auditor's Report Thereon)





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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Member  
Restoration 1 Franchise Holding, LLC:

We have audited the accompanying financial statements of Restoration 1 Franchise Holding, LLC (a subsidiary of RHI Holdings, LLC) (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations and member's equity, and cash flows for the period from April 25, 2020 to December 31, 2020, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Restoration 1 Franchise Holding, LLC as of December 31, 2020, and the results of its operations and its cash flows for the period from April 25, 2020 to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The balance sheet of Restoration 1 Franchise Holding, LLC as of April 24, 2020, was audited by another auditor who expressed an unmodified opinion on the statement on June 16, 2020.

*Joyce, Robinson, Boyd & Thornell, P.C.*

March 1, 2021

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Balance Sheets

December 31, 2020 and April 24, 2020

<u>Assets</u>	<u>December 31, 2020</u>	<u>April 24, 2020</u>
<b>Current assets:</b>		
Cash	\$ 2,265,381	404,329
Accounts receivable, net	3,899,124	2,937,934
Notes receivable, current portion	172,626	176,459
Prepaid expenses	140,934	136,500
Deferred costs	32,393	-
Inventories	-	24,000
	<u>6,510,458</u>	<u>3,679,222</u>
<b>Property and equipment:</b>		
Land and buildings	1,180,399	1,150,420
Furniture and fixtures	19,571	17,000
Construction in process	198,308	-
	<u>1,398,278</u>	<u>1,167,420</u>
Less accumulated depreciation	<u>(19,556)</u>	<u>-</u>
Net property and equipment	<u>1,378,722</u>	<u>1,167,420</u>
<b>Other assets:</b>		
Trade name	2,126,500	2,126,500
Franchise contracts acquired, net	28,323,598	30,401,000
Goodwill, net	12,529,827	12,819,704
Notes receivable, excluding current portion	366,800	903,967
Deferred costs, excluding current portion	291,538	-
Due from related parties	108,024	-
Other long-term assets, net	40,934	-
	<u>43,787,221</u>	<u>46,251,171</u>
Total other assets	<u>43,787,221</u>	<u>46,251,171</u>
Total assets	<u>\$ 51,676,401</u>	<u>51,097,813</u>

See accompanying notes to financial statements.



**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Statement of Operations and Member's Equity

Period from April 25, 2020 to December 31, 2020

Revenues:	
Franchise sales fees	\$ 780,000
Franchise royalty fees	5,044,820
Property management service fees	9,175,059
Website and marketing revenues	<u>540,583</u>
	<u>15,540,462</u>
Cost of revenues:	
Property management service costs	8,728,635
Website and marketing costs	<u>553,253</u>
	<u>9,281,888</u>
Gross profit	6,258,574
General and administrative expenses	<u>6,393,265</u>
Operating loss	(134,691)
Other income (expense):	
Interest expense, net	(1,760,176)
Management consulting fee	(271,978)
Other income, net	<u>7,014</u>
Net loss	(2,159,831)
Member's equity, beginning of period	<u>17,500,000</u>
Member's equity, end of period	<u>\$ 15,340,169</u>

See accompanying notes to financial statements.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Statement of Cash Flows

Period from April 25, 2020 to December 31, 2020

Cash flows from operating activities:	
Net loss	\$ (2,159,831)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	3,015,961
Allowance for doubtful accounts	11,034
Long-term debt discount accretion	1,738,384
Changes in operating assets and liabilities:	
Accounts and notes receivable, net	(1,060,350)
Inventories	24,000
Other assets	(328,365)
Accounts payable and accrued expenses	432,159
Deferred revenues	584,800
Net cash provided by operating activities	<u>2,257,792</u>
Cash flows from investing activities:	
Due from related parties	(108,024)
Capital expenditures	(271,792)
Net cash used in investing activities	<u>(379,816)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(16,924)
Net cash used in financing activities	<u>(16,924)</u>
Net increase in cash	1,861,052
Cash at beginning of period	<u>404,329</u>
Cash at end of period	<u>\$ 2,265,381</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 21,792</u>

See accompanying notes to financial statements.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements

December 31, 2020 and April 24, 2020

(1) Summary of Significant Accounting Policies

(a) Description of Business

Restoration 1 Franchise Holding, LLC (the "Company"), is a franchisor of restoration companies completing property damage repairs with franchises across North America. The Company is a wholly-owned subsidiary of RH1 Holdings, LLC, which changed its name to Stellar Brands, LLC on January 21, 2021. The Company earns revenues predominantly from initial franchise fees, royalty fees, and advertising fee revenues. The Company also facilitates a national program where they contract with various property management companies under master service agreements to provide repair services. The Company was organized in the state of Delaware on April 21, 2020. On April 24, 2020, control of the Company changed in a restructure agreement between the current and former members.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At December 31, 2020 and April 24, 2020, and at various times during the period, the Company had cash balances in excess of FDIC insured limits.

(c) Accounts Receivable

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees. The allowance for doubtful accounts receivable represents the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. The Company writes off accounts receivable when franchises have resold or are terminated and other means for collection have been exhausted. Payments subsequently collected are credited back to the provision for doubtful accounts in the period the payments are received.

Allowances for doubtful accounts were \$11,034 and \$-0- as of December 31, 2020 and April 24, 2020, respectively.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(d) Notes Receivable

Notes receivable are related to the Company financing initial franchise fee with eligible franchisees. Notes receivable are stated at the outstanding principal amount, net of the allowance for uncollectible notes. The Company provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

At December 31, 2020 and April 24, 2020, there are no notes receivable considered delinquent.

(e) Inventories

Inventory consists primarily of purchased parts. Inventories are stated at the lower of cost or net realizable value.

(f) Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(g) Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs that do not substantially increase the useful lives of the property and equipment are expensed



**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(g) Property and Equipment (continued)

as incurred. Depreciation and amortization expense is provided using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	35 – 40 years
Building improvements	5 – 10 years
Furniture and fixtures	3 – 5 years
Autos and trucks	3 – 5 years

(h) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company has elected the private company accounting alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Company evaluates the recoverability of the carrying value of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable.

In testing goodwill for impairment, the Company initially assesses qualitative factors to determine whether it is more likely than not that goodwill is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. The quantitative impairment test includes comparing the carrying value of the reporting unit, including the existing goodwill and intangible assets, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, a goodwill impairment charge is recorded for the amount in which the carrying value of the reporting unit exceeds the fair value of the reporting unit, up to the amount of goodwill attributed to the reporting unit.

The qualitative assessment performed by the Company indicated that it was more likely than not that the fair value of the reporting unit exceeds its carrying value, resulting in no impairment loss during 2020.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(i) Intangible Assets

Intangible assets are recorded at their estimated fair values as of the date of acquisition. Intangible assets with definite lives consist of acquired franchise agreements, and are amortized on a straight-line basis over 10 years. The Company assesses the recoverability of its definite lived intangible assets primarily based on its current and anticipated future undiscounted cash flows.

(j) Income Taxes

As a single member limited liability company, the Company does not pay federal corporate income tax on its taxable income. Instead, the Company's member is liable for federal income taxes on the Company's taxable income. Accordingly, no provision for federal income taxes is provided for in the accompanying financial statements.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

(k) Revenue Recognition

The Company adopted FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* ("ASC 606"), upon inception. ASC 606 supersedes industry-specific guidance under ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors - Revenue Recognition* (together, the "Previous Standards"), and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

Franchise revenues consist primarily of royalties, initial and successor franchise fees, transfer fees, and other fees. The Company's primary performance obligations under the franchise license is providing certain pre-opening services and granting certain

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

- (1) Summary of Significant Accounting Policies (continued)
- (k) Revenue Recognition (continued)

rights to use the Company's intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

Royalty fees and marketing and advertising revenues are calculated as a percentage of franchise monthly dues and annual fees over the term of the franchise agreement. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The franchise royalties represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur.

Additionally, under ASC 606, the Company allocates a portion of the initial franchise fee to pre-opening services, which is recognized as revenue once those services are provided. The remaining initial fee and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Under the Previous Standards, initial franchise fees were recognized as revenue when the related franchisees completed the Company's new franchisee training. Successor franchise fees and transfer fees were recognized as revenue upon execution of a new franchise agreement.

The Company also generates revenue from a national program where they contract with various property management companies under master service agreements to provide repair services. The Company uses sub-contractors, primarily the Company's authorized franchisees, to perform the services required. As the Company is responsible for negotiating the price, ensuring that the service is performed in accordance with the contract and carry the risk of collection, the Company determined that in these contracts the Company acts as the principle and records revenue from these contracts on a gross basis.

The Company accounts for all expenses that are related directly to national account expenses as cost of revenue. Advertising costs that are directly related to franchise advertising and promotion fund are expensed as incurred and included as part of costs of revenues.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(l) Deferred Revenue

Franchise deferred revenue results from initial and successor franchise fees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement and under the Previous Standard franchise deferred revenue represented cash received from franchisees for franchise fees for which revenue recognition criteria had not yet been met.

(m) Costs to Obtain Contracts with Customers

The Company capitalizes incremental contract cost associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These balances are reported as assets on the balance sheet and are amortized over the term of the franchise agreement of ten years. Amortization is primarily included as commissions in operating expenses in the statement of operations. At December 31, 2020, capitalized costs were \$323,931 and during 2020 \$411,074 had been charged to commissions expense.

(n) Advertising Costs

The Company accounts for franchisee advertising contributions as a component of franchise revenue. The advertising and promotion costs related directly to franchisees are expensed as incurred and are included in cost of revenues in the statement of operations. All general advertising and promotion costs of the Company are allocated as operating expenses in the statements of operations. Advertising expenses that were directly related to revenues and cost of revenues totaled \$553,253, while general advertising and promotion expenses were \$53,164 in 2020.

