FRANCHISE DISCLOSURE DOCUMENT

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JUNK KING SPV LLC
a Delaware limited liability company
1616 Gilbreth Road
Burlingame, CA 94010
1-888-888-JUNK
junkking@nbly.com (email)
www.junk-king.com (website)

As a franchisee you will operate a retail junk removal, dumpster, and recycling business under the name Junk King® and provide related services and products pursuant to certain standards and specifications.

The total investment necessary to begin operation of a Junk King® franchise ranges from $93,300 to $180,000. This includes $54,000 to $78,000 (for a typical territory with population of 450,000 – 650,000 people) that must be paid to the franchisor and our affiliates.

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 to you. To discuss the availability of disclosures in different formats, contact Darlene Viering, 11616 Gilbreth Road, Burlingame, CA 94010, (888) 888-JUNK (5865).

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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **Mandatory Minimum Payments**. You must make minimum license fee payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

3. **Spousal Liability**. Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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 PROVISIONS APPLY ONLY TO
TRANSACTIONS GOVERNED BY
<u>THE MICHIGAN FRANCHISE INVESTMENT LAW</u>**

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

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

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

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

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

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

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

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

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

THE FACT 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 the notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
G. Mennen Williams Building, First Floor
525 West Ottawa
Lansing, Michigan 48933
Telephone: 517-373-7117

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EXHIBITS

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT N.

ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

For ease of reference in this disclosure document, the franchisor, JUNK KING SPV LLC, is referred to as "we," "us" or "Franchisor," and sometimes "Junk King", and the person who buys the franchise is referred to as "you", "your", or "Franchisee". The business that is operated under the Franchise Agreement is referred to as the "franchise" or the "Business" and the right to operate granted by the Franchise Agreement is sometimes referred to as the "license" or "franchise." If you are a legal entity, the provisions of the Franchise Agreement and related agreements apply to your owners.

This disclosure document outlines and summarizes some contractual obligations of both the Franchisor and the Franchisee which are found in the Franchise Agreement and other agreements. For ease of reference and understanding, these obligations may be paraphrased or described in general terms in this document.

The Franchisor

The Franchisor is JUNK KING SPV LLC. We are a Delaware limited liability company organized on November 16, 2022. We maintain our principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010. We do business under our corporate name and under the name JUNK KING®. Our agents for service of process are listed on Exhibit B.

Predecessors

Our predecessor and affiliate is Junk King Franchise Systems, LLC, a Delaware limited liability company formed on April 12, 2019 ("Predecessor"). Its principal business address is 1616 Gilbreth Road, Burlingame, CA 94010. Predecessor offered Junk King franchises from April 2020 until December 2022. From April 2019 to March 2020, it also served as the franchisor to Junk King® franchisees and area representatives in the United States that began operating prior to April 2019, providing support services to them. On January 1, 2023, all existing U.S. franchise agreements and related agreements for Junk King franchised businesses were transferred from Predecessor to us, and we became the franchisor of all existing and future Junk King franchise and related agreements (such transfer, the "Securitization Asset Transfer"). Ownership and control of the U.S. trademarks and certain intellectual property relating to the operation of Junk King businesses in the U.S. were also simultaneously transferred to us as part of the Securitization Asset Transfer. Predecessor has not offered franchises in any other line of business and it has not engaged in any other business activities.

Junk King Industries, LLC, a Delaware limited liability company ("JKI"), is another of our predecessors, which offered Junk King® franchises between July 2019 and March 2020 when it merged with and into Junk King Franchise Systems, LLC. Its principal business address was 1616 Gilbreth Road, Burlingame, CA 94010.

Junk King Franchise Systems, Inc., a California corporation formed on January 11, 2010 ("JKFSI") is another one of our predecessors. Its principal business address is 1616 Gilbreth Road, Burlingame, CA 94010. JKFSI offered Junk King® unit franchises in the United States from January 2010 to April 2019 and Junk King® area representative franchises in the United States from 2011 to 2013 and 2016 to 2017, but it no longer offers or supports franchises or has any involvement in the operation of our franchise system.

We have not had any other predecessors during the 10-year period immediately before the date of this disclosure document.

Manager

At the time of the closing of the Securitization Asset Transfer, Neighborly Company ("Manager") entered into a management agreement with us to provide the required support and services to Junk King franchisees under their franchise agreements. Manager also acts as our franchise sales agent. We will pay management fees to Manager for these services. However, as the franchisor, we will be responsible and accountable to you to make sure that all services we promise to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with the applicable agreement, regardless of who performs these services on our behalf.

Our Business Experience

We began offering Junk King® franchises in January 2023, although our predecessors first started offering franchises for the operation of a junk removal and recycling business and related services and products pursuant to certain standards and specifications under the Junk King® marks in February 2005. We do not operate a business of the type being franchised, but our affiliate, Junk King Enterprises, LLC, a Delaware limited liability company ("JKE"), with the same principal office address as us, from time to time purchases franchised businesses from our franchisees that wish to sell their business and then it resells such businesses to our existing or new franchisees, as part of our resale program.

Other than Junk King® franchises, we have never offered any other franchises in any other line of business. We do not conduct any other business activities other than selling and supporting Junk King® franchises.

As of December 31, 2022, there were a total of 157 JUNK KING franchises and five affiliate-operated locations in operation in the U.S.

Our Parents and Affiliates

On November 1, 2022, Viking Merger Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Dwyer Franchising LLC d/b/a Neighborly ("Neighborly") merged with and into Junk King Holdings, LLC, a Delaware limited liability company and the parent of Predecessor, with Junk King Holdings, LLC being the surviving entity in the merger ("Merger"). As a result of the Merger, Predecessor became an indirect, wholly-owned subsidiary of Neighborly.

We are a direct, wholly-owned subsidiary of Neighborly Assetco LLC ("Parent"). The name and principal business address of each of our direct or indirect parents that exercise control over the policies and direction of the System (as defined below) are as follows:

Name of Company	**Principal Business Address**	**Ownership or Control of Company**
Nest Holdings LP ("**Nest Holdings**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P. ("**KKR**")
Nest Holdings Inc. ("**Nest Holdco**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Nest Holdings

Name of Company	Principal Business Address	Ownership or Control of Company
Nest Topco Guarantor Inc. ("**Nest Guarantor**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Nest Holdco
Nest Topco Borrower Inc. ("**Nest Topco Borrower**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Nest Guarantor
Nest Bidco Inc. ("**Nest Bidco**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Nest Topco Borrower
Balcones Holdco, Inc. ("**Balcones Holdco**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Nest Bidco
TDG Intermediate, LLC ("**Intermediate**")	2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025	Wholly owned by Balcones Holdco
Neighborly Company ("**Manager**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by Intermediate
Dwyer Acquisition Parent, Inc. ("**DAP**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by Manager
TDG Holding Company ("**TDGHC**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by DAP
The Dwyer Group, Inc. ("**TDG**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by TDGHC
The Dwyer Group LLC ("**Dwyer**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by TDG
Dwyer Franchising LLC d/b/a Neighborly ("**Neighborly**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by Dwyer
Neighborly SPV Guarantor LLC ("**SPV Guarantor**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by Neighborly
Neighborly Issuer LLC ("**Issuer**")	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by SPV Guarantor
Neighborly Assetco LLC	1010 North University Parks Drive Waco, Texas 76707	Wholly owned by Issuer

On August 31, 2021, Nest Bidco, a Delaware corporation, purchased from TDG Investment Holdings, LP all of the issued and outstanding shares of common stock of Balcones Holdco under the terms of a Stock Purchase Agreement dated June 30, 2021 by and among Nest Bidco, Balcones Holdco, and TDG Investment Holdings, LP ("KKR Acquisition"). Upon the closing of the KKR Acquisition, Nest Bidco became Balcones Holdco's and its subsidiaries' parent company. Nest Bidco is controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., which is a leading global investment firm ("KKR").

Affiliates

The following affiliates are wholly-owned direct subsidiaries of Parent and they offer franchises in the U.S. under separate franchise disclosure documents:

Since 1992, Aire Serv SPV LLC, a Delaware limited liability company ("Aire Serv"), and its predecessor (Aire Serv LLC) have offered franchises which provide installation, maintenance and repair of residential and commercial heating, ventilating and air-conditioning equipment under the name AIRE SERV®. At various times since 1992, predecessor of Aire Serv also offered regional or area franchises which solicited prospective Aire Serv franchisees in selected areas and/or provided services to Aire Serv franchisees in selected areas. There are currently no Aire Serv franchisees with regional or area franchise rights, and Aire Serv's predecessor has not offered or sold any regional or area franchises since at least 2012. Aire Serv maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total 206 Aire Serv franchises in operation in the U.S. Aire Serv has never conducted business or offered franchises of the type described in this disclosure document.

Since April 2011, Dryer Vent Wizard SPV LLC, a Delaware limited liability company ("DVW") and its predecessor (Dryer Vent Wizard International LLC) have been offering franchises for the operation of businesses providing installation and repair of, and cleaning products and services for: dryer vents, bathroom vents, kitchen vents, appliances, exhaust vents, air movement systems and washing machine filters and hoses to enhance the performance and safety of clothes dryers and other household appliances to residential and commercial customers, under the Dryer Vent Wizard® name. DVW maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 131 Dryer Vent Wizard franchises in operation in the U.S. DVW has never conducted business or offered franchises of the type described in this disclosure document.

Since September 2007, Five Star Painting SPV LLC, a Delaware limited liability company ("Five Star Painting"), and its predecessors (Five Star Painting, LLC and Five Star Painting, Inc.) have offered franchises which perform and provide residential and commercial painting services and other related products and services under the name Five Star Painting®. Five Star Painting maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 230 Five Star Painting franchises in operation in the U.S. Five Star Painting has never conducted business or offered franchises of the type described in this disclosure document. On March 25, 2016, ProTect Painters International, LLC ("ProTect Painters"), a Michigan limited liability company, merged with and into Five Star Painting's predecessor, with Five Star Painting's predecessor being the surviving entity in the merger (the "Merger"). As a result of the Merger, Five Star Painting's predecessor offered, and now Five Star Painting offers, franchises under both, the Five Star Painting marks and the ProTect Painters marks. As of December 31, 2022, there were two ProTect Painters franchises in the U.S.

Since March 2004, Glass Doctor SPV LLC, a Delaware limited liability company ("Glass Doctor"), and its predecessor (Synergistic International, LLC) have offered franchises that repair and replace auto and/or flat glass under the name GLASS DOCTOR®. From 1977 to March 2004, Glass Doctor's predecessors offered similar franchises. Glass Doctor maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 162 Glass Doctor franchises in operation in the U.S. Glass Doctor has never conducted business or offered franchises of the type described in this disclosure document.

Since April 2010, The Grounds Guys SPV LLC, a Delaware limited liability company ("Grounds Guys"), and its predecessor (The Grounds Guys LLC) have offered franchises which perform and provide commercial, residential and municipal property maintenance, landscaping and hardscaping services, snow and ice maintenance services, trash and debris removal, arboriculture services, lawn renovation, turf care services and other related products and services under the name The Grounds Guys®. Grounds Guys maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 211 The Grounds Guys franchises in operation in the U.S. Grounds Guys has never conducted business or offered franchises of the type described in this disclosure document.

Since 1979, HouseMaster SPV LLC, a Delaware limited liability company ("HMS"), and its predecessors (HM Services, LLC) have been offering franchises for the operation of a building inspection and related services business under the HouseMaster™ trademark. HMS maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 247 HouseMaster franchises in operation in the U.S. HMS has never conducted business or offered franchises of the type described in this disclosure document.

Since January 2023, Lawn Pride SPV LLC, a Delaware limited liability company ("LAP") has been offering franchises for the operation of a business that provides lawn care and maintenance services through the application of fertilizer and other products, perimeter pest control services, and performance of related services including fungus control and prevention, grub treatments, aeration, mole control, and tree and shrub feeding and insect control (but specifically excluding mosquito or other flying pest, tick and flea control services), to both residential and commercial customers under the Lawn Pride trademark. LAP maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were no Lawn Pride franchised outlets and one affiliate-operated Lawn Pride business in operation in the U.S. LAP has never conducted business or offered franchises of the type described in this disclosure document.

Since May 1984, Molly Maid SPV LLC, a Delaware limited liability company ("Molly Maid"), and its predecessors (Molly Maid LLC and Molly Maid, Inc.) have offered franchises for the operation of businesses that offer professional residential housekeeping services as well as a carpet cleaning program under the name Molly Maid®. Molly Maid maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 481 Molly Maid franchises in operation in the United States and Puerto Rico. Molly Maid has never conducted business or offered franchises of the type described in this disclosure document.

Since 2012, Mosquito Joe SPV LLC, a Delaware limited liability company ("MoJo"), and its predecessor (Mosquito Joe Franchising, LLC) have been offering franchises for the operation of businesses providing services and equipment to both residential and commercial customers to control undesirable outdoor insects, such as mosquitoes, ticks and fleas, under the Mosquito Joe® name. MoJo maintains its principal business address at 4490 Holland Office Park, Suite 100, Virginia Beach, VA 23452. As of December 31, 2022, there were a total of 394 Mosquito Joe franchises in operation and 2 affiliate operated units in the U.S. MoJo has never conducted business or offered franchises of the type described in this disclosure document.

Since August 1996, Mr. Appliance SPV LLC, a Delaware limited liability company ("Appliance") and its predecessor (Mr. Appliance LLC) have offered franchises which perform and provide service and repair on all major appliances for residential and commercial customers under the name MR. APPLIANCE®. Appliance maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 325 Mr. Appliance franchises in operation in the U.S. Appliance has never conducted business or offered franchises of the type described in this disclosure document.

Since 1994, Mr. Electric SPV LLC, a Delaware limited liability company ("Electric"), and its predecessor (Mr. Electric LLC) have offered franchises which perform electrical services and repairs under the name MR. ELECTRIC®. At various times since 1995, Electric's predecessor had also offered regional or area franchises which solicited prospective Mr. Electric franchisees and/or provided services to Mr. Electric franchisees in selected areas. There have been no Mr. Electric franchisees with regional or area franchise rights since 2014 and Electric's predecessor has not offered or sold any regional or area franchises for at least the last decade. Electric maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 180 Mr. Electric franchises in operation in the U.S. Electric has never conducted business or offered franchises of the type described in this disclosure document.

Since January 2000, Mr. Handyman SPV LLC, a Delaware limited liability company ("Mr. Handyman"), and its predecessor (Mr. Handyman International, L.L.C.) have offered franchises for the operation of companies dedicated to performing business and residential maintenance and repair services under the name Mr. Handyman®. Mr. Handyman maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 310 Mr. Handyman franchises in the U.S. Mr. Handyman has never conducted business or offered franchises of the type described in this disclosure document.

Since 1993, Mr. Rooter SPV LLC, a Delaware limited liability company ("Rooter"), and its predecessor (Mr. Rooter LLC) have offered franchises which provide plumbing and plumbing repair services; sewer, drain and pipe cleaning services; septic tank pumping; water heater replacement; TV pipe inspection; line and leak detection; hydronics; excavation and replacement of sewer lines and other related services and products in homes and commercial buildings under the names MR. ROOTER® and AMERICA'S TROUBLE SHOOTER®. At various times since 1990, predecessors of Rooter also offered area franchises which solicited prospective Mr. Rooter franchisees and/or provided services to Mr. Rooter franchisees in selected areas. There are currently no Mr. Rooter franchisees with regional or area franchise rights, and Rooter no longer offers any regional or area franchises. Rooter maintains its principal place of business at 1010 North University Parks Drive, Waco, TX 76707. As of December 31, 2022, there were a total of 209 Mr. Rooter franchises and three affiliate-operated locations in operation in the U.S. Rooter has never conducted business or offered franchises of the type described in this disclosure document.

Since February 2005, Precision Door Service SPV LLC, a Delaware limited liability company ("PDS") and its predecessor (Precision Holdings of Brevard, Inc.) have been offering franchises for the operation of a business that provides garage door repair and service under the Precision Door Service® trademark. PDS maintains its principal business address at 2395 Washington Avenue, Suite 5, Titusville, Florida 32780. As of December 31, 2022, there were a total of 111 Precision Door Service franchised outlets in operation in the U.S. PDS has never conducted business or offered franchises of the type described in this disclosure document.

Since 1981, Rainbow International SPV LLC, a Delaware limited liability company ("Rainbow International"), and its predecessor (Rainbow International LLC) have offered franchises which provide carpet cleaning, dyeing, repair, reinstallation and related services; upholstery, drapery and ceiling cleaning and related services; and deodorization services under the names RAINBOW RESTORATION®, RAINBOW INTERNATIONAL®, RAINBOW INTERNATIONAL CARPET CARE & RESTORATION

SPECIALIST®, RAINBOW INTERNATIONAL RESTORATION & CLEANING® and RAINBOW INTERNATIONAL RESTORATION®. In 1997, Rainbow International's predecessor added an option to perform air duct cleaning services. In 2000, Rainbow International's predecessor added water, smoke and disaster restoration services. In 2001, Rainbow International's predecessor added an option to perform mold remediation services. At various times since 1993, Rainbow International's predecessor had also offered regional or area franchises which solicited prospective Rainbow International franchisees and/or provided services to Rainbow International franchisees in selected areas. There are currently no Rainbow International franchisees with regional or area franchise rights, and Rainbow International's predecessor has not offered or sold any regional or area franchises since at least 2012. Rainbow International maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 314 Rainbow Restoration franchises in operation in the U.S. In addition, Rainbow International offers Rainbow Restoration franchises in the UK (through a master franchise relationship), with 56 franchises in operation in the UK as of December 31, 2022. Rainbow International has never conducted business or offered franchises of the type described in this disclosure document.

Since 2005, Real Property Management SPV LLC, a Delaware limited liability company ("RPM"), and its predecessor (Property Management Business Solutions, LLC) have been offering franchises for the operation of businesses providing property management services, including management of maintenance and repair services and rent collection under the Real Property Management name. RPM maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 389 Real Property Management franchises in operation in the U.S. RPM has never conducted business or offered franchises of the type described in this disclosure document.

Since May 2008, ShelfGenie SPV LLC, a Delaware limited liability company ("ShelfGenie"), and its predecessor (ShelfGenie Franchise Systems, LLC) have been offering franchises for the operation of a business that designs and installs customized solutions for new and existing cabinets, pantries and other structures under the ShelfGenie™ trademark. ShelfGenie maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 227 ShelfGenie franchised outlets and 16 affiliate-operated outlets in operation in the U.S. ShelfGenie has never conducted business or offered franchises of the type described in this disclosure document.

Since 1998, Window Genie SPV LLC, a Delaware limited liability company ("Window Genie"), and its predecessor (FOR Franchising, LLC) have offered franchises for the operation of a residential and commercial window cleaning, window tinting and pressure washing business operated under the Window Genie® name. Window Genie maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, there were a total of 113 Window Genie franchises in operation in the U.S. Window Genie has never conducted business or offered franchises of the type described in this disclosure document.

The following portfolio companies of KKR offer franchises in the U.S.:

U.S. Lawns, Inc. ("U.S. Lawns"). U.S. Lawns is a franchisor that offers franchises for businesses providing landscape maintenance and related services to commercial and residential customers under the name "U.S. Lawns." U.S. Lawns' principal place of business is 6700 Forum Drive, Suite 150, Orlando, Florida 32821. U.S. Lawns became a KKR-affiliated franchise program in 2014. U.S. Lawns has been franchising since 1986, and as of September 30, 2022, there were 209 U.S. Lawns landscape businesses (209 franchised and no company-owned). U.S. Lawns has not offered franchises in any other line of business.