(o) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(2) Business Combination

Effective April 24, 2020, all of the members interest in the Company was acquired by a new owner. As a result of the acquisition, the Company will have access to additional funding to support the growth of the Company. The Company elected to apply push-down accounting in its separate financial statements.

The goodwill of \$12,819,704 arising from the acquisition consists largely of the synergies and new business development that will result from an injection of additional resources and capital that the new owners can make available to the Company.

The following table summarizes the consideration paid for the members interest and the amounts of the assets acquired and liabilities assumed at the acquisition date. The Company obtained preliminary third-party valuations of certain intangible assets.

Fair value of consideration transferred:	
Cash	\$ 17,500,000
Seller's note payable - at fair value	<u>30,080,950</u>
Total	<u>\$ 47,580,950</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 404,329
Accounts receivable	2,937,934
Notes receivable	1,080,426
Inventories	24,000
Prepaid expenses	136,500
Property and equipment	1,167,420
Identifiable intangible assets	32,527,500
Accounts payable	(2,339,145)
Accrued liabilities	(514,338)
Assumed long-term debt	<u>(663,380)</u>
Total identifiable net assets	34,761,246
Goodwill	<u>12,819,704</u>
Total	<u>\$ 47,580,950</u>

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(2) Business Combination (continued)

During the period from April 25, 2020 to December 31, 2020, a measurement period adjustment was made that reduced notes receivable and increased goodwill by \$629,126.

(3) Intangible Assets and Goodwill

The changes in the carrying amount of goodwill for the period ended December 31, 2020 are as follows:

Balance as of April 25, 2020	\$ 12,819,704
Measurement period adjustment	629,126
Amortization expense	<u>(919,003)</u>
Net as of December 31, 2020	<u>\$ 12,529,827</u>

The changes in the carrying amount of acquired franchise contracts for the period ended December 31, 2020 are as follows:

Balance as of April 25, 2020	\$ 30,401,000
Amortization expense	<u>(2,077,402)</u>
Net as of December 31, 2020	<u>\$ 28,323,598</u>

Estimated amortization expense expected to be charged to operations for each of the next five years is \$4,384,983.

Unamortized intangible assets consist of a trade name in the amount of \$2,126,500.

(4) Long-Term Debt

Long-term debt at December 31, 2020 and April 24, 2020 consists of the following:

	December 31, 2020	April 24, 2020
Note payable to a bank bearing interest at 4.75%; due in monthly installments of \$4,386 including principal and interest, with remaining balance due December 2026; secured by land and building	\$ 646,456	663,380
Less current installments	<u>27,503</u>	<u>26,530</u>
Long-term debt, less current installments	<u>\$ 618,953</u>	<u>636,850</u>

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(4) Long-Term Debt (continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2020 are as follows: 2021, \$27,503; 2022, \$28,858; 2023, \$30,278; 2024, \$31,693; and 2025, \$33,330.

(5) Note to Seller

In connection with the business combination transaction on April 24, 2020, the Company issued a note to the former owner that requires quarterly payments of \$882,353 starting March 31, 2021 and a final payment of \$27,500,000 on March 31, 2025. The note does not state an interest rate and requires payments of all the agreed amounts irrespective of any early payments or settlement. The note is secured by pledge of all the assets of the Company.

The note has been measured based on the present value of expected future cash flows discounted at a rate of 8.3% and consisted of the following at December 31, 2020 and April 24, 2020:

	December 31, 2020	April 24, 2020
Gross quarterly payments over note term	\$ 15,000,000	15,000,000
Lump sum at maturity	27,500,000	27,500,000
	42,500,000	42,500,000
Less debt discount	10,680,666	12,419,050
Fair value of seller's note	31,819,334	30,080,950
Less current payments	3,529,412	882,353
Note payable to seller, net of current maturities and debt discount	\$ 28,289,922	29,198,597

The aggregate maturities of the note to seller for each of the five years subsequent to December 31, 2020 are as follows: 2021, \$3,529,412; 2022, \$3,529,412; 2023, \$3,529,412; 2024, \$3,529,412; and 2025, \$28,382,352.

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(6) Revenue Recognition

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. The following table reflects the change in contract liabilities:

	<u>Contract Liabilities</u>
Balance at inception	\$ -
Increase from franchise fees	1,364,800
Revenue recognized in 2020	<u>(780,000)</u>
Balance at December 31, 2020	<u>\$ 584,800</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2020. The Company has elected to exclude short term contracts, sales and usage based royalties and any other variable consideration recognized on an "as invoiced" basis.

<b>Contract liabilities to be recognized in:</b>	<u>Amount</u>
2021	\$ 129,550
2022	47,020
2023	47,020
2024	47,020
2025	47,020
Thereafter	<u>267,170</u>
Total	<u>\$ 584,800</u>

(7) Management Incentive Plan

RH1 Holdings, LLC ("RH1"), holds 100% of the equity interest in the Company. On April 24, 2020 ("the Grant Date") and indirectly through a member entity of RH1, RH1 granted profit interest awards of Class B and Class C units to senior management of the Company.



**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(7) Management Incentive Plan (continued)

In connection with the management incentive plan of RH1, management has been awarded 12,814 Class B shares and 12,814 Class C shares in RH1. Class B units vest with respect to 25% (1/4th) of the total number of Class B Units granted on each of the first, second, third and fourth anniversaries of the Grant Date. Class C units vest one third (1/3rd) each time a specified financial goal is met. At December 31, 2020 no units were vested and management estimated their fair value to be immaterial.

(8) Related Party Transactions

The Company provides financing for the operations of an affiliated company, BlueFrog Plumbing and Drain, LLC ("BlueFrog"). BlueFrog is also a wholly owned subsidiary of RH1. As of December 31, 2020, the Company had provided support in the amount of \$212,024. In addition, at December 31, 2020 the Company had a balance of \$104,000 for amounts due to RH1. Both of these balances are presented net in due from related parties on the accompanying balance sheet due to the common ownership of the Company and BlueFrog by RH1.

In addition, on April 24, 2020 RH1 entered into a management agreement with an affiliated entity. The agreement calls for \$112,500 quarterly payments as part of the compensation consideration to be paid under the agreement. These payment obligations have been passed on to the Company and BlueFrog. In 2020, the Company incurred and charged \$271,978 to management consulting fee expense under the agreement.

(9) Commitments and Contingencies

The Company is subject to claims and lawsuits that arose primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company. Events could occur that would change this estimate materially in the near term.

(10) Subsequent Events

Through a series of transactions the Company acquired 100% of the membership interest of FranXperts, LLC on February 26, 2021. A portion of the interest was transferred to the Company as an equity contribution while the remaining portion was purchased for cash consideration in the amount of \$1,360,000. FranXperts, LLC owns 100% of the membership interest of TDC Holdings LLC, which owns 100% of the membership interest

**Restoration 1 Franchise Holding, LLC**  
(A Subsidiary of RH1 Holdings, LLC)

Notes to Financial Statements  
(Continued)

(10) Subsequent Events (continued)

of TDC Franchising, LLC. A valuation of the net assets acquired through this business combination has not yet been performed, therefore, the accounting for the business combination has not been completed at the time the financial statements were available to be issued.

On February 12, 2021, the Company acquired the trade names, contractual rights, and intellectual property of The Driveway Company, Inc. for cash consideration of \$600,000.

The Company has evaluated subsequent events from the balance sheet date through March 1, 2021, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

**EXHIBIT F**

**LIST OF CURRENT FRANCHISEES  
AND LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM  
AS OF DECEMBER 31, 2022**

## List of Current Franchisees as of December 31, 2022

	Franchisee	Address	City	State	Zip	Telephone
1.	Restoration 1 of East Alabama Rebrad, Inc. Michael Bauer	1348 Lake Shore Lane	Auburn	AL	36830	334-501-0808
2.	Restoration 1 of Huntsville North Alabama Remediation Services LLC Rick Plourde/Martin Mueller	1608 Lakefront Drive	Huntsville	AL	35824	205-222-0146
3.	Restoration 1 of Wiregrass Area Pristine Enterprises LLC Chad Wise/April Wise	6553 Halcyon Drive	Montgomery	AL	36117	334-547-9503
4.	Restoration 1 of Montgomery Pristine Enterprises LLC Chad Wise, April Wise	6553 Halcyon Drive	Montgomery	AL	36117	334-547-9503
5.	Restoration 1 of Birmingham Kendall Harper Wren Inc. Chad Yeilding	100 Hinds Street	Pelham	AL	35124	205-516-5242
6.	Restoration 1 of Birmingham 2 Kendall Harper Wren, Inc. Chad Yeilding/Teale Yeilding	100 Hinds Street	Pelham	AL	35124	205-516-5242
7.	Restoration 1 of Mobile Restoration Coastal Alabama Corp. Chris Helveston/Leslie Helveston	3384 Hardwood Dr.	Saraland	AL	36571	251-401-1773
8.	Restoration 1 of Panhandle Restoration Coastal Alabaman, Inc. Chris Helveston;Leslie Helveston	3384 Hardwood Dr.	Saraland	AL	36571	251-401-1773
9.	Restoration 1 of Tuscaloosa Superior Touch Inc. Keith Hyche	362 Pineview Drive	West Blocton	AL	35184	205-799-1806
10.	Restoration 1 of Mohave Gary Messer	116 S. 2nd Street	Kingman	AZ	86401	928-279-4036
11.	Restoration 1 of Central Phoenix 3 HBH Restoration LLC Ty Hines, Darrin Baker,Terry Harden	2030 W. Baseline Rd., Suite 182-341	Phoenix	AZ	85041	480-2991551
12.	Restoration 1 of Central Phoenix 3 HBH Restoration LLC Ty Hines, Darrin Baker,Terry Harden	2030 W. Baseline Rd., Suite 182-341	Phoenix	AZ	85041	480-2991551
13.	Restoration 1 of Phoenix HBH Restoration LLC Ty Hines, Darren Baker & Terry Hardin	2030 W Baseline Road Suite 182-341	Phoenix	AZ	85041	480-299-1551
14.	Restoration 1 of Tuscon Gus Maughan	6336 N Oracle #326-327	Tucson	AZ	85737	520-279-7831
15.	Restoration 1 of Tuscon 2 Gus Maughan	6336 N Oracle #326-327	Tucson	AZ	85737	520-279-7831
16.	Restoration 1 of Casa Grande Gus Maughan	6336 N Oracle #326-327	Tucson	AZ	85737	520-279-7831
17.	Restoration 1 of Avondale Plein Investments LLC Jason Plein	4314 S 97th Ave	Tolleson	AZ	85353	623-521-1833

Restoration 1

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	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
18.	Restoration 1 of NW Arkansas R1 of NWA, Inc. Ty Manning	115 Fox Run Circle	Centerton	AR	72719	626-827-4623
19.	Restoration 1 of Irvine Ferrer Corporation Joel Ferrer/Janny Ferrer	36 Kempton	Irvine	CA	92620	720-635-1717
20.	Restoration 1 of Laguna Niguel Ferrer Corporation Joel Ferrer/Janny Ferrer	36 Kempton	Irvine	CA	92620	720-635-1717
21.	Restoration 1 of North Orange, CA Restorations Solutions Inc. Kevin Stout	8 Summerfield	Irvine	CA	92614	949-903-1648
22.	Restoration of Huntington Beach Restoration Solutions Inc. Kevin Stout	8 Summerfield	Irvine	CA	92614	949-903-1648
23.	Restoration 1 of West Orange Restoration Solutions Inc. Kevin Stout	8 Summerfield	Irvine	CA	92614	949-903-1648
24.	Restoration 1 of Corona Measure Group LLC Sandya Kamjula	27762 Antonio Parkway L1-406	Ladera Ranch	CA	92694	800- 520-8003
25.	Restoration 1 of Orange County Measure Group LLC Sandya Kamjula	27762 Antonio Parkway L1-406	Ladera Ranch	CA	92694	800- 520-8003
26.	Restoration 1 of South Bay Tod and Karen Yamamoto	29413 Quailwood Drive	Rancho Palos Verdes	CA	90275	310-929-1033
27.	Restoration 1 of Foot Hills Bryan Casey	142 E Bonita Avenue	San Dimas	CA	91773	909-456-4515
28.	Restoration 1 of Beaumont Ron Bierma	871 W 4th Suite Unit A	Beaumont	CA	92223	951- 500-1553
29.	Restoration 1 of Canoga Park M&J Restoration LLC Marilyn Esaei/John Farhad	22451 Roscoe Blvd	West Hills	CA	91302	818-312-5305
30.	Restoration 1 of San Mateo BKK Enterprises LLC Brian/Charlene Kious	853 Woodside Way#137	San Mateo	CA	94401	650-922-7407
31.	Restoration 1 of West Hollywood Kimberly Cioulatti	733 N Kings Rd #108	West Hollywood	CA	90069	949-566-1346
32.	Restoration 1 of Loveland/Greely David Nugent <sup>1</sup>	727 W. Park Street	Butte	MT	59701	985-768-0247
33.	Restoration 1 of Fort Collins David Nugent <sup>1</sup>	727 W. Park Street	Butte	MT	59701	985-768-0247
34.	Restoration 1 of Colorado Springs Lance Ray	#E3945 N. Academy	Colorado Springs	CO	80091	800-773-4964
35.	Restoration 1 of West Denver Genesee Restoration Inc. Micah Jefferson	15704 W. 6th Avenue	Golden	CO	80401	303-810-1622
36.	Restoration 1 of West Denver 2 Micah Jefferson Genesee Restoration Inc.	15704 W. 6th Avenue	Golden	CO	80401	303-810-1622

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
37.	Restoration 1 of West Denver 3 Genesee Restoration Inc. Micah Jefferson	15704 W. 6th Avenue	Golden	CO	80401	303-810-1622
38.	Restoration 1 of Western Colorado Colorado Warners LLC Tadd Warner	2862 ½ Road	Grand Junction	CO	81506	970-261-5071
39.	Restoration 1 of Central Denver Jrust Ventures LLC John Rust JRust Ventures, Inc.	7255 W. Evans Ave	Lakewood	CO	80227	720-524-4680
40.	Restoration 1 of Littleton Anchor Restoration Services Inc. George Lilya	10638 Briarglen Circle	Littleton	CO	80130	720-724-1418
41.	Restoration 1 of Flatirons Restoration One of Flatirons LLC Brad Anderson	224 Sugarbin Ct	Longmont	CO	80501	720-442-2700
42.	Restoration 1 of Boulder Restoration One of Flatirons LLC Brad Anderson	224 Sugarbin Ct	Longmont	CO	80501	720-442-2700
43.	Restoration 1 of Burlington Steve Flower	6 Merrit Woods	Burlington	CT	06013	860-534-0131
44.	Restoration 1 of East Hartford Karton LLC Kareen Belin/Tazia Belin	6 Rondy L	East Hartford	CT	06108	806- 305-3444
45.	Restoration 1 of Southern Connecticut Thomas O'Hara	70 High Rock Road	Newtown	CT	06482	914-714-2026
46.	Restoration 1 of Fairfield Rufino Gonzalez	54 Research Drive	Stamford	CT	06906	888-470-7540
47.	R1 of Washington DC 1 Hidden Oak Ventures, Inc. Michael Coates	611 Pennsylvania Ave. SE #216	Washington District of Columbia	-	20003	202-725-1535
48.	R1 of Washington DC 2 Hidden Oak Ventures, Inc. Michael Coates	611 Pennsylvania Ave. SE #216	Washington District of Columbia	-	20003	202-725-1535
49.	Restoration 1 of Tampa Adams Enterprises of Florida, Inc. Dave Adams	867 W. Bloomingdale Avenue	Brandon	FL	33511	813-774-1998
50.	Restoration 1 of Sarasota Adams Enterprises of Florida, Inc. Dave Adams	867 W. Bloomingdale Avenue	Brandon	FL	33511	813-774-1998
51.	Restoration 1 of Doral Danny Reyes	8200 NW 41 <sup>st</sup> Street #200	Doral	FL	33166	786-775-0360
52.	Restoration 1 of Southwest Florida 1 Restoration One of Southwest Florida, Inc. Tim Downs	23590 Alamanda Drive, Unit 203	Estero	FL	34135	239-398-0064
53.	Restoration 1 of Southwest Florida 2 Restoration One of Southwest Florida, Inc. Tim Downs	23590 Alamanda Drive Unit 203	Estero	FL	34135	239-398-0064

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
54.	Restoration 1 of Southwest Florida 3 Restoration One of Southwest Florida, Inc. Tim Downs	23590 Alamanda Drive Unit 203	Estero	FL	34135	239-398-0064
55.	Restoration 1 of Miami Restoration 1 of Miami Inc. Tamas Krisztian & Andor Kovacs	1001 N. Federal Highway Suite 246	Hallandale	FL	33309	305-283-8541
56.	Restoration 1 of Bradenton Kovacs Enterprise II LLC Kevin Kovacs	6528 Central Ave, STE A	Saint Petersburg	FL	33707	941- 538-2100
57.	Restoration 1 of Boca Raton TD Restore NB LLC Tamas Krisztian & David Pagan	12078 Miramar Parkway	Miramar	FL	33025	888-606-2623
58.	Restoration 1 of Melbourne TKDPJJ LLC Tamas Krsztian, David Pagain	12078 Miramar Pkwy	Mirarmar	FL	33025	305-619-4995
59.	Restoration 1 of Miami 2 Tamas Krisztian/David Pagan	12078 Miramar Parkway	Miramar	FL	33025	305- 619-4995
60.	Restoration 1 of South Florida TD Restore SB LLC Tamas Krisztian & David Pagan	12078 Miramar Parkway	Miramar	FL	33025	888-509-9228
61.	Restoration 1 Parkland TD Restore SB LLC Tamas Krisztian	12078 Miramar Parkway	Miramar	FL	33025	888-606-2623
62.	Restoration 1 of Daytona Beach Beebe Enterprises Inc. Michael Beebe	250 Palm Coast Pkwy NE, Suite 607	Palm Coast	FL	32137	386-931-1202
63.	Restoration 1 of Port St. Lucie Restoration 1 of Port St. Lucie LLC Joel Johnson & Tamas Krisztian Joel Johnson	679 SW Sea Holly Terrace	Port St. Lucie	FL	34984	772-577-9388
64.	Restoration 1 of St. Augustine Beebe Enterprises Inc. Michael Beebe	250 Palm Coast Pkwy NE, Suite 607	Palm Coast	FL	32137	386-931-1202
65.	Restoration 1 of West Palm Beach Tamas Kristian	8060 Belvedere Road	West Palm Beach	FL	33411	888-501-2108
66.	R1 of Northern Melbourn TTK & JAJ LLC Tamas Krisztian/Joel Johnson	574 SE Penn Ave,	Port St. Lucie	FL	34984	305-619-4995
67.	R1 of Coastal Jacksonville Restoration One of Coastal Jacksonville LLC Raymond/Ashly Shingler	114 August St	Simons	FL		678- 646-1926
68.	Restoration 1 of St. Petersburg/Clearwater 1 Kovacs Enterprise II LLC Kevin Kovacs	6528 Central Ave, STE A	Saint Petersburg	FL	33707	941- 538-2100
69.	Restoration 1 of St. Petersburg/Clearwater 2 Kovacs Enterprise II LLC Kevin Kovacs	6528 Central Ave, STE A	Saint Petersburg	FL	33707	941- 538-2100