Modern Market Franchising, LLC ("MMF"). MMF is a franchisor that offers franchises for premium fast casual restaurants under the name "Modern Market Eatery" and related trademarks with a menu consisting of freshly prepared sandwiches, salads, plated dishes, soups, pizzas, and beverages. MMF's principal place of business is 1600 Champa Street, Suite 340, Denver, Colorado 80202. MMF became a KKR-affiliated franchise program in February 2019. MMF has been franchising since 2020, and, as of December 31, 2022, there were 28 Modern Market restaurants (3 franchised, 22 company-owned and 3 licensed units). MMF has not offered franchises in any other line of business.

The affiliates named above offer franchises using separate franchise disclosure documents. We will make any of those disclosure documents available to you upon request.

The following affiliates are direct or indirect wholly-owned subsidiaries of Neighborly and they offer franchises outside the U.S.:

Our affiliate, JKFS Canada Inc. ("JKFS Canada"), offered junk removal franchises under the JUNK WORKS mark in Canada from November 2012 until December 31, 2022. From October 2012 until December 31, 2022, JKFS Canada also offered JUNK WORKS area representative franchises in Canada. Its principal business address is 1616 Gilbreth Road, Burlingame, CA 94010, and it was incorporated on October 10, 2012. As of January 1, 2023, the right to offer Junk Works franchises in Canada was transferred from JKFS Canada to our affiliate, The Dwyer Group Canada, Inc., as described immediately below. JKFS Canada no longer offers any franchises and it does not provide any products or services to our franchisees. As of December 31, 2022, there were five JUNK WORKS franchises operating in Canada.

The Dwyer Group Canada, Inc. ("TDGC"), a wholly owned subsidiary of Neighborly since January 1998, was incorporated in the Province of Ontario, Canada on January 21, 1998. TDGC has the right to offer and sell Aire Serv, Dryer Vent Wizard, Five Star Painting, Glass Doctor, HouseMaster, Junk Works, Mr. Appliance, Mr. Electric, Mr. Handyman, Mr. Rooter, Rainbow Restoration, ShelfGenie and The Grounds Guys franchises in Canada under 3-party agreements between TDGC, us or the applicable affiliate-franchisor, and the franchisee. TDGC, in cooperation with us or such affiliate-franchisor, provides, support and supervision and, at times, assistance or guidance, to Canadian franchisees operating under our or the affiliate's trademarks and systems. TDGC maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2022, TDGC had 14 Mr. Handyman franchises, 24 Mr. Rooter franchises, 21 Rainbow Restoration franchises, 13 Glass Doctor franchises, 13 Mr. Appliance franchises, 9 Mr. Electric franchises, 10 Aire Serv franchises, 6 Dryer Vent Wizard franchises, 15 Five Star Painting franchises, 28 The Grounds Guys franchises, 27 HouseMaster franchises and 18 ShelfGenie franchises in operation in Canada. TDGC has never conducted business of the type described in this disclosure document.

Real Property Management Canada, LLC, f/k/a Real Property Management Canada, Inc. ("RPMC"), was incorporated on September 5, 2008 and is located at 1010 North University Parks Drive, Waco, Texas 76707. RPMC was formed to be the franchisor of Real Property Management businesses in Canada, and it is currently operating in that capacity. RPMC has offered and sold one Real Property Management master franchise in Canada under the name Real Canadian Property Management Limited Partnership, with 18 sub-franchises in operation in Canada as of December 31, 2022. RPMC does not offer franchises in any other line of business. Additionally, RPMC has never conducted business or offered franchises of the type of business described in this disclosure document.

Dwyer (UK Franchising) Limited ("Dwyer UK"), a wholly-owned subsidiary of Neighborly since March 9, 2012, was incorporated in England and Wales on March 9, 2012. Dwyer UK has the right to offer and sell Aire Serv and Mr. Electric franchises in the United Kingdom using agreements between Dwyer UK and the franchisee. Dwyer UK, in cooperation with Aire Serv and Electric, provides support and supervision and, at times, assistance or guidance, to franchisees operating under those trademarks and systems in the United Kingdom. Dwyer UK maintains its principal place of business in Five Mile House, 128 Hanbury Rd., Stroke Prior, Bromsgrove, Worcester EG B60 4JZ, United Kingdom. As of December 31, 2022, Dwyer UK had 4 Mr. Electric franchises and 2 Aire Serv franchises. Dwyer UK has the right to offer franchises in the United Kingdom for the same type of business as Aire Serv and Electric offer in the U.S. under separate franchise disclosure documents.

Since October 2015, a wholly-owned subsidiary of Neighborly, Drain Doctor Holdings Limited (f/k/a Dwyer DD UK Limited), a private limited company registered in England and Wales, has been offering Mr. Rooter franchises in the U.K. under the name Drain Doctor®, and it had 62 franchises in the UK as of December 31, 2022.

Rainbow International Systemzentrale Deutschland GmbH ("Rainbow Germany"), a wholly-owned subsidiary of Neighborly since September 18, 2014, was incorporated in Germany on September 18, 2014. Rainbow Germany has the right to offer and sell Rainbow Restoration franchises in Germany using agreements between Rainbow Germany and the franchisee. Rainbow Germany, in cooperation with Rainbow Restoration, provides support and supervision and, at times, assistance or guidance, to franchisees operating under the Rainbow marks and system in Germany. Rainbow Germany maintains its principal place of business at Flözstraße 18, 73433 Aalen, Germany. As of December 31, 2022, Rainbow Germany had 35 Rainbow Restoration franchises in Germany. Rainbow Germany has the right to offer franchises in Germany for the same type of business as Rainbow Restoration offers in the U.S. under a separate franchise disclosure document.

Locatec Ortungstechnik GmbH ("Locatec") is a wholly-owned subsidiary of Neighborly since April 27, 2016. Locatec has the right to offer and sell Locatec franchises in Austria and Germany using agreements between Locatec and the franchisee. Locatec, in cooperation with our affiliates, provides support and supervision and, at times, assistance or guidance to franchisees operating under Locatec trademarks and systems in Germany and Austria. Locatec maintains its principal place of business at Flözstraße 18, 73433 Aalen, Germany. Locatec franchisees offer non-destructive detection of all types of leaks in pipe systems (indoor and outdoor including pipes for gas, water, sewage, and district heat) and flat roofs as well as emergency repair services. As of December 31, 2022, Locatec had 51 franchises in Germany and 8 in Austria.

Bright and Beautiful UK Limited ("Bright and Beautiful") is a wholly owned subsidiary of Neighborly since April 13, 2017. Bright and Beautiful has the right to offer and sell Bright and Beautiful franchises in the United Kingdom using agreements between Bright and Beautiful and the franchisee. Bright and Beautiful provides support and supervision and, at times, assistance or guidance to franchisees operating under Bright and Beautiful trademarks and systems in the United Kingdom. Bright and Beautiful franchisees offer domestic cleaning services. As of December 31, 2022, Bright and Beautiful had 83 franchises in the United Kingdom.

Countrywide Garden Maintenance Services Limited ("Countrywide") is a wholly owned subsidiary of Neighborly since May 2, 2017. Countrywide has the right to offer and sell Countrywide franchises in the United Kingdom using agreements between Countrywide and the franchisee. Countrywide provides support and supervision and, at times, assistance or guidance to franchisees operating under Countrywide trademarks and systems in the United Kingdom. Countrywide franchisees offer commercial grass cutting, landscape maintenance, grounds maintenance and winter gritting services. As of December 31, 2022, Countrywide had 52 franchises in the United Kingdom.

Dream Doors Holdings Limited ("Dream Doors") has been a wholly owned subsidiary of Neighborly since February 26, 2019. Dream Doors has the right to offer and sell Dream Doors franchises in the United Kingdom using agreements between Dream Doors and the franchisee. Dream Doors provides support and supervision and, at times, assistance or guidance to franchisees operating under Dream Doors trademarks and systems in the United Kingdom. Dream Doors franchisees offer fully-fitted kitchen makeovers, replacement doors and countertops and the installation of new appliances. As of December 31, 2022, Dream Doors had 95 franchises in the United Kingdom.

GreenSleeves Lawn Care Limited (UK) ("GreenSleeves") is a wholly owned subsidiary of Neighborly since October 28, 2022. GreenSleeves has the right to offer and sell GreenSleeves franchises in the United Kingdom using agreements between GreenSleeves and the franchisee. GreenSleeves provides support and supervision and, at times, assistance or guidance to franchisees operating under GreenSleeves trademarks and systems in the United Kingdom. GreenSleeves franchisees offer lawn care services including fertilizer treatments, moss treatments and debris removal in the United Kingdom. As of December 31, 2022, GreenSleeves had 92 franchised and 16 corporate locations in the United Kingdom.

The following affiliates provide services to our franchisees:

ZorWare SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly ("ZorWare"), may in the future provide software to us and our affiliates and technical support to franchisees and may in the future collect fees from franchisees for certain software programs. ZorWare maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. ZorWare does not own or operate any franchises nor has it offered franchises in any line of business.

FranTech, L.L.C., a Michigan limited liability company and a wholly-owned subsidiary of Neighborly ("FranTech"), may in the future provide software to us and our affiliates and/or provide technical support to franchisees and/or collect fees from franchisees for certain software programs. FranTech maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. FranTech does not own or operate any franchises nor has it offered franchises in any line of business.

ProTradeNet SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly ("ProTradeNet"), negotiates, and sometimes enters into contracts, with some of the vendors, suppliers and others who do business or propose to do business with our and our affiliates' franchisees with the goal of obtaining better terms and conditions on which franchisees purchase goods and services for their businesses. ProTradeNet maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. ProTradeNet does not own or operate any franchises nor has it offered franchises in any line of business.

Neighborly Service Solutions SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly ("Neighborly Service Solutions") was formed in June 2021 to, among other things, negotiate, and sometimes enter into, contracts with some of the Key Accounts. Neighborly Service Solutions also may offer certain marketing and other services. Neighborly Service Solutions maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. Neighborly Service Solutions does not own or operate any franchises nor has it offered franchises in any line of business.

BackOffice SPV LLC ("BackOffice"), a Delaware limited liability company and a wholly-owned affiliate of Neighborly, has been providing certain temporary bookkeeping assistance and training services to the franchisees of our affiliate, RPM, and BackOffice may in the future provide some of these services to our franchisees. Back Office is located at 1010 North University Parks Drive, Waco, Texas 76707. BackOffice has not offered any franchises in any line of business. BackOffice does not and has not previously conducted business of the type operated by our franchisees.

Except as noted above, none of our affiliates have offered franchises in the same line of business as offered in this disclosure document or in any other line of business, nor have they conducted any other business.

Description of the Franchise

Our franchisees remove and haul away junk from residential and commercial customers using a truck with a customized truck box that meets our specifications, for disposal, re-use, and recycling. The franchised businesses operate under our service mark JUNK KING®, and the additional principal service marks, trademarks, trade names, logos, emblems, slogans or indicia of origin which are or may be designated by us in the future (the "Marks"), in accordance with the methods and processes developed by us in connection with the franchise (the "System") within a specified geographical area (the "Territory"). The System includes our operating systems, marketing systems, business techniques, and methods, processes, policies and procedures for providing junk removal, recycling, resale and related services, along with items of trade dress and sales, leadership and management training for the development and operation of JUNK KING Businesses, including all training materials, all as the same may exist today or as the same may change from time to time, as specified in the Operations Manual or as otherwise reasonably directed by us from time to time. You may, if we approve, convert an existing business offering similar services to a Business or add additional territory to a Business under the terms stated in the Franchise Agreement and related agreements.

The "junk" that our franchises remove and haul consists of items not typically removed through normal municipal pick-up. JUNK KING Businesses are not in the business of regular pick-up of trash along designated residential or commercial routes, or the hauling or disposal of any hazardous materials, including, but not limited to: oil or gasoline; asbestos; any material containing or contaminated with PCBs; liquid waste of any sort; sludge of any sort; septic tank sludge or waste; or solvents, liquids paints, or chemicals.

The standard form of franchise agreement we are now offering is included in this disclosure document as Exhibit A (the "Franchise Agreement"). When we update our disclosure document, the form of franchise agreement and other agreements may change, fees and other obligations may increase, and the terms and conditions on which you may obtain a franchise may be less favorable as compared with a previous disclosure document.

Uniformity of franchise agreements among our franchisees may not always be possible or practical. We and our predecessors have offered in the past and we may offer in the future, franchise agreements to other franchisees on terms materially different from those included in this disclosure document. We also may materially vary the franchise agreement terms, conditions, and obligations (including those relating to fees, territories, training and other items) offered to other franchisees and except as may be required by applicable law we have no obligation to disclose these variations to you or to grant the same or similar variation to you.

Franchisees may also offer a dumpster removal service to residential and business customers (the "Dumpster Services") provided that the franchisee has complied with the Franchise Agreement, achieved a certain level of market penetration, operated the Franchised Business for at least six months, met certain other qualifications and obtained our approval. The Dumpster Services include (i) dropping off a dumpster (typically, a 12 cubic-yard dumpster) at the customer's property for a short-term rental period and (ii) returning with a specialized truck to pick-up the dumpster after it is filled by the customer and disposing of its contents. If you meet our qualifications for the Dumpster Services, we will approve you to offer Dumpster Services, provided that you sign our then-current form of Dumpster Program amendment to the Franchise Agreement ("Dumpster Program Amendment"), which is currently attached to the Franchise Agreement as Schedule G, purchase and maintain at least seven dumpsters and a second vehicle capable of hauling a dumpster (your first hauling vehicle cannot be used for this), and comply with other specifications and standards that we specify. We may terminate your right to offer Dumpster Services if you are not compliant with the Franchise Agreement, including the Dumpster Program Amendment, do not earn revenue from Dumpster Services in any month, or decline to offer Dumpster Services (or timely fail to take the required steps to do so).

For new franchisees, we will provide you with a period of 36 months immediately following the effective date of your Franchise Agreement to begin to offer Dumpster Services under the Dumpster Program Amendment. If you begin offering Dumpster Services within that 36-month period, we will not charge you any initial Dumpster Services fee for the grant of the additional rights. For new franchisees, if you fail to gain our approval to offer Dumpster Services within that 36-month period, we reserve the right to (a) grant the rights to provide Dumpster Services in your Territory to another third party; and/or (b) charge you our then-current initial dumpster services fee (currently $25,000) for the right to offer Dumpster Services in your Territory; provided, that you meet our qualifications, cure any deficiencies and agree to comply with the Dumpster Program Amendment.

For franchisees currently in the Junk King® franchise system, if you request the right to offer Dumpster Services, and we grant you the right to do so, you must pay us the then-current initial dumpster services fee, which is currently $25,000, for the right to offer Dumpster Services in your Territory, due upon execution of an addendum to the Franchise Agreement setting forth the Dumpster Services qualifications and requirements ("Existing Franchisee Dumpster Addendum"). We reserve the right to increase this fee. For franchisees currently in the Junk King® franchise system, if you do not begin offering Dumpster Services within 22 months immediately following the execution of the then-current form of the Existing Franchisee Dumpster Addendum, we reserve the right to (a) grant the rights to provide Dumpster Services in your Territory to another third party; and/or (b) charge you our then-current initial dumpster services fee based on the population of the Territory for the right to offer Dumpster Services in your Territory.

In certain Territories, we are permitting franchisees to segment their existing Territory into two separate Territories. In that case, a franchisee will be required to sign our then-current franchise agreement for the second location in its existing Territory but will not be required to pay any additional initial franchise fee and it will be required to sign Schedule H to the Franchise Agreement (Segmentation Addendum) to segment the existing Territory into two Territories. Our approval of this request depends on a Franchised Business' market penetration in the Territory.

Although we have never offered area representative franchises, in certain areas of the country, our predecessor previously (prior to 2019) licensed area representatives, which were intended to provide certain support and sales services to us and our franchisees. Our remaining area representatives (i.e., two area representatives as of the date of this Disclosure Document) no longer have any management responsibility relating to the sale or operation of franchises and will not provide any support services to you. As a result, there are no additional disclosures about our area representatives in this disclosure document.

The Business offers services to the general public, including residential and commercial customers, and the services are offered in an established, but growing market. You will compete with national, regional and local junk removal and recycling businesses. Demand may be impacted by the services offered by the trash removal services offered by municipalities. Our target market includes homeowners, property managers, contractors, realtors, storage companies, and various other types of businesses. The franchisees of our affiliate, Mr. Handyman, perform maintenance and repair services, including occasionally debris removal, and you may compete in your Territory with a MR. HANDYMAN® franchisee if they perform debris removal services, when you open for business or sometime in the future as the Mr. Handyman system expands.

Industry Specific Regulations

You must comply with federal, state and local laws and regulations for business licensing, commercial vehicle licensing laws and regulations, commercial driver licensing, insurance, local zoning, and environmental and waste disposal requirements pertaining to the junk removal and hauling business. Municipalities and neighborhoods may have laws, regulations, or rules relating to the placement and transportation of dumpsters. These laws vary from place to place. You are responsible for obtaining all licenses and permits required by applicable laws for performing the work of the franchise. There may be other laws that apply to the Business. You should investigate the application of these laws.

ITEM 2

BUSINESS EXPERIENCE

President: Lisa Merry

Ms. Merry has served as our President since January 2023. She was the President of Predecessor from November 2022 until December 2022. She was the Chief Operating Officer for Predecessor and its affiliates from August 2019 until October 2022. She also served as Vice President for Junk King Bay Area, LLC and Junk King Enterprises, LLC from August 2019 until October 2022. From August 2019 to March 2020, she served as Chief Operating Officer for JKI. From June 2019 to August 2019, she served as a franchise consultant for FranWise in Costa Mesa, California. From February 2017 to February 2019, she served as the Chief Operating Officer for Huntington Learning Centers, Inc. in Oradell, New Jersey. She serves in her current capacities in San Francisco, California.

Brand Ambassador: Mike Andreacchi

Mr. Andreacchi has served as our Brand Ambassador since January 2023. From November 2022 until December 2022, he was the Brand Ambassador for Predecessor. From April 2019 until October 2022, he was Predecessor's President, CEO, CFO, and one of its managers. Mr. Andreacchi held the same roles for our other predecessor, Junk King Industries, LLC ("JKI"), from July 2019 to March 2020. Mr. Andreacchi also served as the CEO and as a manager of Predecessor's parent from April 2019 until November 2022. He has also served as President, CEO, and CFO (a) since April 2019 for Junk King Bay Area, LLC ("JKBA"), our affiliate until October 2022 and a franchisee since November 2022, and (b) from August 2019 until November 2022 for our affiliate Junk King Enterprises, LLC. He also served as the President and one of the Directors of JKFS Canada from October 2012 until November 2022. Mr. Andreacchi has served as one of the Directors of JKFSI since January 2010 and its CEO since April 2013. He also co-founded Junk King, LLC in April 2005 and has served as its Co-President since then. He serves in his current capacities in San Francisco, California.

Treasurer and Chief Financial Officer of Neighborly and Manager: Jon Shell

Mr. Shell has been our Treasurer since January 2023. He was the Treasurer of Predecessor from November 2022 until December 2022. He has also been Chief Financial Officer of Neighborly since September 2015 and of Manager since October 2015. He is also the VP and/or CFO and/or Treasurer for a number of our parent companies and affiliates.

Chief Sales Officer: Darlene J. Viering

Ms. Viering has served as our Chief Sales Officer since January 2023. From November 2021 until December 2022, she was the Chief Sales Officers for Predecessor. Prior to that, Ms. Viering served as Predecessor's Vice President of Franchise Development from June 2020 to October 2021. Prior to that, Ms. Viering served as Vice President of Sales for Huntington Learning Centers, Inc. in Oradell, New Jersey from April 2005 through March 2020. She serves in her current capacity in New Jersey.

Chief Strategy and Marketing Officer: Roger Chacko

Mr. Chacko has been our Chief Strategy & Marketing Officer since January 2023. From November 2022 until December 2022, he was the Chief Strategy and Marketing Officer of Predecessor. From February 2021 until October 2022, he was also the Chief Strategy & Marketing Officer for a number of predecessor's affiliates. From August 2019 until February 2021, Mr. Chacko was a principal with Olympic Property Group in Plymouth, MN. From May 2017 until July 2019, he was the Chief Commercial Officer and then a consultant with Planet Fitness in Hampton, NH.