Restoration 1

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	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
70.	Restoration 1 of Sanford Chad Vance	20056 PeaBody St.	Orlando	FL	32833	412-638-1206
71.	Restoration 1 of JohnsCreek-Alpharetta- North Atlanta Restoration, LLC Rob Horstman/Moses Shantzer	12850 Hwy 9 N. Suite 600-126	Alpharetta	GA	30004	800-358-7571
72.	Restoration 1 of North Atlanta North Atlanta Restoration, LLC Rob Horstman/Moses Shantzer	12850 Hwy 9 N. Suite 600-126	Alpharetta	GA	30004	800-358-7571
73.	R1 of Chattahoochee Valley Rebrad, Inc. Mike Bauer	1348 Lake Shore Lane,	Auburn	GA	36830	334-501-0808
74.	Restoration 1 of North Georgia North Atlanta Restoration, LLC Rob Horstman/Moses Shantzer	12850 Hwy 9 N. Suite 600-126	Alpharetta	GA	30004	800-358-7571
75.	Restoration 1 of McDonough Rick McKenzie	414 Goza Road	Fayetteville	GA	30215	770-468-1783
76.	Restoration 1 of Peachtree Craig Neilsen	570 Birkdale Drive	Fayetteville	GA	30215	800-656-7781
77.	Restoration 1 of Metro Atlanta 1 Prism Point Consulting Group Inc. Bryan Ligman	2598 Eastover Court	Marietta	GA	30068	678-641-9085
78.	Restoration 1 of Metro Atlanta 2 Prism Point Consulting Group Inc. Bryan Ligman	2598 Eastover Court	Marietta	GA	30068	678-641-9085
79.	Restoration 1 of Augusta Doak Enterprise LLC AJ Doak	3835 Forest Creek Way	Martinez	GA	30907	706-564-9629
80.	Restoration 1 of Savannah Doak Two Enterprise LLC AJ Doak	260 Park Ave.	Pooler	GA	31322	706 564-9629
81.	Restoration 1 of Coastal Georgia Restoration One of Coastal Georgia Raymond Shingler/Ashly Shingler	114 Augusta	St. Simons	GA	31522	678- 646-1926
82.	Restoration 1 of Marietta Trevon Mathews	0038 Harmon Springs Drive	Villa Rica	GA	30180	803-467-7724
83.	Restoration 1 of Boise Ryan Baker	1322 N. Gage Lance	Nampa	ID	83687	208- 697-7324
84.	Restoration 1 of Nampa Ryan Baker	1322 N. Gage Lance	Nampa	ID	83687	208- 697-7324
85.	Restoration 1 of Cary L & L Restoration, LLC Carrie Turner & Joe Turner	6 Crofton Court	Cary	IL	60013	517-410-2706
86.	Restoration 1 of Cary 2 L & L Restoration, LLC Carrie Turner & Joe Turner	6 Crofton Court	Cary	IL	60013	517-410-2706
87.	L & L Restoration, LLC R1 of Cary 3 Carrie Turner/Joe Turner	6 Crofton Court	Cary	IL	60013	847-264-4664



	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
88.	Restoration 1 of Chicago Southland 1 Restore Twenty Four, Corp. Daniel/Donna Donohue	16526 W Montauk Dr.	Lockport	IL	60441	708-785-5435
89.	R1 of Chicago North Shore Brookbank Partners, Inc. Kevin Ramirez/Kristi Ramirez	5566 Brookbank Ln	Longrove	IL	60047	847-830-6080
90.	Restoration 1 of Chicago Southland 2 Restore Twenty Four, Corp. Daniel/Donna Donohue	16526 W Montauk Dr.	Lockport	IL	60441	708-785-5435
91.	Restoration 1 of Fox Valley 1 Excelsior Worldwide LLC Mark Sandstrom	457 Greenview Lane	Oswego	IL	60543	847-571-8564
92.	Restoration 1 of Fox Valley 2 Excelsior Worldwide LLC Mark Sandstrom	457 Greenview Lane	Oswego	IL	60543	847-571-8564
93.	Restoration 1 of Fox Valley 3 Excelsior Worldwide LLC Mark Sandstrom	457 Greenview Lane	Oswego	IL	60543	847-571-8564
94.	Excelsior Worldwide, LLC R1 of Fox Valley 4 Mark Sandstrom	457 Greenview Lane	Oswego	IL	60543	847-571-8564
95.	Urgence Corporation R1 of Waukegan Leo Prozument	2759 N. Delany Rd.	Waukegan	IL	60087	847-778-4647
96.	Restoration 1 of Chicago Lincoln Park Paul Glendenning	1260 Oak Street	Winnetka	IL	60093	312-802-6218
97.	Restoration 1 of Fox Valley 5 Excelsior Worldwide LLC Mark Sandstrom	457 Greenview Lane	Oswego	IL	60543	847-571-8564
98.	Restoration 1 of Chicago Northshore 2 Brookbank Partners, Inc. Kevin/Kristi Ramirez	655 Rockland Rd., Suite 104	Lake Bluff	IL	60044	847-830-6080
99.	Restoration 1 of Evansville Evansville Restoration LLC Matt Bates	5444 E Indiana Street Suite 205	Evansville	IN	47715	812-589-0201
100.	Restoration 1 of Michiana Jeff Patcheak	2113A Cambridge Drive	Goshen	IN	46258	844 522-7500
101.	Restoration 1 of Greater Indianapolis Jason Pelcha	2704 Winding Creek Lane	Greenfield	IN	46140	317-468-9205
102.	Restoration 1 of Hamilton Faith Restored Incorporated Shadd Cullen	09 Dry Run	Noblesville	IN	46060	317-771-3365
103.	Restoration 1 of Hamilton 2 Faith Restored Incorporated Shadd Cullen	09 Dry Run	Noblesville	IN	46060	317-771-3365
104.	Restoration 1 of Fort Wayne Premer Contracting & Restoration, Inc. Jeff Premer	1735 Brook Court	Ossian	IN	46777	260-348-0461
105.	Restoration 1 of Bluffton Matt/Kimberly Christman	2170 W 400 N-90	Markle	IN	46770	260-224-4417
106.	Restoration 1 of Eastern Iowa LRK Enterprises Inc. Larry Kovarik	1750 41st Street	Marion	IA	52302	319-929-2972

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
107.	Duty Calls, LLC R1 of Des Moines Claire Meysenburg Smith Rebecca Gibson	1432 Prairie Ridge Dr.	Polk City	IA	50226	515-480-7169
108.	Restoration 1 of Overland Park <sup>2</sup> Restore Midwest Inc. Ryan Ulrich	304 E. 66th Street	Kansas City	MO	64113	816-885-7059
109.	Restoration 1 of Lexington LPM LLC Logan Davis, Paul Marshall	2048 The Woods Lane	Lexington	KY	40252	859-806-2168
110.	Restoration 1 of Baton Rouge East DBM Restoration LLC David Hofstetter	10561 Creek Haven	Denham Springs	LA	70726	985-516-6841
111.	Restoration 1 of Lake Charles South LA Restoration Services, LLC Christopher Hugh Irwin Kevin Dufrene	8026 Lake St, Lake Charles	Lake Charles	LA	70605	337-240-9644
112.	Restoration 1 of Lafayette Drake Bajat	486 Napoleon Ave.	Sunset	LA	70584	337-319-0742
113.	Restoration 1 of Columbia College Park Compass Keel LLC Christopher John Zahlis	9503 Gray Mouse Way	Columbia	MD	21046	202-262-9768
114.	Restoration 1 of Central Maryland Ajcet Restoration Services, LLC Anthony Lioi	1912 Liberty Road #29	Edersburg	MD	21784	443-250-6775
115.	Restoraton 1 of Southwest Maryland Anthony Lioi	1912 Liberty Road Suite 29	Edersburg	MD	21784	443-915-2900
116.	Restoration 1 of West Maryland Anthony Lioi	1912 Liberty Road Suite 29	Edersburg	MD	21784	443-915-2900
117.	Restoration 1 of East Maryland Anthony Lioi	1912 Liberty Road Suite 29	Edersburg	MD	21784	443-915-2900
118.	AJCET Restoration Services, LLC R1 of Northern Anthony Lioi	1912 Liberty Road Suite 29	Edersburg	MD	21784	443-915-2900
119.	Restoration 1 of Everett 1 Duwall LLC Kishor Duwal	32 Fairmont St. Unit 2	Malden	MA	02148	617-340-2900
120.	Restoration 1 of Everett 2 Duwall LLC Kishor Duwal	32 Fairmont St. Unit 2	Malden	MA	02148	617-340-2900
121.	Restoration 1 of The South Shore Bridgeman Remediation of the South Shore Corporation Mike Bridgeman	43 Otis Place	Scituate	MA	02066	781-738-5675
122.	Restoration 1 of Cape Cod Cape Cod Mitigation LLC Ryan Klis	35 Rosebrook Way,	Wareham	MA	02571	631-375-2633
123.	Restoration 1 of Springfield Robert Couture	226 Pearl Street Unit 1L	Springfield	MA	01105	310-922-5436
124.	Restoration 1 of Metro Detroit 1 A2 Supply Chain Services Chris Kushmaul	1355 Ardmoor Avenue	Ann Arbor	MI	48103	734-834-1963