Sr. Vice President of Finance: Mike Arend

Mr. Arend has served as our Sr. Vice President of Finance since January 2023. From March 2022 until December 2022, he was the Sr. VP of Finance for Predecessor. Prior to that he served as Predecessor's Vice President of Finance from February 2020 to February 2022. He also served in the same position for JKFS Canada and Predecessor's parent (Junk King Holdings, LLC) from February 2020 until October 2022 and for JKI from February 2020 to March 2020. He served as Senior Director of Finance for us and Parent from April 2019 to February 2020, for JKI from July 2019 to February 2020, and for JKFSI and JKFS Canada from January 2014 to February 2020. From June 2007 to the present, Mr. Arend has also provided consulting services for accounting, finance, private audits, and IRS audits in San Francisco, California. He serves in his current capacities in San Francisco, California.

Sr. Vice President of Marketing: Crissy Russo

Mrs. Russo has served as our Sr. Vice President of Marketing since January 2023. From March 2022 until December 2022, she was the Sr. VP of Marketing for Predecessor. Prior to that, she served as Predecessor's Vice President of Marketing from April 2021 to February 2022. Prior to that, she served as Predecessor's Senior Director of Marketing from December 2019 to March 2021. From December 2015 to November 2019, she served as Vice President, Marketing for Gary D. Nelson and Associates in Sonoma, California. She serves in her current capacity in San Francisco, California.

Vice President of Operations: Julian Torres

Mr. Torres has served as our Vice President of Operations since January 2023. From March 2022 until December 2022, he was the VP of Operations for Predecessor. Prior to that, he served as Predecessor's Director of Operations from April 2019 to February 2022, for in the same role for Predecessor's parent from April 2019 to February 2022, for JKFSI from May 2011 to April 2019, and for JKI from July 2019 to March 2020. He serves in her current capacity in San Francisco, California.

Vice President of Information Technology: Anthony J. DeAngelis, Jr.

Mr. DeAngelis has served as Vice President of Information Technology since January 2023. From March 2022 until December 2022, he was the VP of Information Technology for Predecessor. Prior to that, he served as Predecessor's Director of Information Technology from August 2020 to February 2022. From

June 2015 to May 2018, he served as Chief Information Officer for NAU located in Rapid City, South Dakota. He serves in her current capacity in San Francisco, California.

Director of Franchise Development: Michelle Miserez

Ms. Miserez has served as our Director of Franchise Development since January 2023. From January 2022 until December 2022, she was the Director of Franchise Development for Predecessor. Prior to that, she served as Director of Marketing for Go Minis Franchise, LLC in Westlake Village, CA from January 2021 to December 2021. From February 2019 to May 2020, she served as the Director of Franchise Development for Firstlight Home Care in Cincinnati, OH. From January 2013 to January 2019, she served as Sr. Manager Franchise Sales for Edible Arrangements International in Wallingford, CT. She serves in her current capacity with us in Connecticut.

The following individuals are included here because they are either officers of Manager or they have management responsibility relating to the sale or operation of franchises offered by this disclosure document:

President and Chief Executive Officer for Neighborly and Manager: Michael Bidwell.

Mr. Bidwell has been the Chief Executive Officer and President of Neighborly since February 2014. Since January 2015, he has also been the Chief Executive Officer and President of Manager. He is also the Chief Executive Officer and President of The Dwyer Group LLC, The Dwyer Group, Inc., TDG Intermediate, LLC, Balcones Holdco, Inc., Nest Bidco Inc., Nest Topco Borrower Inc., Nest Topco Guarantor Inc., and Nest Holdings Inc. He is also the President and/or Chief Executive Officer and/or a Director of a number of our other parent companies and affiliates.

Secretary of Manager and Franchisor, and EVP, General Counsel and Secretary of Neighborly: Grayson Brown

Mr. Brown has been the Secretary of Manager since May 2018. He has also been the Executive Vice President, General Counsel and Secretary of Neighborly and The Dwyer Group Inc. since May 2018. Previously, he was Vice President and General Counsel of Neighborly from August 2015 until May 2018. He has been our Secretary since November 2022. He is also the Secretary of our affiliates listed in Item 1 that offer franchises in the U.S. under separate franchise disclosure documents.

Chief Operating Officer for Neighborly: Mary Kennedy Thompson.

Ms. Thompson has been Chief Operating Officer of Neighborly since August 2015. She is also the COO of several of our affiliates, including The Dwyer Group, Inc. and The Dwyer Group LLC. She is also the Executive Vice President for The Dwyer Group Canada, Inc. She was Executive Vice President of Neighborly from February of 2014 to July 2015. She was President of Rooter's predecessor, Mr. Rooter LLC, from October 2006 to July 2015.

Chief Development Officer for Neighborly: Bradley Stevenson

Mr. Stevenson has been Chief Development Officer for Neighborly since October 2019. From November 2013 to October 2019, Mr. Stevenson was Vice President of Sales – Grocery of MillerCoors LLC in Chicago, Illinois.

Except as otherwise stated above, the location of each of the positions described above was 1010 North University Parks Drive, Waco, Texas 76707.

ITEM 3

LITIGATION

Prior Actions

Sidney J. Dumas, Sand Pointe Properties, LLC, ECO-X-PRESS, LLC v. Junk King Franchise Systems, Inc., (Case No. 01-15-0005-3308) filed before the American Arbitration Association ("AAA") on or about October 14, 2015. The plaintiffs, former franchisees, sought unspecified damages, general, economic, compensatory, special damages, punitive damages, costs and attorney fees in excess of $75,000 claiming that, as amended, JKFSI caused them to purchase a franchise as a result of fraud, negligent misrepresentation, promissory fraud, and also committed a breach of the covenant of good faith and fair dealing and a breach of contract. JKFSI vigorously denied the claims and filed a counterclaim for breach of the franchise agreement seeking $75,000 in damages, attorneys' fees, costs, and other fees incurred in this matter. On February 28, 2020, the parties entered into a settlement agreement in which the parties mutually released all claims against each other and agreed to dismiss the arbitration with prejudice by May 3, 2020.

Rondale, Inc. vs. Junk King Franchise Systems, Inc., (Case No. 01-19-0001-1633) filed before the AAA on or about April 15, 2019. The plaintiff, one of our area representatives, alleged that JKFSI breached its agreement by failing to report and share fees generated by a franchisee that operated in its territory and by failing to provide the plaintiff with an opportunity to exercise an option to purchase additional territory. The plaintiff sought $999,999 in damages, attorneys' fees, and specific performance. JKFSI denied the claims. On May 31, 2019, JKFSI filed a counterclaim asserting fraud in the execution of the master franchise (area representative) agreement, breach of contract, and breach of the implied covenant of good faith and seeking reformation of the master franchise agreement due to unilateral mistake, damages, attorneys' fees, and declaratory relief. On November 1, 2019, the plaintiff filed an amended claim adding us and Parent as defendants. On December 2, 2019, the parties entered into a stipulated dismissal dismissing JKFSI and Parent from the arbitration, leaving us as the sole defendant. On February 28, 2020, the parties entered into a settlement agreement in which, (i) neither party admitted any wrongdoing, (ii) the arbitration was dismissed with prejudice, (iii) the parties mutually released all claims against each other, (iv) we repurchased the area representative's territorial rights, terminating all agreements between the parties, and (v) we paid the plaintiff $2,721,380.43 in consideration of the foregoing.

JK Georgia LLC and JNKK Enterprises LLC v. Junk King Franchise Systems, Inc., (Case No. 17CIV04821) filed before the Superior Court of California, County of San Mateo on or about October 19, 2017. The plaintiffs, former franchisees, sought unspecified general, consequential, and incidental damages, attorneys' fees and costs, rescission of the Franchise Agreement, an injunction, and a declaratory judgment. The plaintiffs asserted claims of breach of contract, breach of the implied covenant of good faith and fair dealing, violations of California's Franchise Investment Law, negligent misrepresentation, fraud in the inducement, and unfair competition due to alleged misrepresentations in the Franchise Disclosure Document and other marketing materials provided to franchisees, alleged failures to provide training, marketing, and operational support, and allegations that the Franchise Agreement was against public policy. JKFSI vigorously denied the claims. The complaint was dismissed with prejudice on March 12, 2018 after the parties entered into a settlement agreement whereby JKFSI agreed to (i) pay $110,000 to JK Georgia LLC, (ii) assume JK Georgia LLC's truck loans, and (iii) repurchase the territory and assets from JNKK Enterprises LLC for an initial payment of $15,000 and $135,000 to be paid over 6 years. JK Georgia agreed to pay past-due royalties and ad fund fees of $1,475.40 and JNKK Enterprises LLC agreed to pay past-due royalties and ad fund fees of $1,873.56 plus outstanding debts to vendors.

Administrative Orders involving Affiliates and not involving the Franchisor:

The Commissioner of Business Oversight of the State of California v. FOR Franchising LLC d/b/a Window Genie and Richard Nonelle. On November 14, 2017, FOR Franchising LLC ("FOR"), a predecessor to our affiliate Window Genie that offered Window Genie franchises until March 2021, and Richard Nonelle, then-president of FOR, entered into a Consent Order with the Commissioner of Business Oversight of the State of California (the "Consent Order"). The Commissioner alleged that FOR and Mr. Nonelle had violated Section 31156 of the California Franchise Investment Law by failing to submit to the Commissioner copies of two advertisements offering a Window Genie franchise before such documents were provided to California residents in 2013. In an effort to resolve the matter in the most economical manner, and without admitting any liability or wrongdoing, FOR and Mr. Nonelle entered into the Consent Order and agreed, in full, final and complete resolution of the matter, that (a) FOR and Mr. Nonelle would desist and refrain from violations of section 31156 of the California Franchise Investment Law; (b) FOR would pay an administrative penalty in the total amount of $5,000 (which amount FOR paid) and (c) within 90 days of the date of the Consent Order, Mr. Nonelle and all persons employed by FOR who assist in preparing franchise registrations or who assist in franchise selling would attend remedial education of eight hours of franchise law training courses per person (which requirement has been completed).

State of Kansas vs. Molly Maid, Inc., (18th Judicial District, Sedgwick County, Kansas, Case No. 10CV4719). On November 29, 2010, Molly Maid, Inc. ("MMI"), a predecessor to our affiliate Molly Maid, entered into a Journal Entry of Consent Judgment and Permanent Injunction (the "Consent Judgment"). The District Attorney for the Eighteenth Judicial District alleged that MMI had violated the Kansas Consumer Protection Act ("KCPA") as a result of one Molly Maid franchisee being unable to document that background checks were performed on certain of its employees and the sale of gift certificates after the franchise was terminated. MMI vigorously denied any violation of the KCPA, however in an effort to resolve the matter in the most economical manner, and without admitting any liability or wrongdoing, MMI entered into the Consent Judgment and agreed to pay a civil penalty of $25,000 and to reimburse the District Attorneys' office $25,175 for its costs associated with the investigation, and to be enjoined from engaging in any act or practice, as alleged to have violated the KCPA. The Consent Judgment was marked satisfied on April 29, 2011 and MMI is in full compliance with the Consent Judgment.

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

ITEM 4

BANKRUPTCY

Bankruptcy proceeding involving portfolio company controlled by KKR (at the time of the bankruptcy proceeding) and not involving the Franchisor:

The Collected Group LLC, a Delaware limited liability company (a fashion brand owner), located at 4775 Eucalyptus Avenue, Chino, California, filed a prepackaged Chapter 11 Plan of Reorganization in the United States Bankruptcy Court for the District of Delaware on April 5, 2021 (Case No.: 21-10663). The company emerged from bankruptcy on May 26, 2021 after completing a restructuring.

Other than the above-listed proceeding, no other bankruptcy proceeding is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee (the "Initial Franchise Fee") upon executing your franchise agreement. Your Initial Franchise Fee depends on the number of persons that live in your Territory based on the most recently published data from the U.S. Census Bureau or such other source as we may indicate. The Initial Franchise Fee is calculated as $0.12 (twelve cents) multiplied by the number of persons living in your Territory. As a Territory will contain between 450,000 and 650,000 people, the Initial Franchise Fee will typically range between $54,000 to $78,000. You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned upon receipt and is non-refundable. We do not offer any financing arrangement for the initial franchise fee.

In the year ended December 31, 2022, the average initial franchise fee paid by JUNK KING franchisees was approximately $64,833.75 and the initial franchise fee paid during that period ranged from $ 17,626.20 to $93,728.64 based on the population in the territory purchased.

VetFran Discount

As a member of the International Franchise Association ("IFA"), we participate in the IFA's VetFran Program. If you are a United States or Canadian honorably discharged veteran (as such term is defined by us in our sole discretion) who meets our qualifications for purchasing a franchise, we will discount the Initial Franchise Fee by 15%. In determining who is a "veteran," we may be guided, in whole or in part, by any definitions we find appropriate, including definitions used by the federal government of the United States or Canada, as applicable, in determining who is eligible for federal benefits intended for veterans.

Deposit for an Option for Additional Territory

If you qualify under our then-current Expansion Criteria (see also Item 12), you may purchase an option for an additional territory by paying us, at the time you purchase your franchise, a fee of $10,000 for such additional territory and executing an Option to Purchase Agreement (in the form attached to this disclosure document as Exhibit G). Under the Option to Purchase Agreement, at any time within the 18 month period beginning from the effective date of your franchise agreement, you may purchase the additional territory if you are in compliance with your franchise agreement by paying us the balance of the initial franchise fee applicable to such territory. The $10,000 deposit will be applied to the initial franchise fee for the additional territory. We do not refund your deposit if you decide not to purchase the additional territory.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
License Fee[1, 2]	(a) 8% of Gross Sales for the first 18 months immediately following the opening of the Franchised Business, and (b)	By the 10th day of each calendar month	If you fail to timely submit a report, we will enter in a zero report for that week and you will automatically be charged the Minimum License Fee.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	beginning in the 19th month of operation of the Franchised Business, the greater of (i) 8% of Gross Sales; or (ii) $2,000 ("Minimum License Fee").		For avoidance of doubt, all Gross Sales generated by the Business in servicing customers in TAFS or under the Preferred Lead Program or any Key Accounts program shall be subject to the License Fee (and any other fee calculated as percentage of Gross Sales).
MAP Fee[1, 2, 3]	Currently, $575 per month for the first 12 months of operation and then $795 per month each month thereafter.	At the same time as License Fee	This fee may be increased by up to 20% on an annual basis.
Local Marketing Groups[1, 2, 3]	not to exceed 3% of Gross Sales; currently $400/month (and currently new franchisees receive a 6-month waiver of this fee). We may require that a portion of your LMG contribution be paid for use towards the Neighborly marketing and brand awareness initiatives.	Determined by LMG members	We designate local advertising markets and advertising cooperatives and/or local marketing groups for such markets (collectively, "LMGs"), and you must participate in and contribute to the LMG advertising and marketing programs in your market. Your contribution to the LMG will count towards any required Minimum Local Marketing Spending but any required Minimum Local Marketing Spending will not represent a limit on your LMG contributions (see Item 11).
Customer Care Center Fee[1, 2]	5% of Gross Sales	Same as License Fee	You must participate in our customer care center program that processes customer requests for services, schedules estimates, refers service requests to franchisees and otherwise handles customer inquiries ("Customer Care Center"). We will not charge the Customer Care Center Fee on the Gross Sales derived from

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			recycling services and resale services. We reserve the right to change these fees upon 30 days' notice or require you to use a different provider, which may be us or another affiliate.
Outgoing Customer Care Center Fee[1]	$250/month	Upon demand	Paid to us on behalf of Customer Care Center for optional outgoing customer service calls.
Software System Fees[1]	$1,800/year For 2023, we will charge a prorated fee for the remainder of 2023 calendar year on June 1. The fee will also be prorated based on the month within which your Franchised Business opens. We reserve the right to increase this fee by no more than 20% on an annual basis, plus any increase based on third-party price increases. This fee provides you with three Junk King® email accounts. If you need additional email accounts for your employees, you must pay us $3/month/license, or $36/year on the same June date each calendar year. Finally, additional access rights to the Tableau data warehouse (beyond the first license) may be granted for an additional $12/month or $144/year, again, collected on the	Annually, due on June 1 of each year for the then-current calendar year.	This fee currently covers the cost of the following technology platforms: license fee for Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software license, and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system (the "Software System"). We have the right to audit you for compliance with the required number of email account licenses. You must execute the Software System User and Maintenance Agreement included as Exhibit K to this Disclosure Document. We may update the Software System from time to time and require you to use different and/or additional proprietary and/or other software and you will be required to purchase/enter

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	same June date each calendar year.		into software agreements/ licenses for such software as we (or the third-party supplier) specify and you will be required to pay to us or the third-party supplier fees for such software.
Late Fees (on Software System Monthly Fees)[1]	$25 per month or the maximum amount allowed under the law, whichever is less.	As incurred	If you fail to pay the Software System Monthly Fees within 30 days of the invoice date, you will be required to pay this late fee.
Annual Convention ("Reunion") Fees[1]	Currently $1,000 or less	When you are billed, which may be via automatic bank draft, or within 30 days after Reunion via automatic bank draft	We charge you a per-person registration fee to attend the Reunion. You must attend Reunion each year (see Item 11). We will charge you this fee regardless of whether you actually attend.
Transfer Fee[1]	$7,500	$2,500 upon your listing of the Business for sale; remainder upon closing of the transfer.	We may discount or waive the transfer fee if the transfer is to a legal entity you control or to a member of your immediate family (See Section 10.C. of the Franchise Agreement).
Late Fees[1] (Franchise Agreement)	$10 per day	On demand	Applies to fees that are overdue.
Administrative fee – Late Payment, Dishonored Check or ACH Draft[1]	$150	On demand	You must pay us this fee for each check returned or ACH draft refused by your financial institution for insufficient funds in your account or if your payment is late.
Interest[1]	12% on unpaid balances	On demand	Payable on all overdue amounts. The twelve percent (12%) charge is calculated as a per annum rate but may be collected on demand, including weekly or monthly through automatic bank draft.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Failure to Maintain Insurance[1]	Our actual cost for insurance premiums and a reasonable fee for expenses we incur	On demand	If you fail to maintain the required insurance coverage on your franchise, we may acquire and pay for the insurance coverage and charge you.
Audit[1]	Cost of audit plus expenses, plus any amount owed as shown by the audit, plus interest and late fees	When you are billed	Payable only if we find an understatement of Gross Sales of 2% or more or if you fail to provide requested information within 30 days of our request
Renewal Fee[1]	$5,000	On renewal	See Item 17 for terms and conditions for renewal.
Amendment Fee[1]	$250	When you are billed	You must pay us a processing fee for modifications to your franchise agreement that are made at your request. When you request an amendment to your franchise agreement or related agreements, we may require that you sign a general release releasing us from all claims you may have except claims which, under state law, may not be released.
Non-Compliance Fee[1]	Our then-current fee; currently $20/day of non-compliance	Upon demand	If you fail to comply with the Manual, and fail to remedy the non-compliance within the cure period provided by us, we may charge you this fee for each day that the non-compliance remains uncured.
Unapproved Suppliers[1]	Our actual out-of-pocket costs of inspection or testing	On demand	See Item 8.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification and attorneys' fees and costs[1]	Varies according to loss	On demand	If we must engage an attorney to enforce our rights under the Franchise Agreement and we prevail, or if we are sued because of something you do or fail to do, you must indemnify us and/or reimburse us for all costs, including reasonable attorneys' fees (which may include outside counsel fees and in-house legal costs charged at rates comparable to outside attorneys), interest, court costs and expenses expended or incurred in enforcing our rights.
Tax Reimbursement[1]	Varies according to tax	When you are billed	You must pay us or to taxing authorities (as applicable) an amount equal to any sales tax, use tax, gross receipts tax, documentary stamp tax or similar tax (other than income tax), fees or charges imposed on us due to any required payments you make to us. You must pay us such additional amounts as necessary so that we receive all payments from you in full as if no such tax applied.
Key Account fees[4]	Varies, typically a fee equal to 1% to 20% of the invoice amount	At time of invoicing	If we handle the billing, invoicing, and collections for a Key Account, we will pay to you the Gross Sales we receive from the Key Account related to services provided by you in the Territory, less this administrative fee specified for each job by us. We determine the fee for each job based on the size of the load and our arrangement with the Key Account.
Third-Party Payments[1]	Our actual costs, including interest and penalties, plus a fee of the greater of $35	As incurred	If we pay monies to a third party on your behalf (including a supplier due to

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	or 5% of the payment amount		your non-payment), you agree to reimburse these costs to us, along with these fees to compensate us for our administrative costs.
Additional Training Fees[1]	Then-current fee; Currently: $1,200 per trainee for additional trainees during initial training program; or $1,000 per day for additional training (in addition to the initial training program) or replacement manager training	When you are billed	If you request training in addition to the initial training program (See Item 11) or you wish for us to train more than four individuals during the initial training program or we retrain any individuals or train replacement managers, we may charge you a training fee, plus you must pay your costs and expenses in connection with such training. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually. Therefore, you may not incur travel expenses if your training is done remotely/virtually.
Paradox ATS Fee	$0 until the anniversary date ("Anniversary Date") of the date on which we first make this system available to our franchisees (launch date is anticipated to be before the end of 2023). In January 2024, you will pay a pro-rated portion of the then-current annual fee ($650 for 2024) for the period from the Anniversary Date through the end of 2024.	January 2024 and annually thereafter	We make this optional third-party web-based applicant tracking system (ATS) available to you. Until the Anniversary Date, you will receive free access to this ATS, subject to your agreement to Paradox, Inc.'s terms of use. After that, if you wish to continue to use this system, you must pay the annual fee for continued access, which fee will be pro-rated for 2024. We may increase the fee annually to reflect price increases from the vendor, Paradox, Inc. You may opt out of the Paradox ATS at any time.