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
125.	Restoration 1 of Metro Detroit 2 A2 Supply Chain Services, LLC Chris Kushmaul	1355 Ardmoor Avenue	Ann Arbor	MI	48103	734-834-1963
126.	A2 Supply Chain Services LLC Restoration 1 of Metro Detroit 3 Chris Kushmaul	1355 Ardmoor Avenue	Ann Arbor	MI	48103	734-834-1963
127.	Williams Restoration Services, LLC R1 of Clinton Township Timothy Williams	37916 Mulberry Street	Clinton Township	MI	48036	586-222-7402
128.	R1 of Grand Rapids RNC Ventures, LLC Ryan Cole	2331 Knapp Forest Ct NE	Grand Rapids	MI	49525	734-717-1454
129.	BURLEY INDUSTRIES OF HARTLAND INC. R1 of Hartland Michigan Russ Burley	11165 Hibner Rd.	Hartland	MI	48353	248-762-5396
130.	Restoration 1 of Ann Arbor 1 Ashes Inc. Udhav Doctor	5057 Grande View Lane	Jackson	MI	49201	517-499-4656
131.	Restoration 1 of Western Michiana Restoration Western Michiana, LLC Steve Silvey	5707 Red Arrow Highway, #210	Stevensville	MI	49127	312-560-2799
132.	Restoration 1 of East Oakland County JDAC Enterprises LLC Jeff Stevenson	6578 Valley Forge Drive	Washington	MI	48094	586-531-8138
133.	Restoration 1 of Macomb JDAC Enterprises, LLC Jeff Stevenson	6578 Valley Forge Drive	Washington	MI	48094	586-531-8138
134.	Restoration 1 of Ann Arbor 2 Ashes Inc. Udhav Doctor/Chris Davis	5057 Grande View Lane	Jackson	MI	49201	517-499-4656
135.	Restoration 1 of Lake Shore Michael O'Connor	2763 Fairfield Drive	Zeeland	MI	49464	616-322-5892
136.	Restoration 1 of Minneapolis North Open Door for Growth Inc. David Tynes	3626 3 <sup>rd</sup> Avenue S	Minneapolis	MN	55409	202-445-8588
137.	Restoration 1 of Minneapolis Southeast Open Door for Growth Inc. David Tynes	3626 3 <sup>rd</sup> Avenue S	Minneapolis	MN	55409	202-445-8588
138.	Restoration 1 of Minneapolis Southwest Open Door for Growth Inc. David Tynes	3626 3 <sup>rd</sup> Avenue S	Minneapolis	MN	55409	202-445-8588
139.	Restoration 1 of Park Rapids McBrady Restoration, LLC Patrick McBrady	19018 159 <sup>th</sup> Avenue	Park Rapids	MN	56470	218-616-4074
140.	Blue Ocean Growth Corporation Restoration 1 of Minnetonka Steve Elliot	1400 Baldur Park Road,	Wayzata	MN	55391	952-210-2655

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
141.	Restoration 1 of Gulfport Atwood Restoration, LLC Pete Atwood	13727 Chase Meadow Way	Gulfport	MS	39503	601-663-9805
142.	Restoration 1 of Hattiesburg Atwood Restoration LLC Pete Atwood	13727 Chase Meadow Way	Gulfport	MS	39503	601-663-9805
143.	Restoration 1 of Greater Jackson Brad Jeffries	5366 Hartsdale Drive	Jackson	MS	39211	662-312-9661
144.	Restoration 1 of Jackson Brad Jeffries	5366 Hartsdale Drive	Jackson	MS	39211	662-312-9661
145.	Restoration 1 of Kansas City Restore Midwest Inc. Ryan Ulrich	304 E. 66 <sup>th</sup> Street	Kansas City	MO	64113	816-885-7059
146.	Restoration 1 of St. Louis South, MO <sup>3</sup> Ryan Shaner	118 Cowans Street	Lowell	AR	72745	479-715-2557
147.	Restoration 1 of Central St. Louis R3 Midwest LLC Jim Rogers	4941 Tholozan Ave	St. Louis	MO	63109	314-397-0573
148.	Restoration 1 of St. Charles Daniel Robinett	1386 S Lake Sherwood Dr.	Marthasville,	MO	63357	636-896-5472
149.	Restoration 1 of North Kansas City Garfield Stewart	1085 Brookdale Avenue	Bayshore	MO	11706	646-413-3057
150.	Restoration 1 of Omaha Nathan Robinson	3717 South 114 <sup>th</sup> Street	Omaha	NE	68144	402-403-4148
151.	Restoration 1 of Windam Jeremy/Amy Chouinard JAY7AMY LLC	24 Simpson Road	Windham	NH	03087	603-318-3600
152.	Restoration 1 of Greater Vegas Ron Powell & Carl Bassett	10504 Regal Stallion Avenue	Las Vegas	NV	89135	702-701-2445
153.	Restoration 1 of Henderson Ron Powell & Carl Bassett	10504 Regal Stallion Avenue	Las Vegas	NV	89135	702-701-2445
154.	Restoration 1 of North Vegas Ron Powell & Carl Bassett	5150 Smoke Ranch Road	Las Vegas	NV	89108	702-354-0332
155.	Restoration 1 of Hunterdon County Restoration 1 Hunterdon County LLC Jovanny Galarza and Darric Mitchell	15 Minneakoning Road #307	Flemington	NJ	08822	908-328-4205
156.	Restoration 1 of Ocean City Darric Mitchell	4 Springbrook Drive	Jacksonville	NJ	08527	800-829-9661
157.	Restoration 1 of Freehold, NJ Restoration 1 of Freehold, LLC Dameion Simon & Darric Mitchell	90 East Cherry Street	Rahway	NJ	07065	973-580-3822
158.	Restoration 1 of Summitt Darric Mitchell	173 Green Pond Road	Rockaway	NJ	07866	973-897-4869
159.	Restoration 1 of Burlington County Darric Mitchell	173 Green Pond Road	Rockaway	NJ	07866	973-897-4869
160.	Restoration 1 of Bergen Darric Mitchell	173 Green Pond Road	Rockaway	NJ	07866	973-897-4869
161.	Restoration 1 of Morris County Restoration 1 of Morris County LLC Darric Mitchell	P.O. Box 555	Succasunna	NJ	07876	973-897-4863

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
162.	Restoration 1 of South Brooklyn JMA General Services, Inc. Joe Ragusa	2269 E 74th St.	Brooklyn	NY	11234	917-417-8584
163.	Restoration 1 of Capital Region West Sky Enterprises LLC Daryl Menton	5 West Sky Lane	Clifton Park	NY	12065	518-817-9915
164.	Restoration 1 of Capital Region 2 West Sky Enterprises LLC Daryl Menton	5 West Sky Lane	Clifton Park	NY	12065	518-817-9915
165.	Restoration 1 of Westchester Gleeson Brothers LLC Derek Gleeson	33 Stewart Place	Eastchester	NY	10709	855-620-0978
166.	Restoration 1 of Long Island Coast 2 Coast Restoration, LLC Robert A. Lee, Jr. <sup>7</sup>	3505 Veterans Memorial Hwy, Suite E	E. Ronkonkoma	NY	11779	516-903-6400
167.	Restoration 1 of East End Coast 2 Coast Restoration, LLC Robert A. Lee, Jr. <sup>7</sup>	3505 Veterans Memorial Hwy, Suite E	E. Ronkonkoma	NY	11779	516-903-6400
168.	Restoration 1 of Queens Coast 2 Coast Restoration, LLC Robert A. Lee, Jr. <sup>7</sup>	3505 Veterans Memorial Hwy, Suite E	E. Ronkonkoma	NY	11779	516-903-6400
169.	Restoration 1 of Nassau Coast 2 Coast Restoration, LLC Robert A. Lee, Jr. <sup>7</sup>	3505 Veterans Memorial Hwy, Suite E	E. Ronkonkoma	NY	11779	516-903-6400
170.	Restoration 1 of Manhattan Coast 2 Coast Restoration, LLC Robert A. Lee, Jr. <sup>7</sup>	3505 Veterans Memorial Hwy, Suite E	E. Ronkonkoma	NY	11779	516-903-6400
171.	Restoration 1 of Suffolk County Long Island Restoration LLC Ryan Klis	5 Rumford Road	Kings Park	NY	11754	631-375-2633
172.	Restoration 1 of Suffolk County 2 Long Island Restoration LLC Ryan Klis	5 Rumford Road	Kings Park	NY	11754	631-375-2633
173.	Restoration 1 of New Rochelle Jason Rudolph	189 Sutton Manor Rd	New Rochelle	NY	10801	914-403-7847
174.	Restoration 1 of Hudson Valley Mike Sozzo	59 Traver Rd.	Pleasant Valley	NY	12569	845-204-5820
175.	Restoration 1 of Staten Island JMA General Services Inc. Joe Ragusa	2269 E 74th St.	Brooklyn	NY	11234	917-417-8584
176.	Restoration 1 of Wilmington Mimosa Lakes, LLC Edwin (“Tripp”) Smith III & Candace (“Candy”) Phillips	107 Island Mimosa Drive	Carolina Beach	NC	28428	910-458-4313
177.	Restoration 1 of Gastonia Robert Kraft	8725 Artesa Mill Lane,	Charlotte	NC	28214	704-330-9795
178.	Restoration 1 of Charlotte Robert Kraft	8725 Artesa Mill Lane,	Charlotte	NC	28214	704-330-9795
179.	Restoration 1 of Greater Charlotte 2 R&D Restoration, LLC Ronnie Jones	1209 Delaney Drive	Weddington	NC	28104	305-979-9799

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
180.	Restoration 1 of Greater Charlotte 3 R&D Restoration, LLC Ronnie Jones	1209 Delaney Drive	Weddington	NC	28104	305-979-9799
181.	Restoration 1 of Greater Charlotte4 R&D Restoration, LLC Ronnie Jones	1209 Delaney Drive	Weddington	NC	28104	305-979-9799
182.	Restoration 1 of Asheville TJ Restoration Group, LLC Restoration 1 of Greenville Jozsef Nagy, Andrew Snyder 4	107 Sunbelt Court #	Greer	SC	29650	864-520-3527
183.	Restoration 1 of Durham-Burlington Michael Lee Restoration Inc. Todd Harris	8327 Amador Way	Raleigh	NC	27616	503-476-4499
184.	Restoration 1 of Raleigh North Michael Lee Restoration Inc. Todd Harris	10120 Durant Road	Raleigh	NC	27614	919-813-6101
185.	Restoration 1 of Greater Charlotte R&D Restoration, LLC Ronnie Jones	1209 Delaney Drive	Weddington	NC	28104	305-979-9799
186.	R1 of Winston-Salem R&D Restoration, LLC Ronnie Jones	1209 Delaney Drive	Weddington	NC	28104	305-979-9799
187.	Restoration 1 of NC Coastal Plains Spinelli and Cline Enterprises, Inc. Mike Spinell & Diane Cline	1701 Iron Mill Drive	Wendall	NC	27591	910-990-0724
188.	Restoration 1 of Northeast Ohio 1 Michael Macchio	6635 Harbor Drive Northwest	Canton	OH	44718	516-660-8642
189.	Restoration 1 of Northeast Ohio 2 Michael Macchio	6635 Harbor Drive Northwest	Canton	OH	44718	516-660-8642
190.	Restoration 1 of Northeast Ohio 3 Michael Macchio	6635 Harbor Drive Northwest	Canton	OH	44718	516-660-8642
191.	Restoration 1 of Northeast Ohio 4 Michael Macchio	6635 Harbor Drive Northwest	Canton	OH	44718	516-660-8642
192.	Restoration 1 of Dayton West James Blagg	9377 Avingnon Way	Dayton	OH	45458	423-716-3108
193.	Restoration 1 of Greater Columbus HGI Industries LLC Michael/Danielle Conrad	3042 Wynridge Court,	Grove City	OH	43123	614 657-1009
194.	Restoration 1 of Ohio KSE LLC Ken Sellers, Ricky Heflin	306 Countryside Drive	Lebanon	OH	45036	800-835-4802
195.	H.P. Brooks Jr. Enterprises, LLC R1 of Northeast Columbus Howard Brooks	7649 Pleasant Colony Ct	Lewis Center	OH	43035	614-531-3588
196.	Restoration 1 of Toledo CJLP LLC Curtis Miller, Jeremy Upton	5620 Waterville Monclova Road	Monclova	OH	43452	419-392-4969

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
197.	Restoration 1 of Tulsa Lambert Restoration and Construction Services, LLC Adam Lambert	7246 S Pittsburg Avenue	Tulsa	OK	74136	918-348-2636
198.	Restoration 1 of Tulsa 2 Lambert Restoration and Construction Services, LLC Adam Lambert	7246 S Pittsburg Avenue	Tulsa	OK	74136	918-348-2636
199.	Restoration 1 of Oklahoma City Benobe Corp. Daniel Berry	10024 Volare Drive	Yukon	OK	73099	405-496-5812
200.	Restoration 1 of Redlands Benobe Corp Daniel Berry	10024 Volare Drive	Yukon	OK	73099	844-657-3781
201.	Restoration 1 of Multnomah County Bridgeport Restorations LLC Terry Harden	15615 SW 74 <sup>th</sup> Avenue, Suite 100 15655 SW 74 <sup>th</sup> Avenue, Suite 230	Tigard	OR	97224	971-276-6661
202.	Restoration 1 of Portland Bridgeport Restoration LLC Ty Hines	15615 SW 74 <sup>th</sup> Avenue Suite 100	Tigard	OR	97224	971-276-6661
203.	Restoration 1 of Washington County Safeguard Property Services LLC Ty Hines & Chanelle Hines	30920 SW Willamette Way W.	Willsonville	OR	97070	971-276-6661
204.	Restoration 1 of LeHigh Valley AL-WJS Restoration Services LLC Anthony Lioi <sup>5</sup>	1912 Liberty Road, Suite 29	Eldersburg	MD	21784	443-915-2900
205.	Restoration 1 of Chester County FinchN.Co LLC Michael Vincke	661 Weadley Rd.	Radnor	PA	19087	610-686-3101
206.	Restoration 1 of Delaware County FinchN.Co LLC Michael Vincke	661 Weadley Rd.	Radnor	PA	19087	610-686-3101
207.	Restoration 1 of Bucks County CBOAG Inc. Christopher Boag	921 W Bristol Road	Warminster	PA	18974	215-906-7049
208.	Restoration 1 of PennMar OLAOGHAIRE Enterprises Inc. Ryan O'Leary	11720 Kendallwood Circle	Waynesboro	PA	17268	301-660-0328
209.	R1 of Eastern PA 1 Restoration Services of Eastern Pennsylvania, LLC Brian Bromberg/Saed Kahlil/Adil Ali/Erin Schlacter	527 Heritage Oak DR	Yardly	PA	19067	215-626-1822
210.	R1 of Eastern PA 2 Restoration Services of Eastern Pennsylvania, LLC Brian Bromberg/Saed Kahlil/Adil Ali/Erin Schlacter	527 Heritage Oak DR	Yardly	PA	19067	215-626-1822

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
211.	Restoration 1 of Middletown Hutch Hillebert	308 Caravan Ct.	Middletown	PA	17057	703-598-8222
212.	Restoration 1 of Rhode Island 1 Nickolas Adekomaya	15 Division Street	East Greenwich	RI	02818	401 744-1432
213.	Restoration 1 of Rhode Island 2 Nickolas Adekomaya	15 Division Street	East Greenwich	RI	02818	401 744-1432
214.	Restoration 1 of Rhode Island 3 Nickolas Adekomaya	15 Division Street	East Greenwich	RI	02818	401 744-1432
215.	Restoration 1 of Greenville Restoration 1 of Greenville LLC Jozsef Nagy	107 Sunbelt Court #7	Greer	SC	29650	864-520-3527
216.	Restoration 1 of Low County Low Country Restoration Services, LLC Von Reagan	3995 Christopher Street	North Charleston	SC	29405	843- 991-0717
217.	Restoration 1 of Savannah Doak Two Enterprise LLC AJ Doak <sup>6</sup>	260 Park Ave.	Pooler	GA	31322	706 564-9629
218.	Restoration 1 of Horry County Restoration Now Inc. Jake Gervin	232 Clovis Circle	Myrtle Beach	SC	29579	866-222-0626
219.	Restoration 1 of Low County Low Country Restoration Services, LLC Von Reagan	3995 Christopher Street	North Charleston	SC	29405	843- 991-0717
220.	Low Country Restoration Services LLC Restoration 1 of Summerville Von Reagan	3995 Christopher Street,	North Charleston	SC	29405	843-991-0717
221.	Restoration 1 of Siouxland Beau Erickson	608 Prairie Blvd.	Dakota Dunes	SD	57049	712-253-5727
222.	Restoration 1 of Greater Memphis Zak Smith/ Keith Smith	3688 Brial Trail Cove	Bartlet	TN	38135	901-497-4056
223.	Restoration 1 of Nashville, East, TN Novum LLC Jerre Richards	6006 Manassas Court	Brentwood	TN	37072	615-678-7883
224.	Restoration 1 of Nashville, South, TN Novum LLC Jerre Richards	6006 Manassas Court	Brentwood	TN	37072	615-678-7883
225.	Restoration 1 of Nashville, Southwest, TN Novum LLC Jerre Richards	6006 Manassas Court	Brentwood	TN	37072	615-678-7883
226.	Restoration 1 of Knoxville Jude Thaddeus Inc. Thomas Riordan	1028 Greenwich Drive	Maryville	TN	37803	847-770-3076
227.	Restoration 1 of Murfreesboro R1 of Middle TN, Inc. Jim Nephew, Charles Presley & Mona Presley	2222 General Raines Drive	Murfreesboro	TN	37129	615-849-7352
228.	Restoration 1 of Athens R1 of Middle TN, Inc. Jim Nephew, Charles Presley & Mona Presley	2222 General Raines Drive	Murfreesboro	TN	37129	615-809-5823