Notes:

1. **Fee Payment Information**. All fees are non-refundable and, except as otherwise provided, all fees are uniformly imposed. All fees are imposed by us and are payable to us, except the fees for any LMG fees, which are imposed by us, and may be payable to us or the LMG. You may be required to pay by automatic bank draft all current and future fees specified in this Item 6. See Item 11 for information about electronic reporting of Gross Sales and payment of fees by automatic bank draft. Some banks or other financial institutions may charge a fee for electronic transfers.

Currently, we require that you also license Quickbooks Online from our designated vendor, Intuit Limited, and pay a license fee directly to the vendor, currently in the amount of $59.50 per month.

2. **Gross Sales**. Gross Sales include the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of — or in connection with — your Business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing.

3. **Minimum Local Marketing Spending; Local Marketing Groups/Advertising Cooperatives**. For the first three years after the scheduled opening date of your Franchised Business, you must spend an amount each month on approved local marketing and advertising of your Business (the "Minimum Local Marketing Spending") equal to the greater of: (a) 10% of the average Gross Sales of the Franchised Business per month during the immediately preceding calendar quarter or (b) $3,000. We may reduce the required amount after the third (3rd) anniversary of the scheduled opening date based upon the depth of your market penetration in the Territory. The amount you spend on Minimum Local Marketing Spending will be in addition to any MAP fees you must pay to us. Amounts paid to an LMG will count towards the Minimum Local Marketing Spending, as more particularly described in the Manuals. If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Spending and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. Should your franchise agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Spending collected to the MAP Fund.

If advertising cooperatives are set up, franchisor-owned outlets will not have controlling voting power, although as franchisor, we will set the contribution rates and franchisor-owned outlets will contribute at the same rate. If your territory is in a geographic area that is subject to an existing advertising cooperative, the cooperative may determine your contribution rate.

If local marketing groups are set up, the franchisor will set the contribution rates and franchisor-owned outlets will contribute at the same rate; the members will have no votes but they will advise the franchisor on the local marketing group's strategies and initiatives.

4. **Key Accounts and Third Party Fees.** You must participate in our Key Accounts program and comply with all Key Accounts standards and procedures described in the Operations Manual and/or as we may otherwise communicate to you, which participation may, in some cases, require you to use us or an affiliate as the billing provider on the account. Key Accounts may require use of additional software.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee (Note 1)	$54,000	$78,000	Lump sum	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training (Note 2)	$1,500	$7,000	As incurred	Before opening	Third-party Vendors
Inventory and Supplies (Note 3)	$500	$1,000	As incurred	Before opening	Third-party Vendors
Fixtures, Furniture, and Equipment (Note 4)	$2,000	$3,000	As incurred	Before opening	Third-party Vendors
Signage (Note 5)	$1,000	$2,000	Lump sum	Before opening	Third-party Vendors
Vehicles (Note 6)	$15,000	$20,000	Lump sum	Before opening	Third-party Vendors
Office and Warehouse Lease (Note 7)	$1,500	$6,000	As incurred	Monthly	Landlord
Leasehold Improvements (Note 8)	$0	$5,000	Lump sum	Before opening	Third-party Vendors
Prepaid expenses/ Insurance (Note 9)	$1,800	$3,000	Lump sum	Before opening	Insurance Agent/Company
Pre-Opening Payroll (Note 10)	$1,000	$5,000	Bi-weekly	As incurred	Employees
Additional Funds- 3 months (Note 11)	$15,000	$50,000	As incurred	Before opening	Suppliers, Utilities, etc.
TOTAL (Note 12)	**$93,300**	**$180,000**			

Notes:

Unless otherwise noted, all fees payable to us are nonrefundable. Refundability of fees paid to third parties depends upon their policies.

Note 1. The initial franchise fee is $0.12 (twelve cents) multiplied by the population in the Territory. The estimate is based on the purchase of a Territory with 450,000 to 650,000 persons. You must pay the initial franchise fee in full when you sign the franchise agreement. See Item 5 for more information about the initial franchise fee (including applicable discounts) and see Item 12 for more information about Territory.

Note 2. Travel and living expenses to attend initial training will vary significantly depending upon the distance you travel to attend initial training, whether you travel at peak or off season, which day of the week you travel, the amount of advance time before booking, the grade or level of lodging that you choose, and grade of restaurants at which you predominantly choose to eat. We require at least one person to attend initial training, but we allow you to bring up to four employees. The estimate assumes one to two people will attend training.

Note 3. You will need uniforms and standard office supplies.

Note 4. Unless you have these items already, you will need a computer with internet access, anti-virus protection, printer, e-mail, telephone, scanner, desk, chairs, file cabinet, tools, trash cans, recycling bins, cell phones, GPS, and truck equipment. Further, you must maintain a dedicated telephone number for use as a franchisee. Further, we reserve the right to specify your purchase and use of reasonable software for operation of the Business.

Note 5. You will need to purchase signage for your office/warehouse space.

Note 6. You will need to purchase a Mitsubishi or Isuzu truck cab equipped with a custom-made 18-cubic yard box on the back. The estimate includes a down payment on the customized truck. If you choose to pay cash, or if you are unable to obtain financing, the cash price of the truck will be approximately $96,000 to $100,000, plus applicable delivery charges and tax. You may lease your truck only if it is a lease to own.

Note 7. You must secure warehouse/administrative office space and space for recycling. You must maintain sufficient space to operate computer and telephone equipment, maintain records, and provide a processing area for material that will be recycled. We estimate that you will need approximately 1,200 to 2,500 square feet of space to begin operation of the Business, however, up to 5,000 square feet is acceptable. This estimate assumes that you will rent a space between approximately 1,200 to 2,500 square feet of space. If your facility is larger, your costs will be higher.

The estimate assumes you will lease the space and includes your first and last month's rental payment. Your rent will depend on the site's size, condition, accessibility, and location, local market conditions, and demand for the premises among prospective lessees. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C. and in certain other high demand districts, prevailing market rents could be significantly higher than the high estimate. You should consult with a local commercial real estate broker to get a more accurate estimate of costs in your market.

You may choose to purchase, rather than rent, real estate on which a building suitable for the office and warehouse already is constructed or could be constructed. Because of the numerous variables that affect the value of a particular piece of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for an office or warehouse.

Note 8. If you build out or refurbish your office space, you may incur expenses for this work. Your costs may be significantly more, depending on the changes that you elect to make to the space.

Note 9. You must purchase the insurance coverage described in Item 8. This estimate is for your insurance premium deposit and your first three months of insurance coverage, which may be paid prior to opening. This estimate covers the operation of one vehicle. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of the deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums. If you do not obtain the required insurance coverage, we can purchase it for you and bill you for our costs.

Note 10. We recommend a minimum of one full-time and three part-time employees to start this business, which includes a minimum of one driver and two navigators. Wage rates and benefits vary by geographic area and the nature of job position. This estimate includes payroll costs that you may incur prior to opening, including insurance. Liability and Workman's Compensation equate to $500 to $1,500 of this estimate.

Note 11. This is an estimate of the amount of additional operating capital that you may need during the pre-opening period and the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, local license and other government fees, utilities, payroll taxes (including payroll to cover the pre-opening training period for your staff), License Fees, MAP Fees, Customer Care Center Fund fees, legal and accounting fees, your monthly advertising obligations, health and workers' compensation/Workman's Compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, ongoing rent, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means intended to be exhaustive of the extent of possible categories of expenses. The expenses you incur during the start-up period will depend on factors such as local economic and market conditions, your business experience, and the amount of business you generate.

Note 12. We have relied on our 13 years of experience in the business as well as information provided to us by our franchisees to compile these estimates. These figures are estimates of your initial expenses covering the pre-opening period and your initial three months of operation.

This estimate does not include the cost of providing Dumpster Services because you will not offer Dumpster Services during the first three months of the operation of the Franchised Business. When you are eligible to offer Dumpster Services in your Territory through your Franchised Business, you must purchase at least seven dumpsters and a second vehicle capable of hauling a dumpster (which collectively are estimated to cost between $125,000 and $135,000 plus applicable delivery charges and tax).

We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your creditworthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

<u>Renewal and Purchase of Operating Franchises</u>

If you are renewing your franchise or if you are purchasing an operating franchised business (as opposed to a territory that has not yet been developed), the above costs will not apply except to the extent they apply in your ongoing business. You will pay a Renewal Fee of $5,000 instead of an Initial Franchise Fee when you renew the franchise. Also, instead of an Initial Franchise Fee, we charge $7,500 in the case of a resale/transfer (purchase of an existing Business). If you choose to have legal review of your renewal franchise documents, the cost item above titled "Professional Fees" would apply but we estimate the amount to be approximately $4,000 for a renewal since your business has already been formed. The $5,000 estimated in the case of review of a franchise agreement and formation of a legal entity to be the franchisee, if needed, would apply in the case of a resale/transfer. This estimate does not include the cost of preparing and negotiating the purchase agreement with the owner of the franchised business you are purchasing, if applicable, and you must make your own estimate of those costs. If you are acquiring an operating franchise, you will pay to the selling franchisee a purchase price for the business, which purchase price you will negotiate with the selling franchisee.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must maintain the highest standards of quality and workmanship in order to provide the highest quality of service to your customers. You must use in the operation of your Business, and in the offer and sale of the services and products we approve, only those techniques, procedures, and supplies we specify in writing. You must offer all, and only such, products and services as we approve from time to time. We may change any of our requirements periodically. We will notify you of any changes to the standards or the Manuals.

Approved Supplies and Suppliers

We may furnish you from time to time lists of approved supplies and approved suppliers. We reserve the right to require that you only use approved products, inventory, supplies, uniforms, tools, equipment, signs, telephone and internet equipment and service, advertising materials, and other items (the "approved supplies") in the Business as described in the approved supplies and approved suppliers' lists, as we may amend from time to time. We also may develop and research new products or services as we determine necessary. We reserve the right to designate a primary or single source of supply for certain products and supplies, and we or our affiliates may be that single source. You must pay the then-current price in effect for any purchases from us or our affiliates. You may not contract with an alternative supplier for any products and/or services for which we have designated a supplier.

You may purchase from other suppliers if you follow our supplier approval procedures, as described in the Manuals, and obtain our prior written approval. You must give us at least thirty (30) business days' prior written notice if you wish to purchase from a source other than our approved suppliers. We may require that samples be delivered to us or to a designated independent testing laboratory for testing before our approval is given. You must pay upon demand our (or the third party's) actual costs of the testing and any related costs/expenses (regardless of whether we grant an approval). We will usually notify you of our decision within 10 days after we receive the test results. Additional or different procedures may be required for approval of services, software or other special items, as described in the Manuals. We reserve the right to revoke our approval at any time upon the supplier's failure to meet our then-current criteria.

Currently, you must purchase the following from our specific vendors: accounting software from Intuit QuickBooks Online, human resource, payroll, and benefits outsourcing services from Paychex, and invoicing software from Intuit Merchant Services, and GPS services from Linxup GPS.

We may also require that other products, supplies, equipment, inventory or services you use in connection with the operation of your Business meet our then-current specifications (as we may from time to time modify). Currently, you must purchase the following items pursuant to our specifications: computer hardware and software, equipment, signs, supplies, tools, GPS and navigation system, Vehicles, truck equipment, advertising materials, employee uniforms, insurance, dumpsters, and the site of the Franchised Location.

Software System

You must obtain the Software System from us and pay us the Software System Fee for your usage, as described in Item 6. We may update the Software System from time to time and require you to use different and/or additional proprietary and/or other software and you will be required to purchase/enter into software agreements/licenses for such software as we (or the third-party supplier) specify and you will be required to pay to us or the third-party supplier fees for such software.

Customer Care Center

Currently, you must participate in our Customer Care Center and pay us the Customer Care Center Fee as disclosed in Item 6. Through the Customer Care Center, we are the sole supplier of all call center and related customer care services for your franchised business. We believe the Customer Care Center Fees are equal to or lower than the prevailing market price you would obtain if you engaged a third party on your own to provide comparable services of a comparable quality on a consistent basis. This does not mean that we offer the lowest price; however, based on our experience, vendors that provide lower pricing for a single franchisee or a small group of franchisees and/or for a limited time do not promote the same level of uniformity in long-term system-wide product quality and service that we, as the franchisor, or our affiliates are able to provide. The Customer Care Center Fees may include a mark-up which exceeds the direct costs of the Customer Care Center program, and we may derive a profit from the Customer Care Center Fees. We may modify or discontinue the Call Center Program at any time upon notice to you.

In addition, currently, we are an approved supplier of advertising materials, but not the only approved supplier. We reserve the right to designate us or our affiliates as approved suppliers or the only approved suppliers for other goods or services in the future.

Vehicles

You must purchase one Vehicle upon startup and an additional Vehicle after you have been in operation for eight months, or when your existing Vehicles(s) average three jobs per day over an average of ten business days, whichever comes first. After that, you are required to purchase an additional Vehicle whenever your existing Vehicles average three jobs per day over a fourteen-day period. Vehicles shall meet our specifications as stated in the Manuals. You are prohibited from using any other box trucks, trailers, vehicles, or dumpsters that are not approved by us or meet our specifications. You may not lease Vehicles, unless you participate in an approved lease-to-own program that we may from time to time offer with an approved supplier.

Dumpsters

When you are approved to offer Dumpster Services in your Territory through your Business, you must purchase at least seven dumpsters and a second vehicle capable of hauling a dumpster (which collectively are estimated to cost between $110,000 and $135,000). The dumpsters and vehicle must meet our minimum specifications and may need to be purchased from a vendor that we designate.

Marketing Materials

All advertising and promotional materials, signs and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we specify. Your advertising and promotion must meet our standards as described in the Manuals or otherwise by us in writing. You may prepare and use your own advertising or promotional materials provided that we have approved them in writing prior to use.

Telephone Numbers and Electronic Identities

The telephone numbers and electronic identities you use in connection with the Business must be owned and controlled by us or an approved supplier. We require you to “port” or transfer to an approved call routing and tracking supplier all phone numbers associated with the Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks and/or the Business.

Purchasing Arrangements and Rebates

We do not provide you with any material benefits based on your purchase of particular products or services, or your use of designated or approved sources. Our affiliate, ProTradeNet, negotiates and enters into purchase arrangements, which may include discounted pricing, special terms, rebates or other incentives with suppliers for the benefit of our franchisees. We may also negotiate or enter into these types of arrangements directly. ProTradeNet has and may enter into relationships with other buying groups, which may include competitors, for the purpose of improving negotiating strength and purchase volume for the entire group. We or an affiliate (including ProTradeNet) may make available to you the opportunity to participate from time to time in certain discounts, rebates, or other benefits in connection with approved suppliers (collectively, "Rebates"), if you meet certain conditions, such as supplier terms and conditions and attendance at annual meetings. All Rebates not returned to franchisees may be retained by us or our affiliate (including ProTradeNet) and used to cover administrative costs or to promote our system and brands. In most instances, but subject to change and vendor relationships, ProTradeNet will retain 25% of all Rebates, pay 25% of all Rebates to us and pay 50% of all Rebates to you, the franchisee, based on qualifying purchases. The Rebates received by ProTradeNet from suppliers are generally a percentage of each supplier's annual billings to franchisees with respect to certain products or services provided by the supplier to the franchisees. In 2022, these Rebates ranged from 1% to 35% of the suppliers' annual billings to franchisees. Some suppliers may also pay additional fees for advertising, which fees range from $500 to $25,000; for marketing, which fees range from .5% to 1% of total qualified purchases by franchisees from the supplier; and for sponsorships and tradeshow space, which fees range from $500 to $175,000, for the purpose of promoting their product or service to franchisees. All of these amounts and percentages, including the percentages of Rebates retained by ProTradeNet and paid to us and to you and all additional fees, may change in the future at our sole discretion. Rebates are typically paid on net sales for qualified purchases and ProTradeNet may or may not from time to time include purchases made by the MAP Fund in our rebate program. If MAP Fund purchases are included as qualified purchases, ProTradeNet will allocate 100% of the rebates from those purchases to the MAP Fund. The agreement you are required to sign with ProTradeNet to participate is included as Exhibit J hereto, and additional terms and conditions, which may change from time to time, are included on the ProTradeNet website, www.protradenet.com. While you are required to enter into the ProTradeNet Agreement, you are not required to purchase any items under the ProTradeNet Program except as otherwise stated in this disclosure document or required by your Franchise Agreement, our Manuals or our policies and procedures. However, certain benefits, Rebates and special pricing will be available to you only if you participate on the terms required by ProTradeNet or each individual supplier.

We may derive revenue as a result of your required purchases. Amounts listed below are based on cash received and cash disbursed. Some Rebates may be received and the portion of any that are disbursed may be held until the next national meeting before being disbursed. Not all suppliers provide Rebates. A complete listing of suppliers providing Rebates and their rates is available from ProTradeNet.

- In the year ended December 31, 2022, ProTradeNet had no revenue from required purchases by JUNK KING franchisees.

- In the year ended December 31, 2022, ZorWare had no revenue from required purchases by JUNK KING franchisees.

- In the year ended December 31, 2022, Predecessor had revenue of $245,185, or about 1.52% of its total revenues of $16,113,037, and we had revenue of $0, or 0% of our total revenues of $0, as a result of purchases by JUNK KING franchisees from approved suppliers or under Predecessor's or our specifications or as a result of purchases, if any, directly from Predecessor or us. These figures were computed from Predecessor's and our (respectively) internal accounting records for the year ended December 31, 2022.

- We or our affiliates may receive a commission from the brokerage of a capital lease or other equipment finance, should you require financial assistance from third parties.

You must comply with all terms and conditions applicable to these programs to receive the discount or Rebate. Additional information is available by contacting us. These programs may be changed or discontinued at any time. Other than the ProTradeNet program described above, we do not currently participate in any purchasing or distribution cooperatives. We or our affiliate(s) may from time to time negotiate purchase arrangements with suppliers (including price terms to the extent permitted by law) for the items and services described in this Item 8 that you may obtain only from designated sources.

Key Accounts Program

We offer a Key Accounts program. From time to time we evaluate opportunities for Key Accounts which might be best administered through us, our parent, an affiliate or a third party, as we determine in our discretion. You must participate in our Key Accounts program, subject to compliance with the standards and procedures of the program. We, Neighborly Service Solutions and/or a third party we select, may solicit Key Accounts for the franchisees of certain franchise systems affiliated with Neighborly, including us. A "Key Account" is a customer account which may be national or regional and cover multiple customer locations (within and/or outside your territory) with whom we have entered into arrangements (i) for servicing of multiple locations of such customers and/or (ii) that we determine are designed to benefit the System as a whole by gaining otherwise unavailable business or addressing the concerns of such customers that may require specific terms or provisions of our arrangement with them, including without limitation special insurance, experience, equipment, pricing, payment terms, turnaround requirements, or approvals. A Key Account is generally, but not always, a large organization with multiple locations that need products and services provided by franchisees in our franchise system and/or the franchise systems of our affiliates around the country or in a region or other area. The agreement to provide services may be formal or informal and the account may be administered by us, an affiliate or a designee of ours. In some cases our Key Accounts program provides a central number customers may call for those services. You must comply with the terms we specify, which may include provisions that require the payment of management fees or other fees, including sales commissions or similar payments, offering of special products or services at certain times or for certain prices (to the extent allowed by law) and special insurance, indemnity, quality control and other provisions. You may also be required to enter into additional agreements required by a Key Account or our policies and procedures. The Key Accounts administrator (which may be us, our affiliate or a third-party designee) may collect payments from Key Account customers and distribute payments to franchisees for work provided but has no obligation, and we have no obligation, to make any payments to you for work to the extent payment in good funds by the Key Accounts customer has not been made to us or the administrator. We and/or the administrator of the Key Accounts program have the right to charge additional amounts, including commissions or other fees or charges, to third parties and/or to Key Account customers on account of work performed on Key Accounts by you or other third-party service providers.

Insurance

Before you begin operating your Business, you must purchase, and maintain at all times during the term of your franchise agreement, at your cost, insurance coverage, from a responsible carrier, with an A.M. Best rating of A-VIII or better, with the coverage amounts, types and other features as we from time to time specify, using the insurance industry form(s) acceptable to us, and such other insurance coverage as required by law and any other agreement related to the Business. We reserve the right to designate a primary or single source for all or any of the insurance coverage for the Business, and we or our affiliates may be that primary or single source. Any person or entity with an insurable interest that we designate (each, an "Additional Insured") must be named an additional insured on all required liability policies. Each insurance policy must contain a waiver of subrogation in favor of the Additional Insureds. Your insurance must apply as primary and non-contributory. Currently, our minimum insurance requirements include (i) commercial general liability insurance, with minimum liability coverage of $1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury) and $2,000,000 in the aggregate; (ii) auto liability coverage, combined single limit in the amount we specify, up to $2,000,000 but no less than $1,000,000, on each owned, non-owned or hired vehicle used in connection with the Business; (iii) workers' compensation coverage, regardless of whether required by state law, with minimum coverage as required by state law (if applicable); (iv) $500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures; and (v) such other insurance as from time to time required by us, under applicable law and under other agreements applicable to your Business. With respect to Key Accounts, if the insurance amount required for any Key Account or for Key Account work in general exceeds the amount specified as the maximum amount required by us for any type of insurance, that higher amount required for the Key Account work will apply. Additional insurance requirements are described in the Operations Manual.

You may satisfy the insurance coverage limits through an umbrella policy that meets all our requirements. If you fail to purchase or maintain required insurance, we may, but are not obliged to, obtain such insurance for you and keep the same in force and effect, and you must pay us, on demand, all premiums charged for such insurance policies together with a reasonable fee for the expenses we incur in doing so. We also have the right to terminate your Franchise Agreement for cause if you fail to comply with our insurance requirements. You must deliver to us at commencement and thereafter annually or at our request a proper certificate of insurance evidencing the existence of the required insurance coverage. We also may request copies of all insurance policies. We may modify the required minimum limits and types of coverage, by written notice to you. Upon such notification, you must immediately implement the modification of the policy, and provide evidence thereof, in accordance with our request.

<u>Accounting Software and Other Requirements</u>

We recommend that you engage the services of a certified public accountant to assist you with the set-up of your books and records, in using the appropriate chart of accounts that we require and in producing monthly and annual compiled financial statements. If you request, we will provide you with information about companies we are aware of that offer these services to our franchisees. We require that you use an appropriate chart of accounts, comply with our operating procedures and specifications, including internal audit standards, and use our required software (as part of the Software System) and that your accounting must also be compatible with our required Software System. Currently, we also require that you license Quickbooks Online from our designated vendor, Intuit Limited. We may, upon demand, require you to provide us, within the time as we specify, with audited financial statements, using an independent certified public accountant designated by or satisfactory to us, to adopt a fiscal year consistent with ours, to cooperate with our auditors and to comply with such additional requirements as may be reasonably necessary to enable us to meet our obligations under Generally Accepted Accounting Principles and to comply with applicable accounting standards and rules.

None of our officers currently have an ownership interest in any approved supplier.

The cost of items purchased in accordance with our specifications represents approximately 10% to 20% of your total purchases in connection with the establishment of your Business and approximately 10% to 30% of your on-going purchases in connection with operation of your Business.

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 obligation in these agreements and in other items of this disclosure document.

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a.	Site selection and acquisition/lease	2, 5(A) and Schedule A	11
b.	Pre-opening purchase/leases	5(A) – (F); 9(C)	7, 8 & 11
c.	Site development and other pre-opening requirements	5(A) – (F); 9(C)	7, 8 & 11
d.	Phase I and Phase II and ongoing training	6	11
e.	Opening	5(A) – (F); 9(C); 6; Schedule A	11
f.	Fees	8; 10(C); Schedule A	5, 6, 7 & 11
g.	Compliance with standards and policies/Operating Manual	2(A), (B); 3; 5; 6; 8(H), (I); 9;	11
h.	Trademarks and proprietary information	3; 5(G), 5(J), Schedule F	13 & 14
i.	Restrictions on products/services offered	2(A); 3(A) - (C); 5(C), (D), (K), (L), (M) and (R)	8 & 16
j.	Warranty and customer service requirements	5(N)	11
k.	Territorial development and sales quotas	2(A), (B); Schedule A	12
l.	Ongoing product/service purchases	5(A)-(F)	8 & 16
m.	Maintenance/appearance/remodeling requirements	5(A) and (B)	11
n.	Insurance	9(C)	6 & 8
o.	Advertising	7	11
p.	Indemnification	9(B)	6, 9, 13 & 14
q.	Owner's participation/management/ staffing	6	11 & 15
r.	Records and reports	8(H) and (I)	6
s.	Inspections and audits	5(H); 8(J)	6 & 11
t.	Transfer	10	17
u.	Renewal	4(B) and (C)	17
v.	Post-Termination obligations	5(R) and 13	17

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
w.	Non-competition covenants	9(D); Schedule F	17
x.	Dispute resolution	11	17
y.	Other		
	Guarantee of Franchisee Obligations (Note 1)	14(F); Schedule C	14. 15

Notes:

1. If Franchisee is a corporation or other entity, all persons having a 5% or more ownership interest must personally guarantee the obligations to be performed by the Franchisee under the Franchise Agreement.

ITEM 10

FINANCING

Except as described below, we do not offer direct or indirect financing. Except as described below, we do not guarantee your note, lease or obligation.

SUMMARY OF DIRECT FINANCING OF EQUIPMENT FOR DUMPSTER PROGRAM ONLY

Item Financed	Amount Financed	Down Payment	Term	Apr %	Monthly Payment	Prepay Penalty	Security Required (2)	Liability Upon Default	Loss of Legal Right on Default
Equipment for Dumpster Program (via a Capital Loan)	100% of Amount Required to Obtain Equipment for Dumpster Program	$0	5 years	6.25%	Varies	N/A	Secured Interest in Equipment	Acceleration of amount due under Promissory Note; Right to withhold Key Account payments.	Default under Franchise Agreement; possession of Equipment purchased with loan proceeds.

Under certain conditions, we will provide you with a loan, the proceeds of which must be used to obtain the equipment needed to operate the Dumpster Program. In connection with the financing, you and your owners are required to sign the promissory note and security agreement attached as Exhibit M-2 to this Disclosure Document.

SUMMARY OF FINANCING OF FRANCHISEE DEBT

Item Financed	Amount Financed	Down Payment	Term (1)	Apr % (1)	Monthly Payment	Prepay Penalty	Security Required (2)	Liability Upon Default	Loss of Legal Right on Default
High-Interest Debt of Franchisees (via a Capital Loan)	Varies, based on amount of loan, but up to $50,000	$0	Varies	Varies	Varies	N/A	None.	Acceleration of amount due under Promissory Note; Right to withhold Key Account payments.	Default under Franchise Agreement.

Under certain conditions, we will provide you with a loan, the proceeds of which must be used to pay-off high-interest debt of your Franchised Business. In connection with the financing, you and your owners are required to sign the promissory note attached as Exhibit M-2 to this Disclosure Document. In order to be approved for the financing, you must: (a) have operated your Franchised Business for at least six months; (b) be in full compliance with all terms of the Franchise Agreement at the time of the request and during the loan term; (c) have met or exceeded our then-current reasonable performance standards for the Franchised Business; and (d) pass a credit check.

The interest rate will vary based on the term of the repayment of the loan, as follows:

Term	Rate
6 months	5%
12 months	6%
2 years	8%
3 years	10%

SUMMARY OF INDIRECT FINANCING OF TRUCK PURCHASES (GUARANTY AND SECURITY AGREEMENT)

Item Guaranteed	Amount Guaranteed	Down Payment	Term	Apr %	Monthly Payment	Prepay Penalty	Security Required (2)	Liability Upon Default	Loss of Legal Right on Default
Truck(s) **(1)**	100% of Amount Financed	N/A	Term of lender documents **(3)**	N/A	N/A	N/A	Yes	Varies depending on default.	Default under Franchise Agreement; possession of Equipment purchased with loan proceeds; option to assume obligations under lender documents.

Notes:

1. If your approved lender refuses financing for your trucks without additional security, you may request that we guarantee your obligations under the truck financing arrangement, which request we may grant but have no obligation to do so. If granted, we will provide the guarantee under the Guaranty and Security Agreement attached to this Disclosure Document as Exhibit M-1.

2. Under the Security Agreement, you grant to us a secondary security interest in the trucks during the term of the Guaranty. Upon default, we have the right to assume your obligations under the lender documents, retake possession of the collateral, sell the collateral and put you in default under the Franchise Agreement.

3. The terms of the arrangement with your lender will vary based on numerous factors, including your credit history, your credit score and net worth. The interest rate, number of payments, security interest, guarantee requirements, prepayment abilities, liabilities upon default and all other material financing terms will be dictated by your lender. We do not have control over those terms and cannot predict what those terms will be.

The financing described in this Item 10 is provided by us, JUNK KING SPV LLC.

We may sell, assign or discount any promissory note or other obligation arising out of the franchise agreement to a third party. If we sell or assign your promissory note, it will not affect our obligation to provide the services to you that are described in the franchise agreement but the third party may be immune under the law to any defenses to payment you may have against us.

We may periodically agree with third party lenders to make financing available to our qualified franchisees and we may, in our sole discretion, refer you to a third party lender for financing. We have no control over whether financing will be offered to you by any third-party lender. The lender is not obligated to provide financing to you or to any other franchisee that the lender finds does not meet its credit requirements and loan criteria. If we refer you to a third-party lender for financing, we may agree to take a short-term promissory note (in a form we provide to you) until your financing is arranged. You must use the proceeds from the lender to pay any promissory note to us.

We do not currently derive income from referrals or placement of financing with any third-party lender. However, we may require payment from you or other persons for the placement of financing in the future. If we charge for placing financing in the future, we expect to use the payments to offset our expenses in doing so.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING,

COMPUTER SYSTEMS AND TRAINING

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

As noted in Item 1, we have entered into a management agreement with Manager for the provision of support and services to JUNK KING franchisees. However, we remain responsible for all of the support and services required under the Franchise Agreement.

Pre-Opening Assistance: Before you open your Business, we or our designee will:

1. Provide you with site selection guidelines and general specifications and standards, (Franchise Agreement, Section 5A).

2. Provide you with the list of approved supplies (which will include written specifications for certain items of equipment, signs, fixtures, opening inventory and supplies in some instances and approved suppliers in other instances). We do not deliver or install any items. (Franchise Agreement, Section 5D).

3. Provide you with either a written or an electronic copy of the Manuals (or electronic access to the Manuals) that detail the specifications and procedures incidental to the operation of the Business (Franchise Agreement, Section 5F).

4. Provide the training programs described below (Franchise Agreement, Sections 6B and C).

5. Provide you with opening support for your Business and any additional support we determine necessary (Franchise Agreement, Sections 6B and C).

Ongoing Assistance. During the operation of your Business, we or our designee will:

1. Maintain the Marketing, Advertising and Promotion Fund (the "MAP Fund") (Franchise Agreement, Section 7A).

2. Maintain the Customer Care Center (Franchise Agreement, Section 7E).

3. Provide updates to the lists of approved supplies and approved suppliers and continue to research and develop new products and services (Franchise Agreement, Section 5D).

4. Make periodic visits to your Business as we reasonably determine to be necessary to provide consultation and guidance (Franchise Agreement, Section 5I).

5. Provide refresher training courses, and regional meetings and conventions as we determine necessary and require you to attend. We may charge you a fee to attend (and for your employees to attend) regional meetings or conventions that we deem necessary. In this event, you must pay all expenses for you and your employees, including training materials, travel and living expenses (Franchise Agreement, Section 6C and E). For more information on the Reunion, see Item 6. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually. Therefore, you may not incur travel expenses if your training is done remotely/virtually.

6. Provide ongoing communication and support and updates to the Operations Manual (Franchise Agreement, Section 5G).

In addition, based on examples from JUNK KING businesses, we may, from time to time, make suggestions to you with regard to your pricing policies. In addition, we have the right to negotiate Key Account arrangements, including pricing, which will bind all JUNK KING businesses providing services to such Key Accounts. Although you generally have the right to establish prices for the products and services you sell, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law. We may offer preferred customer plans that offer customers discount prices under certain terms and conditions. You are not required to offer these plans to customers but, if you do elect to participate in our preferred customer plans, you must offer the discount prices set by the plans in accordance with the terms of the plan. (Franchise Agreement, Sections 5M and 5N)

We are not required to provide any other service or assistance to you during your operations.

Marketing

MAP Fund and Local Advertising

We collect a MAP Fee from you for the MAP Fund equal to currently, $575 for the first 12 months of operation for a new Franchised Business, then $795 per month after the first 12 months of operation, as provided in Item 6. (Franchise Agreement, Section 8.C)

We have established the MAP Fund and have designated the Manager (i.e., Neighborly Company) to administer the MAP Fund. The MAP Fund is not a trust or escrow account, and neither we nor the Manager have any fiduciary obligations with respect to the MAP Fund. If all of the MAP Fees are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the MAP Fund for use in the following years. The Manager may use the MAP Fund for various purposes related to the JUNK KING franchise system, including, but not limited to, (1) broadcast, print or digital advertising; (2) the creation, development and production of advertising and promotional materials (*i.e*., print ads, digital radio, film and television commercials, video, digital ads, direct mail pieces, and other print advertising); (3) any marketing or related research and development; (4) advertising and marketing expenses, including product research and development, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies; (5) the development, licensing and/or use of any tools and platforms in connection with marketing, advertising and promotional activities; and (6) expenses, administrative costs and overhead we or the Manager may incur in activities related to maintaining, administering, directing, and conducting the MAP Fund and its programs, including compensation to employees or any other individual or entity providing services to the MAP Fund.

The Manager determines the use of the monies in the MAP Fund. The Manager is not required to spend any particular amount on marketing, advertising or promotion in the area in which your Business is located. The Manager and the MAP Fund may collaborate with the advertising funds of certain franchise systems affiliated with us. There can be no assurance that the MAP Fund's participation in these collaborations and joint efforts will benefit the franchised businesses using the Marks proportionately or equivalently to the benefits received by the other franchised businesses or the other franchised systems affiliated with us that also participate. The Manager oversees the advertising programs and uses the MAP Fund to create marketing materials and conduct national, regional or local advertising. We will contribute to the MAP Fund amounts equal to your required percentage for each similarly situated company-owned and affiliate-owned JUNK KING businesses. From time to time we may contribute to the MAP Fund some amounts paid to us by outside suppliers. The Manager will prepare an annual unaudited accounting of the MAP Fund and will make it available for your review upon your written request. The Manager has its own in-house marketing and advertising production capabilities, but also may use an outside national, regional, or local agency. Neither we nor the Manager will use any of the advertising funds for the solicitation of franchise sales, but any marketing materials the Manager produces may designate "Franchises Available."

We reserve the right to cause the MAP Fund to be incorporated or operated through another entity separate from us or the Manager at such time as we may deem appropriate, and any such successor entity will have all our rights and duties with respect to the MAP Fund. We or the Manager may use collection agents and institute legal proceedings at the MAP Fund's expense to collect MAP Fund contributions. We may also forgive, waive, settle, and compromise all claims by or against the MAP Fund. If we terminate the MAP Fund, we will refund to you your pro-rata portion of any amounts remaining in the MAP Fund, based on your contributions to the MAP Fund. (Franchise Agreement, Section 7.A)

We and the Manager assumed operation of the MAP Fund from Predecessor on January 1, 2023. During the fiscal year 2022, the MAP Fund contributions were allocated by Predecessor primarily toward the following uses:

Type of Expense	Percent of Expense
Production	14%
Administrative Expenses	12%
Digital & Other Media Placement	57%
Public Relations	12%
Other	5%
Total	100%

We have marketing task force/council which collaborates with us on advertising policies. The members of the council are selected by submitting their names as volunteers for a vote by franchisees and the franchisor to obtain membership on the council. The task force/council is advisory only. Although the task force may provide input on the MAP Fund activities, we will direct all activities that the MAP Fund finances, with sole control over the creative concepts, graphics, materials, communication media, and endorsements used and their geographic, market, and media placement and allocation. We have the power to form, change, or dissolve the advertising task force/council.