Restoration 1

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1506.004.003/385174



	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
229.	Restoration 1 of Chattanooga R1 of Middle TN, Inc. Jim Nephew, Charles Presley & Mona Presley	2222 General Raines Drive	Murfreesboro	TN	37129	615-809-5823
230.	Restoration 1 of Johnson City Andrew Snyder	44 Laurel Creek Drive	Hendersonville	TN	28792	828-606-0463
231.	Restoration 1 of Central Texas Massburr LLC Alfonso Masso & Francisco Burciago	4809 Virginia Dare Lane	Austin	TX	78754	800-465-7305
232.	Restoration 1 of Round Rock Massburr LLC Francisco Burciago & Alfonso Masso	4809 Virginia Dare Lane	Austin	TX	78754	915-540-2841
233.	Restoration 1 of West Austin Massbur LLC Alfonso Masso, Francisco Burciago	4809 Virginia Dare Lane	Austin	TX	78754	800-465-7305
234.	Restoration 1 of Central San Antonio Trio Construction LLC Andres Cardenas	6448 E Hwy 290 suite c110	Austin	TX	78723	210-455-1330
235.	Restoration 1 of Texas Hill Country Hill Country Restoration Inc. Adam Blackler	2613 Comal Springs	Canyon Lake	TX	78133	830-776-2111
236.	Restoration 1 of San Antonio Northside Hill Country Restoration Inc. Adam Blackler	2613 Comal Springs	Canyon Lake	TX	78133	830-776-2111
237.	Restoration 1 of San Antonio West Hill Country Restoration Inc. Adam Blackler	2613 Comal Springs	Canyon Lake	TX	78133	830-776-2111
238.	Restoration 1 of East Round Rock Mike Wells	1408 Cedar Crest	Cedar Park	TX	78613	512-686-4589
239.	R1 BCS, Inc. Restoration 1 of Bryan and College Station Jeff McCoy	1216 Roanoke Ct,	College Station	TX	77845	979-220-8239
240.	Restoration 1 of North Dallas BackNine, Inc. David Rizos	4820 Bellerive Drive	Dallas	TX	75728	214-797-2950
241.	Restoration 1 of Plano BackNine, Inc. David Rizos	4820 Bellerive Drive	Dallas	TX	75728	214-797-2950
242.	Restoration 1 Denton County, TX Joshua 19, Inc. Paul Lewis	1800 Placitas Trail	Fort Worth	TX	76131	817-805-6085
243.	Restoration 1 of North Fort Worth Joshua 19 Inc. Paul Lewis	1800 Placitas Trail	Fort Worth	TX	76131	888-750-6065
244.	Restoration 1 of Arlington 11th hour Laborer LLC John Yerby	1251 William D Tate Unit 176	Grapevine	TX	76051	817-980-3332
245.	Restoration 1 of Fort Worth 11th hour Laborer LLC John Yerby	1251 William D Tate Unit 176	Grapevine	TX	76051	817-980-3332

Restoration 1

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	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
246.	Restoration 1 of Mid Cities 11th hour Laborer LLC John Yerby	1251 William D Tate Unit 176	Grapevine	TX	76051	817-980-3332
247.	Restoration 1 of S. Dallas 11th Hour Laborer LLC John Yerby	1251 William D Tate Unit 176	Grapevine	TX	76051	817-980-3332
248.	Restoration 1 of Southlake 11th Hour Laborer LLC John Yerby	2724 Canyon Crest Court	Grapevine	TX	76006	817-980-3332
249.	Restoration 1 of Central Houston Plumley King LLC Jeremy King	215 Webster #4127	Houston	TX	77002	832-540-0127
250.	Restoration 1 of Pearland-Nassau Bay Andrew Staszewski	3 Lost Oak Court	Missouri City	TX	77459	832-844-7104
251.	Restoration 1 of North Houston Shannon Plum	17706 Asphodel Lane	Spring	TX	77379	832-212-4266
252.	Restoration 1 of Sugarland Serle Soverall	14145 Noel Road #305	Sugar Land	TX	75254	713-386-5729
253.	Restoration 1 of East Texas David Jones	2027 Montrose Drive	Tyler	TX	75701	903-570-0541
254.	Restoration 1 of Conroe Mandric LLC Shannon Gajeske & Shain Mann	17461 East FM 1097	Willis	TX	77378	936-298-7180
255.	Restoration 1 of Waco 1 BC Restoration LLC Brett Craytor	15012 Badger Ranch Blvd.	Woodway	TX	76712	254-289-1105
256.	Restoration 1 of Waco 2 BC Restoration LLC Brett Craytor	15012 Badger Ranch Blvd.	Woodway	TX	76712	254-289-1105
257.	Restoration 1 of Corpus Christi Trio Construction LLC Francisco Burciago/Alfonso Masso/Andres Cardenas	6448 E Hwy 290 Suite c110	Austin	TX	78783	915-540-2841
258.	Restoration 1 of San Antonio Southwest Hector Gonzalez	13572 Wisdom Rd	Atascosa	TX	78002	210-316-2617
259.	Restoration 1 of Layton CP2 Ventures Inc. Chris Perkins	6001 Roper Drive	Mountain Green	UT	84050	801-918-1975
260.	Restoration 1 of North Salt Lake City CP2 Ventures Inc. Chris Perkins	6001 Roper Drive	Mountain Green	UT	84050	801-918-1975
261.	Restoration 1 of Roanoke Davis Home Improvement LLC Shawn Davis	440 Thornhill Lane	Boones Mill	VA	24065	540-589-3557
262.	Restoration 1 of Centreville, VA GPunktS, Inc. Georg Schwartz	15212 McConnell Court	Centreville	VA	20120	877-928-3716
263.	Restoration 1 of Charlottesville Chris Connell	19 Sophia Court	Fishersville	VA	22939	607-341-2064

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
264.	Restoration 1 of Prince William County Jeff Shellberg	14805 Mozambique Court	Haymarket	VA	20169	720-721-9344
265.	Restoration 1 of Newport News Bud's Enterprise LLC Jamie Johnson	1760 Bickerstaff Road	Henrico	VA	23231	804-307-9800
266.	Restoration 1 of East Richmond Bud's Enterprise LLC Jamie Johnson	1760 Bickerstaff Road	Henrico	VA	23231	804-307-9800
267.	Restoration 1 of Richmond South Benjamin Handzel	2405 Long Hill Court	Midlothian	VA	23112	804-921-9187
268.	Restoration 1 of Greater Patrick County Christopher Ross & Nicole Walker	2785 County Line Road	Patrick Springs	VA	24133	276-618-6372
269.	Restoration 1 of Richmond North Saorsa, Inc. Michael Robertson	2991 Creekwood Lane	Sandy Hook	VA	23153	804-510-4985
270.	Restoration 1 of Springfield CWO Technical Solutions, LLC Cory T. Graves	8823 Shadowlake Way	Springfield	VA	22153	443-254-1908
271.	Restoration 1 of Arlington 1 CWO Technical Solutions, LLC Cory Graves	8823 Shadowlake Way	Springfield	VA	22153	443-254-1908
272.	Restoration 1 of Arlington 2 CWO Technical Solutions, LLC Cory Graves	8823 Shadowlake Way	Springfield	VA	22153	443-254-1908
273.	Restoration 1 of Potomac Mills Kemahu's Corporation Kemahu Fesseha	14601 Faith Court	Woodbridge	VA	22193	703-593-3315
274.	Restoration 1 of South Sound Restoration of Tacoma Inc. Brandee Chatman	21424 104 <sup>th</sup> St. Ct. E	Bonney Lake	WA	98391	206-755-7044
275.	Restoration 1 of South Sound 2 Restoration of Tacoma Inc. Brandee Chatman	21424 104 <sup>th</sup> St. Ct. E	Bonney Lake	WA	98391	206-755-7044
276.	Restoration 1 of South Sound 3 Restoration of Tacoma Inc. Brandee Chatman	21424 104 <sup>th</sup> St. Ct. E	Bonney Lake	WA	98391	206-755-7044
277.	Restoration 1 of South Sound 4 Restoration of Tacoma Inc. Brandee Chatman	21424 104 <sup>th</sup> St. Ct. E	Bonney Lake	WA	98391	206-755-7044
278.	Restoration 1 of Oak Harbor Ricky Heflin	2723 Dusty Lane	Oak Harbor	WA	98277	309-642-4474
279.	Restoration 1 of Olympia Constantine Moroga	16706 81st Ave E	Puyallup	WA	98375	206-549-8457
280.	Restoration 1 of North Seattle Trent Gabel	3219 NW 77th St	Seattle	WA	98117	206-793-3744
281.	Restoration 1 of Spokane Ferda LLC Scott Whitaker	9818 E. Montgomery Drive	Spokane Valley	WA	99206	509-293-5500
282.	Restoration 1 of Spokane Ferda LLC Scott Whitaker	9818 E. Montgomery Drive	Spokane Valley	WA	99206	509-293-5500

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Telephone</b>
283.	Restoration 1 of Central Washington CENTWA LLC Scott Whitaker/Corinna Whitaker	605 S Wenatchee Avenue	Wenatchee	WA	98801	509-293-5500
284.	Restoration 1 of Vancouver All Weather Restoration LLC Shannon Crawford	7207 NE Highway 99	Vancouver	WA	98655	503-866-0957
285.	Restoration 1 of Southern West Virginia 1 Craig Boggs	81 Brookview Manor Dr	Chapmanville	WV	25508	304-784-2944
286.	Restoration 1 of Southern West Virginia 2 Craig Boggs	81 Brookview Manor Dr	Chapmanville	WV	25508	304-784-2944
287.	Restoration 1 of Watertown Steve Halverson	1303 Allermann Drive	Watertown	WI	53094	920-253-8676
288.	Restoration 1 of Waukesha Steve Halverson	1303 Allermann Drive	Watertown	WI	53094	920-253-8676
289.	Restoration 1 of Greater Milwaukee David Michalski	2360 South 66 <sup>th</sup> Street	West Allis	WI	53219	414-312-0434
290.	Restoration 1 of Milwaukee David Michalski	2360 South 66 <sup>th</sup> Street	West Allis	WI	53219	414-312-0434

Note 1: Franchisee office in Montana, location of territory is Colorado.

Note 2: Franchisee office in Kansas, location of territory is Missouri.

Note 3: Franchisee office in Arkansas, location of territory is Missouri.

Note 4: Franchisee office in South Carolina, location of territory is North Carolina.

Note 5: Franchisee office in Maryland, location of territory is Pennsylvania.

Note 6: Franchisee office is located in Georgia, location of territory is South Carolina.