In addition to your payments of the MAP Fee, during the first three years of operation, we require you to spend the Minimum Local Marketing Spending (a monthly amount of 10% of average monthly Gross Sales during the preceding calendar quarter, but not less than $3,000). After your third year of operations, we may adjust the Minimum Local Marketing Spending requirement downward depending upon your level of market penetration. If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Spending and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. See Items 5 and 6 for more information. All of your local marketing and promotion (including through social media) must be in media that we approve, conducted in a dignified manner and conform to the standards and requirements that we specify, including compliance with all Mark usage and branding standards. Specifically, you must submit all advertising materials to us at least fourteen (14) days prior to use. If we do not respond within 14 days after you submit the proposed advertising materials to us, the advertising materials will be deemed to have been not approved. Should your franchise agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Spending collected to the MAP Fund. (Franchise Agreement, Section 7.B)

We reserve the right to require advertising or marketing cooperatives and/or local marketing groups ("LMG") to be formed, changed, dissolved or merged, based on specific criteria determined by us for designated marketing areas. We typically determine the local marketing areas based on a combination of designated market area and core-based statistical area data. We have the right to establish how LMGs operate and to administer the LMGs. If an LMG is established in your market, you will be designated to be a member of the LMG. We will determine the amount of member contribution, which will be a percentage of Gross Sales and will not to exceed 3% of Gross Sales. Other franchisees that will be members of the same LMG will contribute on the same basis as you. We may require that some or all of your LMG contribution be paid to us or our affiliate, and we reserve the right to use your LMG contribution on any promotional, marketing and advertising initiatives, including digital and other marketing and brand awareness programs. As of the issuance date of this Franchise Disclosure Document, we may require that a portion of your LMG contribution be paid for use towards the Neighborly marketing and brand awareness initiatives, which may include service professional recruitment marketing. Your contribution to the LMG will count towards any required Minimum Local Marketing Spending but any required Minimum Local Marketing Spending will not represent a limit on your LMG contributions. Each company-owned or affiliate-owned Junk King® business located within the LMG's market will be a member and will contribute to the LMG on the same terms as franchisees. The LMG will not be required to operate from written governing documents although we may establish written operating guidelines and rules for the LMG. The LMG will not be required to prepare annual or periodic financial statements. All promotional and advertising materials proposed to be used by the LMG must be approved by us prior to use. As of the date of this disclosure document, the LMGs we plan to establish will be local marketing groups rather than advertising cooperatives. (Franchise Agreement, Section 7.D)

If your territory is in a geographic area that is subject to an existing advertising cooperative, you must join and actively participate in the advertising cooperative and abide by the bylaws, rules, and regulations duly required by the advertising cooperative, which we have the right to mandate or approve. The advertising cooperative may determine your contribution rate to marketing programs conducted by the advertising cooperative, which may be in addition to your MAP Fee but will count towards the Minimum Local Marketing Spending. Currently, we have 4 advertising cooperatives that are divided based on geography, and if your territory is within an existing cooperative's area, you must pay $400 per month for participation in the advertising campaign operated through the cooperative. We will provide new franchisees with a six-month waiver beginning on the execution of the Franchise Agreement. Franchisor-owned outlets contribute to the advertising cooperatives on the same basis as franchisees. We are responsible for administering the cooperatives. The cooperatives operate from written governing documents (which are available to you for review upon request) but they do not prepare any financial statements.

Customer Care Center

You must participate in our Customer Care Center and pay us the Customer Care Center Fee equal to 5% of Gross Sales, as described in Item 6 and Item 8. Through the Customer Care Center, we provide to you call center and related customer care services for your Franchised Business. (Franchise Agreement, Section 5.S)

Computer System

You must purchase a computer system that meets our standards and requirements (the "Computer System"). You must license the Software System from us and pay license and other fees for use of same, as discussed below and in Item 6. Additionally, you may be required to license additional software from us, an affiliate, or a third party and you also may be required to pay an additional software licensing or user fee in connection with your use of such software. You will be liable for all damages and problems caused by your use of any software or the Computer System. We will have full and complete access to the information and data entered and produced by the Computer System and can use them in any way we deem appropriate. You must maintain a dedicated email account for the Business, separate from any personal or other email account. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software that we may from time to time require, and that may be referenced in the Operations Manual. Except as provided in Exhibit K (Software System User and Maintenance Agreement), we have no contractual obligation to maintain, repair, update, or upgrade the Computer

System. You must make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including all data protection or security laws as well as payment card industry compliance. (Franchise Agreement, Section 5.E)

At present, we require a laptop or desktop computer, e-mail and internet access, Microsoft Office, and QuickBooks. The cost of purchasing the computer equipment and software, if not already owned by you, is estimated to be approximately $1,000. The estimated annual cost for maintenance, updating, upgrading and support contracts related to the computer equipment is $250. In addition, you will pay approximately $100 per month for software and internet platforms.

You must pay us a technology fee equal to $1,800 per year for use of the Software System, which covers the cost of the following technology platforms: license fee for Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci) and overall upgrades and maintenance of the servers, data warehouse platforms and the Junk King® proprietary software system. The fee will be prorated based on the month within which your Franchised Business opens. This payment includes access for the first three Junk King® email accounts. If you need additional email accounts for your employees, you must pay us $3/month/license, or $36/year on the same June date each calendar year. Finally, additional access license to the data warehouse (Tableau) beyond the initial license may be granted for an additional $12/month or $144/year, again, collected on the same June date each calendar year.

- We will provide you with secure passwords to JunkWare, our proprietary software, through the internet. We will train you how to use JunkWare. We will maintain it and provide updates as needed as provided in the Software System User and Maintenance Agreement.

- You must keep your computer hardware and software up to date based on our specifications. There are no limitations on the frequency and cost of computer hardware and software upgrades. You may not at any time substitute any other software for the software we require.

- We will have access to information you enter into JunkWare. JunkWare will collect sales data associated with the jobs you book and provide reports to the both of us. There are no contractual restrictions on our access to this data. We own all customer data.

- Compiled sales data regarding all franchised businesses in JunkWare will be made available to other franchisees to help manage numbers on a national, regional, and local level.

- You must participate in an electronic system of reporting Gross Sales from the operation of your franchise through JunkWare. You must report Gross Sale derived from the sale or resale of goods collected by or through the Franchised Business through all methods of distribution, including, without limitation, a separate store or online website, in the same manner as you report hauling services.

We may periodically develop other proprietary software and other systems, products and upgrades that we may require you to use. We may charge you a license fee for any new software.

Other than the Computer System requirements described above, you do not have to buy or use an electronic cash register.

We will make available to you an optional third-party web-based job applicant tracking system ("Paradox ATS"), which will allow you to create and manage local job postings online, track job applicants, and manage your recruiting efforts. Your use of the Paradox ATS will be subject to Paradox, Inc.'s terms of use. You will receive free access to the Paradox ATS until the Anniversary Date of our first launch with

Paradox (anticipated to be before the end of 2023). After that, you will pay us or our affiliate an annual fee at the then-current rate (the annual fee will be $650 for 2024, but for 2024 you will pay a pro-rated amount covering the period from the Anniversary Date to the end of 2024). We may increase the fee annually to reflect any price increases from the vendor, Paradox, Inc. See also Item 6. You may opt out of using Paradox at any time. Until we launch Paradox, we will make available to you a basic version of another optional third-party web-based applicant tracking system from CareerPlug, LLC, at no charge, subject to your agreement to CareerPlug, LLC's terms of use. Your access to a third-party applicant tracking system in no way shifts any employee or employment related responsibility from you to us. You are, and will remain, the sole employer of your employees at all times, and you are solely responsible for all employment decisions and actions related to your employees.

Internet Service Provider

You must have a primary and we recommend a secondary or "back-up" source of internet access. Your primary internet access must be high speed business class internet service with a minimum of 1 megabit per second (Mbps) of available band width per named Software System user. We may modify these requirements in the future. You may use any independent Internet service providers ("ISP") of your choice as long as each allows you to perform all necessary functions. (Franchise Agreement, Section 5.E)

System Website, Intranet and Electronic Communications and Data

We own the domain name www.junk-king.com and use it as our primary website for information about franchised businesses. You must provide information to us promoting your Business to post on the website. You may not separately register any domain name or any social media account containing any of the Marks or establish a website or social media account for the Business without our prior written consent. We reserve the right to pre-approve, establish rules, procedures, and policies relating to any website or social media account you create for the operation of your Business. Our system standards will apply to website advertising. At our option, we may, in the future, establish one or more additional websites to advertise, market, promote and operate JUNK KING businesses and the franchise opportunity, and provide you certain additional website-related services such as a listing for your location, or a web page, and we may charge you a fee for such services (see Item 6). (Franchise Agreement, Section 5.K).

We make no warranties and disclaim any express or implied warranty relating to any software, data, Intranet, website or other related items provided or recommended by us. If we provide you with any software or require the use of any software, Intranet, website or other related items we will not be liable for any costs or expenses, including any special, indirect, or other damages (including lost profits), even if we have been advised of the possibility of damages and even if the software did not function properly or had design problems that may have contributed to any loss.

You must comply with all policies and procedures as described in our Manuals, and execute any required agreements for use of our Intranet or any electronic communication, or data storage/retrieval system, website or software, as we periodically require, including policies that require you to identify yourself in all electronic communications as an independently owned business. We may periodically modify these rules and policies at our discretion. We are not obligated to provide you with an internet or intranet email account or system but we do currently use an on-line system for the communication of information and Internet/electronic mail access. We may discontinue the current system of communication and Internet/electronic mail at any time and you may be required to maintain an account we designate with a provider of our selection and pay the required fees. See Item 6. We are not obligated to monitor or create/maintain any backup of email and information/data related to email. There are no contractual limitations on our right to access information and data on the electronic communication and Internet/electronic mail systems. You agree you have no right of privacy with respect to such communications and data and we may access these email communications and data. Any access to, monitoring or copies of, data related to electronic communications and emails will be solely for our benefit.

We may use all data provided by you to us for any and all purposes for which we may solely determine, including financial information and assessments or similar data, and may share and disclose the data to/with our affiliates, their franchisees and our franchisees, and all prospective franchisees, without restriction and without compensation, subject to compliance with applicable laws. We will disclose such financial information and data to any other third party only after your name has been omitted unless you consent or as required by judicial process or a governmental investigation, in each case subject to compliance with applicable laws. (Franchise Agreement, Section 5E).

Site Selection

You select the site for the Business with site selection guidelines we provide. You must verify to us that your site complies with our site selection guidelines. We do not select your site. We will approve your site so long as it meets our site selection guidelines. The factors we consider in approving your site are whether the site is located within your Territory and whether it meets zoning requirements. We will attempt to approve or disapprove your selected site within 10 business days after you submit the location (together with evidence of its compliance with our site selection guidelines) to us for approval. There are no consequences if you and we can't agree upon the location, except that the franchised business cannot be operational. We do not generally own the premises for a franchised business and lease them to a franchisee. You must begin operating your Business within 6 months from the date you sign a Franchise Agreement, although you may not commence operations of your Business until you successfully complete our training program and have otherwise complied with your pre-opening obligations. (Franchise Agreement, Section 5.A).

Manuals

We will provide you online access to our Manuals, which contain mandatory and suggested specifications, standards and procedures. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques, and management systems described in our Manuals or other written materials relating to the Business. The Manuals will contain both mandatory standards and recommended standards. You must treat the Manuals, and other written materials created for or approved for use in the operation of the Business, and the information contained in them, as confidential. The Manuals will remain solely our property. We may, from time to time, revise the contents of the Manuals and you must comply with each new or changed standard. The Manuals have a combined total of 102 pages. (Franchise Agreement, Section 5.G)

The table of contents from our Manuals is as follows:

Subject	**Number of Pages**
Chapter 1: General Information	5
Chapter 2: The Brand	4
Chapter 3: Franchise Agreement Compliance Processes	16
Chapter 4: Onboarding	5
Chapter 5: Brand Operating Standards	19
Chapter 6: Staffing	13
Chapter 7: Operations Best Practices	20
Chapter 8: Emergencies, Accidents & Security	13
Chapter 9: Administration	7
Total Number of Pages	**102**

Training

You, your owners with a 20% or more ownership interest in you (if you are an entity), your Managing Principal Owner (if you are an entity), and any managers (collectively, the "Required Trainees") must complete our initial training program to our satisfaction prior to the scheduled opening date of the Franchised Business. An outline of our initial training program is as follows (Franchise Agreement, Section 6A, B and C):

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The- Job Training	Location
Junk King QFAs	2	0	Burlingame, CA
Onsite Sales	2	4	
Image and Reliability	2	0	
Truck Operations & Safety	4	4	
Customer Care Center Orientation	4	1	
JunkWare	5	1	
Human Resources	1	0	
Financial Planning	4	0	
Business to Business	2	0	
Marketing & Advertising Systems	4	1	
Total	30	11	

The initial training session generally includes four days of classroom time and one day of field training. Training takes place at our principal offices in Burlingame, California with five of the classroom hours being completed virtually. We will generally conduct the initial training program monthly or as often as the number of new franchisees requires. We are allowing some franchisees to complete portions of the training remotely, however, this will not negate the requirement for all of your Required Trainees to attend an in-person training session.

There is currently no charge for attendance at initial training for you (or, if you are not an individual, your Managing Principal Owner) and up to three additional representatives. If more than four trainees attend initial training or we retrain or train subsequent representatives, you must pay a training fee of $1,200 for each additional or subsequent trainee. Any replacements for Required Trainees must also complete initial training. We do not train your other employees or provide you with advice related to hiring employees.

The courses are taught by Michael Andreacchi, Lisa Merry, Mike Arend, Julian Torres and Crissy Russo. Michael Andreacchi, our Brand Ambassador, has over 17 years of experience in sales, marketing, and operations specific to the junk removal business and 12 years of experience with us and our predecessor. Lisa Merry, our President, has over 28 years of experience in operations and over 3 years of experience with us and predecessor. Mike Arend, our Senior Vice President of Finance, has over 13 years of experience in finance and accounting and 11 years of experience with us and predecessor. Julian Torres, our VP of Operations, has 15 years of operations experience with us. Crissy Russo, our Senior Vice President of

Marketing, has over 17 years of experience in marketing and customer service, including 3 years of experience with us and predecessor.

Within 180 days of your business launch (unless we and you agree to a different time period), we will provide one to three days of on-site training in your Territory to provide additional guidance on the operations and management of the Franchised Business.

For all training programs, including initial and refresher training programs, you must pay for all travel and living expenses for you and your attendees. We provide continental breakfasts, lunches, and one dinner on training days during the initial training program.

You must also attend, every year, at your expense, the annual training or conference event specified by us and currently referred to as "Reunion" (see Item 6 for more detail), and any other training we designate as required. We may also require you to attend and complete a "refresher" training course or advanced training course if we determine that you are not current on all aspects of the System or are otherwise in need of training.

Any training provided by us or our affiliate to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

Opening of Franchise

Our franchisees typically open for business within 30 days after completing training, which will generally take place 4 to 11 weeks after signing the Franchise Agreement. The Franchise Agreement requires you to open within 6 months after signing the Franchise Agreement. The factors that affect how quickly you can open your Business include the training schedule, your ability to obtain necessary financing, any local requirements for permits or licenses and your ability to complete our recommended pre-training agenda. (Franchise Agreement, Section 5.A)

ITEM 12

TERRITORY

You will receive the right to operate a JUNK KING business at a location within your territory that meets our site selection guidelines (the "Franchise Location"). Your Franchise Agreement will also specify a designated territory that will provide you limited territory protection (the "Territory"). The Franchise Agreement does not grant you any territorial rights beyond the Territory.

A typical Territory will have a population size of 450,000 to 650,000 people. A larger population may be allowed under certain circumstances (e.g., densely populated urban areas or a high percentage of the prospective territory is impoverished). You will maintain rights to your Territory even if the population in your Territory increases.

If you wish to relocate from your Franchise Location to a new business site within your Territory, we will authorize you to do so; provided (1) you are not in default of the Franchise Agreement, any other agreements with us, or the lease for the former Franchise Location, (2) you are current on your financial obligations to us and our affiliates and all your third-party creditors, and (3) you open for business at the new location on the same day you close your former Franchise Location. You may not operate your business from your home.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we, our affiliates or third parties control, operate or franchise. However, provided you are in full compliance with your Franchise Agreement, we will not operate or grant a franchise for the operation of another JUNK KING franchise with rights to market within your Territory during the term of your Franchise Agreement.

We and our affiliates reserve all other rights not specifically granted to you, including the right, while your Franchise Agreement is in effect, to sell or allow others to sell: any products or services anywhere using different trademarks; the same or similar products and services, competitive with those you will provide, anywhere using different channels of distribution; different products and services anywhere using the Marks; or the same products and services using the same trademarks anywhere outside your Territory. In addition, we may advertise, solicit and enter into Key Accounts, which are national, regional or other accounts we believe will benefit the system as further described in the Franchise Agreement, the Manuals and Item 8, and Key Accounts may involve marketing in your Territory. In addition to allowing others to offer products and services in your Territory generally, in the specific case when a Key Account is involved we may also designate or authorize a corporate employee, another franchisee or any other third party to perform or assist you in performing services within your Territory if you refuse or, in our judgment, are not qualified, interested, able or available to perform services for any customer in the Territory, including any Key Account customer; if you request assistance; or if a customer, orally or in writing, specifically requests services in the territory from a different franchisee or any other third party. If you agree to participate in or service Key Accounts, you must do so on the terms we specify, which terms may include, but may not be limited to, the provision of certain insurance, equipment, products and services, and the offer of services at prices not to exceed the maximum prices specified as well as payment by you of any applicable sales or broker commissions. If we allow others to provide services in your Territory, you will not be entitled to any compensation for the sales or services performed. Subject to the rights granted to you in your Franchise Agreement, we may provide in the Manuals for other programs in which we offer and sell, and/or authorize others to offer and sell, using the Marks or other marks, goods and services in your Territory that are identical or similar to and/or competitive with those provided at your Business. We may also acquire businesses or be acquired by a business offering similar products and services anywhere.

You cannot advertise for or attempt to solicit customers for any products or services, including using Internet, telemarketing or other direct marketing, outside your Territory. If we permit you to advertise, solicit, service or sell in areas outside the Territory that are not serviced by another franchisee (each, a "Territory Available for Sale" or "TAFS"), you must comply with all of the conditions and other requirements that we may from time to time specify (in the Manuals or otherwise in writing) with respect to such activities. At any time upon our demand or upon your actual notice that a TAFS has been purchased by another franchisee, you agree to immediately cease all activities in such TAFS and to comply with our procedures for the transition of customer accounts for such TAFS.

You may only provide products/services to customers outside your Territory in accordance with our policies and procedures (including the Preferred Lead Program described below) and only with our prior written consent. We may identify in the Manuals or otherwise in writing the conditions under which we would grant our consent to your servicing or selling outside of your Territory and our consent may be conditioned upon whether you have obtained a required level or the highest level of quality or service as determined by a rating system we designate, which may change from time to time. Under our Preferred Lead Program, you may provide services within a specified area outside your Territory (such area, "designated area"), if such services are provided to your existing customer that has locations inside your Territory and within the designated area and the franchisee who owns the territory in which the designated area is located also participates in the Preferred Lead Program. Additional terms and conditions of the Preferred Lead Program are described in the Manuals. You must meet the qualifications described in the Manuals before you may participate in the Preferred Lead Program.

Our Manuals may also set specific rules for engaging in, and what may constitute, marketing within your Territory and other related matters, including what telephone area codes and exchanges may be used within the Territory (depending on the areas covered by those area codes/exchanges); which publications or media you may advertise in (depending on whether the circulation of the publication/media is wholly or mostly within your Territory); participation in promotional events, tradeshows, continuing education programs, chambers of commerce and industry association meetings; the post office box or mailing address that may be displayed on advertising; which phone numbers may be displayed on your vehicles; how, when and from which customers or accounts you may solicit work (depending on their location and the location and/or duration of the work); requirements for referral of work; enforcement, administration and interpretations of provisions of marketing/territory rules and procedures; and other matters; and we may update and change these rules from time to time.

We do not otherwise limit or restrict your solicitation of customers in your Territory.

Neither we nor any other party are required to pay you as a result of us exercising in your Territory any of our rights described in this Item.

Although you do not have a right to do so, we may permit you to establish another Junk King Business, if you meet our then-current Expansion Criteria. We have the absolute right to determine whether an existing franchisee meets our Expansion Criteria, which we may modify from time to time. As of the date of this Disclosure Document, the criteria we consider are, among other factors: a franchisee's compliance with the System, operational success (including your existing Franchised Business(es) meeting or exceeding certain performance thresholds), leadership ability and team development, financial stability and ability to expand and potential limits on the number of Businesses any franchisee owns.