Note 7: Franchisee has left the system since the end of our most recent fiscal year.

**Franchise Agreement Signed But Outlet Not Yet Open  
as of December 31, 2022**

	<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>ZIP</b>	<b>Telephone No.</b>
1.	Restoration 1 of San Fernando Valley 1 Ever Endeavors Corporation Steve /Erin Moss	18411-2 Strathern Street	Reseda	CA	91335	818-497-2651
2.	Restoration 1 of San Fernando Valley 2 Ever Endeavors Corporation Steve/Erin Moss	18411-2 Strathern Street	Reseda	CA	91335	818-497-2651
3.	Restoration 1 of TBD Dean/Alisah Pew	8690 Sierra College Blvd. #160-162	Roseville	CA	95661	480-294-1106
4.	Restoration 1 of New Haven Edward Candelo	40 Beaver Hill Ln.	New Haven	CT	06511	203-928-8598
5.	Restoration 1 of TBD 1 Richard/Stephanie Di Biase	5230 Four Strand Court	St. Cloud	FL	34772	416-660-1949
6.	Restoration 1 of TBD 2 Richard/Stephanie Di Biase	5230 Four Strand Court	St. Cloud	FL	34772	416-660-1949
7.	Restoration 1 of TBD 3 Richard/Stephanie Di Biase	5230 Four Strand Court	St. Cloud	FL	34772	416-660-1949
8.	Restoration 1 of East Atlanta Ryan Randall	963 Sims St SW	Atlanta	GA	30310	404-583-9362
9.	Restoration 1 of Minneapolis St. Paul Micah Jefferson <sup>1</sup>	1378 Southridge Ct.	Golden	CO	80401	303-810-1622
10.	Restoration 1 of Katy Iain Millar	777 South Mayde Creek Drive, Apt. 544	Houston	TX	77079	346-774-7376
11.	Restoration 1 of Meyerland Wendell Lagarde	6215 Darlinghurst Dr.	Houston	TX	77085	281-764-8655
12.	Restoration 1 of Missouri City Joe Williams	10110 Ole Towne Lane	Sugarland	TX	77498	714-478-8449
13.	Restoration 1 of Tri Cities CENTWA LLC Scott/Corrina Whitaker	9708 E Montgomery Ave, Suite D	Spokane Valley	WA	99206	509-293-5500
14.	Restoration 1 of Central Washington CENTWA LLC Scott/Corinna Whitaker	9708 E Montgomery Ave, Suite D	Spokane Valley	WA	99206	509-293-5500
15.	Restoration 1 of Redmond Mitul Modi	17232 42nd Dr SE,	Bothel	WA	98012	862-754-7529
16.	Restoration 1 of Kitsap County Ted Koester <sup>2</sup>	6618 NE 26th Ave.,	Portland	OR	97211	678-327-5590
17.	Restoration 1 of North Sound 1 Ted Koester <sup>2</sup>	6618 NE 26th Ave.,	Portland	OR	97211	678-327-5590
18.	Restoration 1 of North Sound 2 Ted Koester <sup>2</sup>	6618 NE 26th Ave.,	Portland	OR	97211	678-327-5590
19.	Restoration 1 of West Central Wisconsin Don Kempf <sup>3</sup>	P.O. BOX 231	Max	ND	58759	612 309-7519

Note 1: Franchisee office in Colorado, location of territory is in Minnesota

Note 2: Franchisee office in Oregon, location of territory is Washington (address in Washington is TBD)

Note 3: Franchisee office is in North Dakota, location of territory is Wisconsin

**Franchisees that Left the System  
as of December 31, 2022**

Owner Name(s)	City	State	Last Known Phone	Reason (i.e., Termination/Transfer)
Wheatley, John	Chico	CA	530-518-6107	Termination
Becker, Ken	Milford	CT	203-571-4793	Termination
Foster, Josh	Jacksonville	FL <sup>1</sup>	317-439-2024	Termination
Couture, Robert	Springfield	MA <sup>1</sup>	310-922-5436	Termination
Sevigny, Marc	Salisbury	MD	443-803-8397	Termination
Robert A. Lee, Jr.	E. Ronkonkoma	NY <sup>3</sup>	516-903-6400	Termination
Robert A. Lee, Jr.	E. Ronkonkoma	NY <sup>3</sup>	516-903-6400	Termination
Robert A. Lee, Jr.	E. Ronkonkoma	NY <sup>3</sup>	516-903-6400	Termination
Robert A. Lee, Jr.	E. Ronkonkoma	NY <sup>3</sup>	516-903-6400	Termination
Robert A. Lee, Jr.	E. Ronkonkoma	NY <sup>3</sup>	516-903-6400	Termination
Williams, Steve	Wichita	KS	316-650-9175	Termination
Bromberg, Brian	Yardley	PA <sup>2</sup>	215-626-1822	Termination
Bromberg, Brian	Yardley	PA <sup>2</sup>	215-626-1822	Termination
Merkler, Dan	Carrolton	TX	972-897-0237	Termination
Merkler, Dan	Carrolton	TX	972-897-0237	Termination
Lambeth, David	McKinney	TX	888-528-3875	Termination
Vent, Brian	Vienna	VA	410-693-6868	Termination
Vent, Brian	Vienna	VA	410-693-6868	Termination
Taylor, Robert	Salt Lake City	UT	707-495-4931	Termination
Taylor, Robert	Salt Lake City	UT	707-495-4931	Termination
Grande, Michael	Charleston	SC	803-489-8642	Transfer
Grande, Michael	Charleston	SC	803-489-8642	Transfer
Peterson, Tom	Charlotte	NC	313-580-2219	Transfer
Peterson, Tom	Charlotte	NC	313-580-2219	Transfer
Peterson, Tom	Charlotte	NC	313-580-2219	Transfer
Peterson, Tom	Charlotte	NC	313-580-2219	Transfer
Bane, Thomas	Bradenton	FL	586-823-5646	Transfer
Bruno, Frank	Staten Island	NY	718-887-1570	Transfer
Bob Fitzpatrick	New Lenox	IL	815-272-1903	Transfer
Tunnel, James	Dawsonville	GA	678-300-6027	Transfer
Thomas Riordan	Knoxville	TN	847-770-3076	Transfer

<sup>1</sup> In 2022, two outlets (one in Florida, one in Massachusetts) signed franchise agreements but terminated such agreements before opening the outlets. These outlets are not listed in Table 3 of the Franchise Disclosure Document. The Massachusetts franchisee is still a member of the franchise system.

<sup>2</sup> This franchisee owned four outlets and terminated two. The franchisee is still a member of the franchise system.

<sup>3</sup> This franchisee had five franchise agreements terminated since the end of our most recent fiscal year.

*If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.*

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**



## 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
Illinois	Exempt
Indiana	Pending
Maryland	Pending
Michigan	May 1, 2023; as amended June 15, 2023
Minnesota	May 26, 2023; as amended _____
New York	Exempt
North Dakota	May 25, 2023; as amended _____
Rhode Island	May 1, 2023; as amended _____
South Dakota	April 25, 2023; as amended _____
Virginia	May 17, 2023; as amended _____
Washington	Pending
Wisconsin	April 24, 2023; as amended June 16, 2023

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 G**  
**RECEIPTS**

**RECEIPT**

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

If Restoration 1 Franchising Holding, LLC offers you a franchise, it must provide this disclosure document to you fourteen (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, or sooner if required by applicable state law. Under Iowa law, Restoration 1 Franchising Holding, LLC must give you this disclosure document at the earlier of its 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, Restoration 1 Franchising Holding, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Restoration 1 Franchising Holding, LLC must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, Restoration 1 Franchising Holding, LLC must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, Restoration 1 Franchising Holding, LLC or an affiliate in connection with the proposed franchise sale.

If Restoration 1 Franchise Holding, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit A.

Restoration 1 Franchise Holding, LLC’s registered agents authorized to receive service of process are set forth on Exhibit A.

**Date of Issuance: April 24, 2023; as amended June 15, 2023**

The franchise seller(s) involved with the sale of this franchise are:

- \_\_\_\_\_ George Roberson, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (281) 795-0061
- \_\_\_\_\_ Jessica Wescott, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (866) 606-9681
- \_\_\_\_\_ Caleb Ward, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (940) 781-9850
- \_\_\_\_\_ \_\_\_\_\_ (insert name, if applicable)

I have received a disclosure document dated April 24, 2023; as amended June 15, 2023 that included the following Exhibits:

Exhibit A	State Administrators / Agents for Service of Process	Exhibit C	State Addenda to Disclosure Document
Exhibit B-1	Franchise Agreement	Exhibit D	Table of Contents of Confidential Operations Manual
Exhibit B-2	Sample General Release	Exhibit E	Financial Statements
Exhibit B-3	Consent to Transfer	Exhibit F	List of Current and Former Franchisees
Exhibit B-4	Reconstruction Services Addendum	Exhibit G	Receipts

Please sign and print your name below, date and return one copy of this receipt to Restoration 1 Franchise Holding, LLC and keep the other for your records.

If a business entity:

If an individual:

\_\_\_\_\_  
(Name of Business Entity)

\_\_\_\_\_  
(Name of Individual)

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

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

Dated: \_\_\_\_\_

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

Dated: \_\_\_\_\_

**[KEEP THIS RECEIPT FOR YOUR RECORDS]**

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Exhibit B-4	Reconstruction Services Addendum		

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If a business entity:

If an individual:

\_\_\_\_\_  
(Name of Business Entity)

\_\_\_\_\_  
(Name of Individual)

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

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

Dated: \_\_\_\_\_

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

Dated: \_\_\_\_\_

**[RETURN THIS COMPLETED RECEIPT]**