We do not generally grant any right of first refusal to obtain additional territory. You may, if qualified, including under our then-current Expansion Criteria, purchase an 18-month option on additional territory by paying us, at the time you purchase your franchise, a fee of $10,000 for the additional territory you wish to buy. You must enter into an Option to Purchase Agreement. At any time in the 18-month period, you may, if you are in compliance with your franchise agreement, purchase the additional territory by paying us the balance of the initial franchise fee. The $10,000 deposit will be applied to the purchase price. We do not refund your deposit if you decide not to purchase or do not qualify to purchase the additional territory. If we approve you to purchase additional territory, whether or not through the Option to Purchase Agreement, we may require that you sign a general release releasing us from all claims you may have except claims that under state law may not be released.

If you do not qualify for renewal of your Franchise Agreement, we may, in some cases, but are not required to, offer to enter into a franchise agreement with you for a smaller territory and you would then have the option to accept that territory on the terms offered.

We do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell. However, certain of our affiliates described in Item 1, and other portfolio companies that currently are or in the future may be owned by private equity funds managed by our affiliates, may operate and/or franchise businesses that sell similar goods or services to those that our franchisees sell. Item 1 describes our current affiliated franchise programs that offer franchises, their principal business addresses, the goods and services they sell, whether their businesses are franchised and/or company-owned, and their trademarks. As noted in Item 1, all of these affiliated franchise brands have a different principal business address from us. None of the affiliated franchisors and the affiliated franchise brands are direct competitors of our franchise network given the products or services they sell, although Mr. Handyman franchisees may provide debris removal as described in Item 1. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers in your territory. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.

ITEM 13

TRADEMARKS

We grant you the right to operate a franchise under the name JUNK KING®. You may use our other current or future trade names, trademarks, service marks, symbols, emblems, logos and indicia of origin designated by us ("Marks") to identify your franchise.

We own the following Marks that are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Description of Mark	Registration Number	Registration Date
Junk King	3,515,304	October 14, 2008
JUNK KING	5,496,927	June 19, 2018

As noted in Item 1, we became the owner of the above listed Marks in January 2023.

We have applied for registration of the following Mark with the USPTO:

Description of Mark	Serial Number	Application Date
HAULIDAYS	97185435	December 21, 2021

We do not yet have a federal registration for the Mark listed in the table immediately above. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our Parent, Neighborly Assetco LLC, owns the following Marks, which are registered on the Principal Register of the USPTO, and we license from Parent the right to use and to allow our franchisees to use these Marks under a Trademark License Agreement (the "License Agreement"). The License Agreement grants us a worldwide, non-exclusive, nontransferable license to use and to license others to use the Marks. Parent may terminate the License Agreement due to our material breach, ownership change or for any reason upon 90 days' notice. Upon any termination of the License Agreement, we will be required to cease all use of these Marks and we will require you to do the same.

Description	Registration Number	Registration Date
NEIGHBORLY	5,365,894	December 26, 2017

Description	Registration Number	Registration Date
NEIGHBORLY (Stylized) neighborly	5,365,895	December 26, 2017

Under the License Agreement, we also have the right to use and to allow our franchisees to use the following Mark, for which Parent has applied for registration with the USPTO:

Description of Mark	Application Number	Application Date
YOUR HUB FOR HOME SERVICES	97362363	04/13/2022

Neither we nor Parent have a federal registration for this trademark. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Required affidavits and renewals for the registrations for our principal trademarks have been filed when due. In addition to the Federal rights that apply to use of the registered Marks above, we claim common law rights, based on our use of the Marks, to all of our Marks. There may be areas, however, in which a third party has prior common law rights to the use of one of our Marks. If you propose to operate a franchise in one of those areas, we may attempt to obtain exclusive use of that Mark, or, in the alternative, we may designate and grant you permission to utilize a different proprietary mark. There may be other instances in which we may elect to use, or require you to use, a different proprietary mark in a market, region or systemwide. In any instance in which we require you to use a different proprietary mark, you must, at your expense, comply with our designation and use, or change your use to the designated mark. You must modify or discontinue the use of a Mark, at your expense, if we direct. If we direct, you must adopt or use one or more additional or substituted Marks.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

Except for the License Agreement and the Service Mark Co-Existence Agreement noted above, no agreements limit our right to use or license the use of our Marks.

We do not have actual knowledge of any infringing uses that could materially affect your use of our Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate but are not obligated to protect your rights to use the Marks. We have the right to control the defense of any claim using attorneys we choose and you must cooperate in that defense. You may participate in the defense and settlement at your own expense but our decisions will be final and binding. We will indemnify you or reimburse you for your liability and reasonable costs if there is a challenge to your authorized use of our Marks provided you have notified us immediately after you learned of the challenge and cooperate with us in defending the challenge as required.

You must follow our rules when you use the Marks and you may only use the Marks for the operation of your Business in your Territory. You must execute any documents we require to protect the Marks or to maintain their continued validity and enforceability. You may not directly or indirectly contest the validity of our Marks, our (or Parent's, as applicable) ownership of the Marks or our right to use or license our Marks, trade secrets, confidential information or business techniques that are part of our business. You cannot use the Marks as part of a corporate or other legal name and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations.

You must modify or discontinue the use of a Mark, at your expense, if we direct. If we direct, you must adopt or use one or more additional or substituted Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent but you can use the proprietary information in our Manuals and software which are described in Item 11. We have not filed an application for a copyright registration in these items, but we claim a common-law copyright in our Manuals and software and we treat the information in these items as confidential and proprietary. Item 11 describes limitations on the use of the Manuals and software by you and your employees. You must treat these items and the information as confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action to protect or defend use of proprietary information but will respond as we think appropriate and will control any action we decide to bring or defend. We are not required to participate in your defense or indemnify you for use of copyrighted material or patents. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state and there are no agreements that limit our rights to use our copyrights or to allow others to use them.

Confidential information includes all information, data, knowledge, materials, techniques and know-how designated or treated by us as confidential and includes any and all Manuals, computer software or programs, training materials, operational videos, marketing programs, franchise rosters, franchisee lists, customer and prospective customer lists and data, and any other materials designated or treated by us as confidential. You may not, at any time during or after the term of the Franchise Agreement, disclose, copy or use any confidential information except as we specifically authorize.

If we ask, you must have your personnel who receive or will have access to confidential information sign covenants not to divulge the confidential information or use it for their own benefit. If you are a corporation or other business entity, your shareholders, members and/or owners must also abide by these covenants and sign a Guaranty (attached to the Franchise Agreement as Schedule C). If you are an individual, we may require your spouse to sign and abide by a confidentiality agreement. If we ask, your employees with access to your password and log-in name for our Intranet must sign a confidentiality agreement agreeing to not disclose this information.

If you develop any new product, service offering, concept, invention, business venture, technique, process or improvement in the operation or promotion of your Business, you must promptly notify us and provide us with all necessary information free of charge. You acknowledge that we own any such information and you agree to assign ownership of same to us, and you acknowledge that we may provide the information to other franchisees for use in their franchises.

There currently are no effective adverse determinations of the USPTO, United States Copyright Office or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation, involving the copyright materials that are relevant to their use by our franchisees.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an individual, you must directly perform or supervise the operation of the Business unless we consent otherwise. You must obtain and maintain an immigration status that will allow you to live and work in the United States for the initial term of the Franchise Agreement and for the length of any renewal term of the Franchise Agreement. If you do not have or maintain the required status, the Franchise Agreement will immediately expire by its terms with no further notice or opportunity to cure and we will have no liability to you, and no refund of any fees will be made. However, you will remain bound by all post-termination obligations in the Franchise Agreement, including all obligations regarding non-compete, de-identification, confidentiality, and indemnity.

If we agree that you need not personally perform or supervise operation of the Business, an individual who has successfully completed our training program (“manager”) must directly supervise the Business, and that individual must be a bona fide manager, as determined by us. If we ask, the manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14.

If you are a corporation or other legal entity, direct, on-site supervision must be done by a designated owner who has successfully completed our training program unless we consent otherwise (“principal owner”). If we ask, the principal owner must sign a written statement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17. If we agree that a principal owner need not personally perform or supervise the operation of the Business, a manager must directly supervise the Business. The manager need not have an ownership interest in the Business. If you are a corporation or other legal entity, your principal shareholders, members and/or owners must sign a Guaranty agreeing to pay and perform all obligations under the Franchise Agreement (attached to the Franchise Agreement as Schedule C). If you obtain financing from us as provided in Item 10, we have the right to require a spouse’s personal guaranty.

While you own the Business, you cannot have an interest or relationship with any competitors.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only the goods and services that conform to our standards and specifications. You must offer the goods and/or services that we designate as required for all franchisees and you may elect to offer other products and/or services only if we approve them in advance. You must perform junk removal, dumpster services (subject to the requirements noted below in this Item 16), resale services and recycling services and offer other related services and products we approve pursuant to certain standards and specifications. We may change the authorized services and/or products that we require you and all franchisees to offer by adding additional services and/or products or deleting products and/or services, or both and there are no limits on our right to make changes. If we make any changes, we will notify you. We have no plans to make significant changes in the future.

You may not offer Dumpster Services, unless and until you (i) meet certain eligibility requirements and obtain our written consent; (ii) purchase and maintain at least seven dumpsters meeting our specifications from a vendor that we approve or designate; (iii) purchase and maintain at least one additional vehicle that meets our specifications and is capable of handling dumpsters; (iv) sign the Dumpster Amendment; and (v) comply with any other specifications or standards related to the Dumpster Services that we specify from time to time in the Manual or other written directives.

You must honor our warranty policies as described in the Manuals. This policy states that we handle warranty claims on a case-by case basis with some basic guidelines and, as a result, you will be obligated to perform warranty work, at no charge, on certain services, including services that another franchisee originally performed.

You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals for the Business including obtaining a license if required by your locality. To ensure that the highest degree of quality and service is maintained, you must operate in conformity with the methods, standards and specifications in the Manuals and as we may otherwise require in writing periodically. You must not deviate from our standards and specifications without our prior written consent.

We do not limit or restrict your solicitation of customers in your Territory, although we own all customer information and may use the customer information as we deem appropriate (subject to applicable law), including, without limitation, sharing it with our affiliates for cross-marketing, customer loyalty programs or other purposes. For example, "Your Hub for Home Services" is Neighborly's current cross-branding initiative where we intend to increase cross utilization of Neighborly brands by consumers and drive consumer awareness via getneighborly.com and other marketing programs.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	**Section in Franchise Agreement (unless otherwise specified)**	**Summary**
a. Length of the franchise term	4(A)	Initial term is 10 years.
b. Renewal or extension of the term	4(B), (C)	Your Franchise Agreement can be renewed for one additional 10-year term by executing the then-current form of franchise agreement and meeting the other requirements for renewal; if you continue to operate after expiration of the initial or a renewal term, we may, at our sole election, treat the Franchise Agreement as expired or as continued on a month-to month basis until both parties agree to enter into our

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
		then-current form of franchise agreement for a renewal term or until one party provides the other with written notice of termination, in which case the interim period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the interim period as if the Franchise Agreement had not expired, except that the License Fee during the interim period will be increased to 10% of Gross Sales for all types of products/services and without any reductions. Once you have renewed your Franchise Agreement, you have no automatic further right of renewal and the provisions about renewal described in this section do not apply. At that point you may enter into a new franchise agreement on the then-current terms if you and we agree to a new agreement.
c. Requirements to renew or extend	4(B), (C)	Requirements for renewal are as follows: you cannot be in default of current Franchise Agreement or any related agreement, have satisfied all monetary and other material obligations on a timely basis during the term, are in good standing and have received no more than 3 written notices of default during the term of the Franchise Agreement; you must give us written notice; you and your guarantors must sign a general release; you must pay us a renewal fee of $5,000; you must complete our then-current training requirements, and you must sign the then-current version of our franchise agreement, which may have terms, conditions and fees that could be materially different as compared with your original franchise agreement.
d. Termination by you	12(C)	You may terminate the Franchise Agreement as a result of our breach of a material provision of the Franchise Agreement, provided that you give us written notice of the breach and we fail to cure the breach within 30 days after our

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
		receipt of your written notice. If we fail to cure the breach, the termination will become effective 60 days after our receipt of your written notice of breach.
e. Termination by us without Cause	None	We cannot terminate your Franchise Agreement without cause.
f. Termination by us with Cause	12(B)	We can terminate your Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	12(B)(1)	You have 10 days (subject to local state law) to cure if you fail to pay amounts due or fail to submit required reports. You have 30 days to cure all other defaults of the Franchise Agreement except for the non-curable defaults described below.
h. "Cause" defined – non-curable defaults	12(B)(2)	You made material misrepresentations to us in the application for the franchise or other reports or information provided to us; you voluntarily abandon performance of the Franchise Agreement (including by failing to operate the Business for seven or more consecutive days); state or local authority close the Business for safety reasons; you register any domain name containing our Marks or use Confidential Information in unauthorized manner; you or your guarantor become insolvent or make an assignment for the benefit of creditors or other similar arrangements; you or your guarantor are convicted of (or plead no contest to) any misdemeanor bringing the Marks into disrepute or impairing your reputation or goodwill of the Marks or of the Business; you or your guarantor are convicted of (or plead no contest to) any felony; you intentionally understate or underreport Gross Sales, License Fees, or MAP Fees; any understatement or 2% variance on a subsequent audit within a 2-year period; any transfer or assignment without our consent as provided in the Franchise Agreement; or any default by you that is the

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
		second default of any type within any 12-month consecutive period even if the default(s) were cured. We can terminate your right to provide Dumpster Services if you provide notice to us that you no longer wish to offer Dumpster Services. Your breach of the Dumpster Program Amendment or any related agreement is a breach of the Franchise Agreement and vice versa.
i. Your obligations on termination/non-renewal	13	Your obligations include complete de-identification of the Business (including all vehicles) and immediate discontinuation of advertising or any other use of the Marks or any other promotional materials furnished by us; return to us all copies of the Manuals, software, customer lists and ongoing customer contracts; assignment to us of all right in the telephone numbers, websites, social media accounts and domain names for the Business and cancelation or assignment, at our option, of any assumed name rights or equivalent registrations; assignment to us, upon our demand, of your remaining interest in any lease for the Business; and payment of any amounts due to us or to third parties for amounts guaranteed by us; compliance with non-competition covenants (see r., below).
j. Assignment of contract by us	10(G)	We may assign your Franchise Agreement to any 3rd party without prior notice to you and without your consent.
k. "Transfer" by you – defined	10(A)	Includes any sale, lease, pledge, management agreement, contract for deed, option agreement, bequest, gift, any arrangement in which you turn over all or part of the operation of the Business to someone who shares in the losses or profits of the Business other than an employee; any 20% or more change in the ownership of the franchisee entity; or any

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
		change in the general partner of a franchisee that is a partnership entity.
l. Franchisor approval of transfer by Franchisee	10(B)	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for Franchisor approval of transfer	10(B) – (D)	You are not in default; you have paid in full all amounts owed to us, our affiliates, or your suppliers, or upon which we have contingent liability; you have provided all required reports; the new franchisee qualifies; training for new franchisee is arranged; you, owners and guarantors sign release; transfer fee paid; current Franchise Agreement signed by new franchisee; new franchisee agrees to be bound by all customer obligations of Franchisee, including all warranty work and service plans obligations (also see r, below).
n. Franchisor's right of first refusal to acquire the Business	10(F)	We may buy your franchise at the same price and on the same terms as those of a third-party offer.
o. Franchisor's option to purchase the Business	None	N/A
p. Death or disability of Franchisee	10(E)	Your personal representative must, within 120 days, tender the right of first refusal, apply for our consent to the transfer, pay the transfer fee and satisfy the transfer conditions (provided that no right of first refusal or transfer fee is applicable if the transferee is your spouse or child).
q. Non-competition covenants during the term of the Franchise Agreement	9(D)	You (including your guarantors and owners, if you are an entity, or your spouse, children, parents, or siblings if you are an individual) cannot be involved in a Competitive Business. A "Competitive Business" is any business that offers or sells any product or service or component thereof that (i) composes a part of our System, (ii) is the same as or similar to any product or service then-offered by our franchisees or (iii) otherwise competes directly or indirectly with our System.

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
r. Non-competition covenants after the Franchise Agreement is terminated or expires	9(D)	For 2 years, no Competitive Business in your Territory, within a 25-mile radius of the outer boundary of your Territory, or inside the territory of another JUNK KING business.
s. Modification of the Franchise Agreement	14(B)	No modification of the Franchise Agreement except by written agreement of both parties.
t. Integration/merger clause	14(B)	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	11	Most disputes must be initially mediated. If a dispute is not resolved through the mediation process described in the Franchise Agreement, most disputes must be settled by litigation, subject to state law. Only if a court invalidates a jury waiver or a class action waiver will the dispute be resolved through arbitration, subject to state law.
v. Choice of venue	14(H)	Unless local law supersedes this provision, venue for mediation, arbitration, and litigation is in McLennan County, Texas.
w. Choice of law	14(G)(1)	Texas law applies unless local state law supersedes this provision.

SEE THE ATTACHED STATE ADDENDA (Exhibit N) FOR ADDITIONAL DISCLOSURES.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise business.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The financial performance representations included in this Item 19 present data for the 52-week period beginning on January 1, 2022 and ending on December 31, 2022 (the "Reporting Period") for Franchised Businesses that had been open and continuously operated during the entire 12-month period ended on December 31, 2022 (the "Continually Operated Businesses"). Franchised Businesses that were in operation for less than 12 full months during the Reporting Period (including affiliate-owned units acquired by a franchisee) (the "Excluded Businesses") and affiliate-owned outlets are not included in this Item 19.

As of December 31, 2022, there were 157 Franchised Businesses in operation in the U.S., and 126 of them had been open and continuously operated as Franchised Businesses for more than 12 months and have been included in this Item 19 as Continually Operated Businesses. Thirty-one Franchised Businesses are Excluded Businesses that have not been included in this Item 19 because they opened during the year 2022 and did not operate for the full 12 months of the Reporting Period. Tables 1-A, 1-B, and 2 include data for all 126 Continually Operated Businesses. Of the 126 Continually Operated Businesses, 39 businesses offered Dumpster Services during the entire Reporting Period. Table 1-C includes data for the Reporting Period for the 39 Continually Operated Businesses that offered Dumpster Services during the Reporting Period. Table 3 includes data for 106 of the Continually Operated Businesses that responded to our survey regarding Cost of Services Sold data as a percentage of Gross Sales for the Reporting Period.

One franchised business closed during the Reporting Period and is therefore excluded from this Item 19 because it did not report data for all 12 months of the Reporting Period. No business closed after being open for less than 12 months. Also excluded from this Item 19 are five franchised businesses that were reacquired by us during 2022.

Tables 1-A and 2-A describe Gross Sales data for the Continually Operated Businesses for the Reporting Period, as reported by the Continually Operated Businesses to our predecessor. In this Item 19, "Gross Sales" means the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of — or in connection with — a Junk King business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing. Tables 1-B and 2-B describe Gross Hauling Revenues for the Continually Operated Businesses for the Reporting Period, as reported by the Continually Operated Businesses to our predecessor. In this Item 19, "Gross Hauling Revenues" mean Gross Sales generated from hauling sales only. Table 1-C describes Gross Dumpster Revenues for the Continually Operated Businesses that offered Dumpster Services during the Reporting Period, as reported by franchisees to our predecessor. "Gross Dumpster Revenues" means Gross Sales generated from dumpster sales only. Franchisees are permitted to offer Dumpster Services. "Gross Sales" equals the sum of Gross Hauling Revenues and Gross Dumpster Revenues. Gross Hauling Revenues and Gross Dumpster Revenues are not adjusted for cost of goods sold, operating expenses, royalties, or other costs or expenses that must be deducted from the gross sales to obtain net income or profit. Neither Gross Hauling Revenues nor Gross Dumpster Revenues are the same as Gross Sales, which includes all products and services sold by a franchisee.

Table 1-A: Gross Sales in Calendar Year 2022 for Continually Operated Businesses

Franchised Businesses Quartiles	Number of Franchised Businesses in Subset	Average Gross Sales	Number and Percentage of Outlets Attaining or Exceeding Average Gross Sales	Median Gross Sales	Lowest Gross Sales	Highest Gross Sales
Top Quartile	32	$1,409,988	11/34%	$1,175,719	$915,962	$2,730,159
2nd Quartile	31	$756,878	13/42%	$735,225	$654,751	$905,105
3rd Quartile	32	$532,259	17/53%	$535,458	$440,065	$647,431
Bottom Quartile	31	$322,696	19/61%	$339,035	$144,522	$436,859
All Franchised Outlets	126	$758,880	45/36%	$651,091	$136,656	$2,730,159

Table 1-B: Gross Hauling Revenues in Calendar Year 2022 for Continually Operated Business

Franchised Businesses Quartiles	Number of Franchised Businesses in Subset	Average Gross Hauling Revenue	Number/Percentage of Outlets Attaining /Exceeding Avg Gross Hauling Revenue	Median Gross Hauling Revenue	Lowest Gross Hauling Revenue	Highest Gross Hauling Revenue
Top Quartile	32	$1,320,019	10/31%	$1,060,377	$869,621	$2,730,159
2nd Quartile	31	$716,055	13/42%	$694,739	$609,152	$846,102
3rd Quartile	32	$511,712	17/53%	$520,582	$430,976	$598,491
Bottom Quartile	31	$309,774	21/68%	$336,253	$136,656	$428,437
All Franchised Outlets	126	$717,588	45/36%	$603,821	$136,656	$2,730,159

Table 1-C: Gross Dumpster Revenues in Calendar Year 2022 for Continually Operated Businesses

Franchised Businesses Quartiles	Number of Franchised Businesses in Subset	Average Dumpster Revenue	Number and Percentage of Outlets Attaining or Exceeding Average Dumpster Revenue	Median Dumpster Revenue	Lowest Dumpster Revenue	Highest Dumpster Revenue
Top Quartile	10	$250,453	3/30%	$227,543	$164,615	$514,584
2nd Quartile	9	$123,480	4/44%	$122,280	$84,182	$163,743
3rd Quartile	10	$72,464	6/60%	$74,152	$57,244	$83,797
Bottom Quartile	10	$35,977	5/50%	$38,208	$15,901	$51,694
All Franchised Outlets	39	$120,519	15/38%	$83,797	$15,901	$514,584

Please note that 6 out of the 10 Franchised Outlets in the Bottom Quartile offered Dumpster Services for 6 months or less during the Reporting Period.

Tables 2-A and 2-B present Gross Sales and Gross Hauling Revenue, respectively, in Calendar Year 2022 based on the number of years each franchised outlet had been open and operating as of December 31, 2022.

Table 2-A: Gross Sales in Calendar Year 2022 for Continually Operated Businesses based on Year in which such Franchised Business Opened

Number of Years Franchised Business Had Been Operating as of 12/31/2022	Number of Franchised Businesses in Category	Average Gross Sales	# and % of Franchised Businesses Attaining or Exceeding Average Gross Sales	Median Gross Sales	Lowest Gross Sales	Highest Gross Sales
1 to 2 (Opened in 2021)	24	$458,153	10/42%	$384,283	$144,522	$1,205,637
2 to 3 (Opened in 2020)	10	$651,847	4/40%	$544,603	$334,717	$1,278,522
3 to 4 (Opened in 2019)	5	$577,299	2/40%	$478,442	$359,030	$915,962

Number of Years Franchised Business Had Been Operating as of 12/31/2022	Number of Franchised Businesses in Category	Average Gross Sales	# and % of Franchised Businesses Attaining or Exceeding Average Gross Sales	Median Gross Sales	Lowest Gross Sales	Highest Gross Sales
4 to 5 (Opened in 2018)	6	$648,296	2/33%	$645,363	$455,929	$846,102
5 to 6 (Opened in 2017)	15	$579,240	4/27%	$441,899	$211,077	$2,130,861
6 to 7 (Opened in 2016)	9	$827,103	2/22%	$711,625	$428,437	$2,086,785
7 to 8 (Opened in 2015)	9	$742,953	4/44%	$687,571	$268,404	$1,145,851
8 to 9 (Opened in 2014)	6	$932,568	3/50%	$845,271	$587,365	$1,363,221
9 to 10 (Opened in 2013)	6	$701,458	2/33%	$667,740	$401,104	$1,083,835
10 to 11 (Opened in 2012)	12	$1,004,027	5/42%	$733,569	$336,253	$2,563,404
11 to 12 (Opened in 2011)	14	$1,068,379	3/21%	$906,165	$537,950	$2,730,159
12 to 13 (Opened in 2010)	10	$1,169,959	5/50%	$1,127,489	$455,978	$2,018,148
All Franchised Outlets	126	$758,880	45/36%	$651,091	$144,522	$2,730,159

Table 2-B: Gross Hauling Revenues in Calendar Year 2022 for Continually Operated Businesses based on Year in which such Franchised Business Opened

Number of Years Franchised Outlet Had Been Operating as of 12/31/2022	Number of Franchised Businesses in Category	Average Gross Hauling Revenue	# and % of Franchised Businesses Attaining or Exceeding Average Gross Hauling Revenue	Median Gross Hauling Revenue	Lowest Gross Hauling Revenue	Highest Gross Hauling Revenue
1 to 2 (Opened in 2021)	24	$424,855	10/42%	$372,942	$136,656	$1,026,556
2 to 3 (Opened in 2020)	10	$621,352	4/40%	$507,572	$334,717	$1,278,522
3 to 4 (Opened in 2019)	5	$573,893	2/40%	$478,442	$359,030	$915,962
4 to 5 (Opened in 2018)	6	$648,296	2/33%	$645,363	$455,929	$846,102
5 to 6 (Opened in 2017)	15	$559,754	4/27%	$430,976	$190,026	$2,130,861
6 to 7 (Opened in 2016)	9	$803,604	2/22%	$694,739	$428,437	$2,086,785
7 to 8 (Opened in 2015)	9	$715,648	4/44%	$687,571	$268,404	$1,118,408
8 to 9 (Opened in 2014)	6	$848,365	2/33%	$716,891	$587,365	$1,283,018
9 to 10 (Opened in 2013)	6	$653,143	2/33%	$577,922	$401,104	$1,035,480
10 to 11 (Opened in 2012)	12	$973,715	4/33%	$691,478	$336,253	$2,563,404
11 to 12 (Opened in 2011)	14	$989,334	4/29%	$817,115	$537,950	$2,730,159
12 to 13 (Opened in 2010)	10	$1,063,295	4/40%	$977,835	$455,978	$2,017,248
All Franchised Outlets	126	$717,588	45/36%	$603,821	$136,656	$2,730,159

Table 3 includes certain cost data for calendar year 2022 that we have collected from Continually Operated Businesses that responded to a survey that we circulated ("Reporting Businesses"). 79 out of the 126 Continually Operated Businesses responded to the survey. This Table 3 does not include data from 47 Franchised Businesses, including 16 Continually Operated Businesses that did not respond to the survey and the 31 Excluded Businesses.

Table 3: Cost of Services Sold as a Percentage of Gross Sales in Calendar Year 2022 for Reporting Businesses

	Average Percentage of Gross Sales	**Number and Percentage of Businesses Attaining or Exceeding Average Percentage of Gross Sales**	**Median Percentage of Gross Sales**	**Lowest Percentage of Gross Sales**	**Highest Percentage of Gross Sales**
Gasoline	6.0%	55/ 51.9%	5.8%	3.2%	12.7%
Dumping Fees	9.9%	52/ 49.1%	10.0%	3.6%	20.2%
Labor Expenses	23.7%	46/ 43.4%	24.0%	6.9%	38.4%
Royalty Fees	8.0%	106/ 100.0%	8.0%	8.0%	8.0%
Customer Care Center Fees	4.3%	65/ 61.3%	4.0%	2.0%	5.0%
Cost of Services Sold	51.8%	52/ 49.1%	52.3%	29.3%	67.3%
Gross Profit Margin	48.2%	52/ 49.1%	47.7%	32.8%	70.7%

<u>Notes to Table 3:</u>

1. The percentages of Gross Sales for each Reporting Business are calculated by taking the total expenses for such category, dividing the expenses by Gross Sales, and multiplying the resulting figure by 100.

2. "Dumping Fees" include the payments that a Franchised Business makes to garbage dumps or recycling centers to dispose of the junk that has been collected. These fees vary by municipality.

3. "Labor Expenses" include all wages, benefits, and worker's compensation expenses related to a Franchised Business' employees.

4. Please note that we have adjusted the "Customer Care Center Fees" from the previous amount paid under the Franchise Agreement (4%) to the amount currently being paid by franchisees (5%).

5. "Gross Profit Margin" is calculated for each Reporting Business using this formula: ((Gross Sales - Cost of Services Sold) / Gross Sales) * 100. "Cost of Services Sold" equals Gasoline + Dumping Fees + Labor Expenses + Customer Care Center Fees (which is 5% of Gross Sales) + Royalty Fees (which is 8% of Gross Sales).

6. In addition to the categories of expenses described in Table 3, Franchised Businesses incur additional expenses, such as (among others) rent, vehicle loan payments, MAP Fund fees and advertising expenses, insurance premiums, and utility fees.

<u>Notes to Item 19:</u>

1. **Some outlets have sold this much. Your individual results may differ. There is no assurance you will sell as much.**

2. Written substantiation of the data used in preparing these financial performance representations will be made available to you upon reasonable request.

3. The data is based on the historical results from existing Franchised Businesses as reported to our predecessor by our franchisees. Neither we, predecessor nor an independent accountant has independently audited or verified the information.

4. You should conduct an independent investigation. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lisa Merry, 1616 Gilbreth Road, Burlingame, CA 94010, (888) 888-5865, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide[1] Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	92	103	+11
	2021	103	132	+29
	2022	132	157	+25
Affiliate-Owned	2020	5	6	+1
	2021	6	3	-3
	2022	3	5	+2
Total Outlets	**2020**	**97**	**109**	**+12**
	2021	**109**	**135**	**+26**
	2022	**135**	**162**	**+27**

[1] Included in "outlets" are all Businesses that have opened an operating location. Neither sale of a new territory to an existing franchisee where a separate operating location will not be opened nor execution of a franchise agreement for a new location where the location is not yet open are included.

<u>Table No. 2</u>

Transfers[1] of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2020 to 2022

State	Year	Number of Transfers
Arizona	2020	0
	2021	0
	2022	3
Colorado	2020	0
	2021	2
	2022	1
Florida	2020	3
	2021	0
	2022	0
Illinois	2020	0
	2021	2
	2022	0
Indiana	2020	1
	2021	0
	2022	0
Iowa	2020	0
	2021	0
	2022	2
Kansas	2020	0
	2021	0
	2022	1
Missouri	2020	0
	2021	0
	2022	1
Nevada	2020	0
	2021	1
	2022	0
Pennsylvania	2020	0
	2021	0
	2022	2
South Carolina	2020	0
	2021	0
	2022	1
Texas	2020	1
	2021	0
	2022	1
Total	**2020**	**5**
	2021	**5**
	2022	**12**

[1] Transfer" means the acquisition of a controlling interest in a franchised outlet, during its term, by a person other than the franchisor or an affiliate. Sale of territory only, not including a franchised outlet, from one franchisee to another franchisee is not included in transfers.

<u>**Table No. 3**</u>

Status of Franchised Outlets
For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened[1]	Termina-tions[2]	Non-Renewals	Reacquired by Franchisor[3]	Ceased Operations - Other Reasons[4]	Outlets at End of the Year
AL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
AR	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
AZ	2020	1	1	0	0	0	0	2
	2021	2	2	0	0	0	0	4
	2022	4	1	0	0	0	0	5
CA	2020	18	1	0	0	0	0	19
	2021	19	2	0	0	0	0	21
	2022	21	4	0	0	0	0	25
CO	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
CT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
DC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	10	0	1	0	0	0	9
	2021	9	1	0	0	0	0	10
	2022	10	4	0	0	0	0	14
GA	2020	1	2	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened[1]	Terminations[2]	Non-Renewals	Reacquired by Franchisor[3]	Ceased Operations - Other Reasons[4]	Outlets at End of the Year
	2021	3	2	0	0	0	0	5
	2022	5	1	0	0	0	0	6
IA	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
ID	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	2	0	0	0	0	7
IN	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
KS	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	1[A]	1
KY	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
LA	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
MA	2020	4	0	0	0	1	0	3
	2021	3	2	0	0	0	0	5
	2022	5	0	0	0	0	0	5
MD	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened[1]	Termina-tions[2]	Non-Renewals	Reacquired by Franchisor[3]	Ceased Operations - Other Reasons[4]	Outlets at End of the Year
MI	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MN	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MO	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	2	0	0	0	0	4
NC	2020	3	1	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	1	0	0	1	0	5
NM	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NY	2020	6	0	1	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
OH	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	2	0	0	0	0	6
OK	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened[1]	Terminations[2]	Non-Renewals	Reacquired by Franchisor[3]	Ceased Operations - Other Reasons[4]	Outlets at End of the Year
	2022	1	0	0	0	0	0	1
PA	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	1	0	0	0	0	6
RI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	2	0	0	1	0	4
TN	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	1	0	1
TX	2020	9	0	0	0	0	0	9
	2021	9	2	0	0	0	0	11
	2022	11	3	0	0	1	0	13
UT	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
VA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
WA	2020	1	1	0	0	0	0	2
	2021	2	2	0	0	0	0	4
	2022	4	0	0	0	0	0	4
WI	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	1	0	1

State	Year	Outlets at Start of Year	Outlets Opened[1]	Termina-tions[2]	Non-Renewals	Reacquired by Franchisor[3]	Ceased Operations - Other Reasons[4]	Outlets at End of the Year
Totals	2020	92	14	2	0	1	0	103
	2021	103	29	0	0	0	0	132
	2022	132	31	0	0	5	1	157

[A] Unit contains territory in both Kansas and Missouri and was relocated in the count to Missouri where the business address is located.

[1] "Outlets opened" does not include outlets for which a franchise agreement was signed but the outlet was not open as of the end of our last fiscal year. Included in "Outlets Opened" are outlets that were opened after a new franchisee purchased the franchised business from an existing owner and the previous owner's franchise agreement was terminated.

[2] "Termination" means the franchisor's termination of a franchise agreement prior to the end of its term and without paying any money or other compensation to the franchisee. Mutual terminations, where both the Franchisor and franchisee agree to end the franchise relationship are also included in terminations listed above.

[3] For purposes of these tables, a "reacquisition" means the Franchisor's acquisition of a franchised outlet during its term in exchange for a payment of money or other compensation. The franchisor's purchase of a territory or a portion of a territory not including an operating outlet is not included in the "reacquisitions" listed above.

[4] "Ceased operations – other reasons" includes abandonment of the franchise outlet after an existing outlet was opened. If no outlet was opened and there was no termination of the franchise agreement, the "abandonment" would not be included in the "ceased operations" column. Also included in this column are franchise outlets that have been sold and/or transferred to an existing franchisee or a franchisee in another state. Also included in Ceased operations – other reasons" are outlets where the franchise agreement was terminated and the territory was transferred to an existing franchisee.

<u>Table No. 4</u>

Status of Affiliate-Owned Outlets
For Years 2020 to 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2020	1	2	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	3	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
GA	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
IA	2020	2	0	0	0	2	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
MA	2020	0	0	1	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
NY	2020	0	1	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
NC	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
PA	2020	0	0	0	0	0	0
	2021	0	0	1	0	1	0
	2022	0	0	0	0	0	0
TN	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
TX	2020	0	0	1	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
UT	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
WI	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
Total	**2020**	**5**	**3**	**2**	**0**	**4**	**6**
	2021	**6**	**0**	**1**	**0**	**4**	**3**
	2022	**3**	**0**	**5**	**0**	**3**	**5**

Table No. 5
Projected Openings as of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	1	1	0
Alabama	0	1	0
California	1	2	0
Florida	1	1	0
Georgia	1	0	0
Illinois	1	0	0
Indiana	1	0	0
Maryland	0	1	0
Michigan	0	1	0
Minnesota	1	0	0
Ohio	1	0	0
Tennessee	1	2	0
Texas	1	1	0
Utah	0	1	0
Virginia	0	1	0
Total	**10**	**12**	**0**

Exhibit E-1 contains the names of current franchisees and area developers and the addresses and telephone numbers of their outlets as of December 31, 2022.

Exhibit E-2 contains the names, address and telephone number of current franchisees that have not opened as of December 31, 2022.

Exhibit F contains the name, city and state and the current business telephone number (or, if unknown the last known home telephone number) of franchisees who had an outlet terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed fiscal year franchisees transferred, franchisees who left the system for other reasons or who have not communicated with us in the 10 weeks prior to 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.

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

There are no trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21

FINANCIAL STATEMENTS

Included as Exhibit C are the following audited combined financial statements of Neighborly Assetco LLC, our direct parent: (a) the audited balance sheet as of March 25, 2021 (Predecessor Period), (b) audited combined financial statements as of December 31, 2021 (Successor Period) and March 25, 2021 (Predecessor Period), and for the periods from March 26, 2021 through August 31, 2021 (Predecessor Period) and from September 1, 2021 through December 31, 2021 (Successor Period), and (c) audited combined financial statements as of and for the year ended December 31, 2022. Neighborly Assetco LLC was organized on November 13, 2020 and had no significant operations prior to the date of the March 25, 2021 balance sheet.

Neighborly Assetco LLC guarantees our performance under the Franchise Agreement. A copy of the Parent guaranty is included in Exhibit D.

As reflected in Item 1, Manager (i.e., Neighborly Company) will be providing required support and services to franchisees under a management agreement with us. Attached in Exhibit C are the audited consolidated financial statements of Manager (a) as of and for the year ended December 31, 2022, and (b) as of December 31, 2021 (Successor Period) and December 31, 2020 (Predecessor Period) and for the period from September 1, 2021 through December 31, 2021 (Successor Period), the period from January 1, 2021 through August 31, 2021 (Predecessor Period), and the year ended December 31, 2020 (Predecessor Period). These financial statements are being provided for disclosure purposes only. Manager is not a party to the Franchise Agreement we sign with franchisees nor does it guarantee our obligations under the Franchise Agreement we sign with franchisees.

As used in this Item 21, the term "Predecessor Period(s)" refers to the time period(s) before and including August 31, 2021, i.e., the closing date of the KKR Acquisition of Neighborly (as described in

Item 1) and the "Successor Period" refers to the time period from and after September 1, 2021 until December 31, 2021 (i.e., the period following the closing of the KKR Acquisition).

ITEM 22

CONTRACTS

EXHIBIT A - Franchise Agreement and Schedules:
- Schedule A. Data Sheet
- Schedule B. ACH Form
- Schedule C. Personal Guarantee
- Schedule D. Acknowledgement Addendum
- Schedule E. Telephone Number and Internet Agreement
- Schedule F. Confidentiality Agreement
- Schedule G. Amendment to Franchise Agreement (Dumpster Program)
- Schedule H. Segmentation Addendum
- Schedule I. State Addendum

EXHIBIT G Option to Purchase Agreement
EXHIBIT H Renewal Addendum
EXHIBIT I General Release [sample]
EXHIBIT J ProTradeNet Agreement
EXHIBIT K Software System User and Maintenance Agreement
EXHIBIT L Assignment and Consent Agreement
EXHIBIT M-1 Financing Documents (Franchisor as Guarantor)
EXHIBIT M-2 Financing Documents (High-Interest Debt and Equipment Financing)
EXHIBIT N State Addenda and Riders to Franchise Agreement

ITEM 23

RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

EXHIBIT A

JUNK KING SPV LLC

FRANCHISE AGREEMENT

RECEIPT FOR FRANCHISE AGREEMENT

The undersigned hereby acknowledges and agrees that on the date below, they received a FRANCHISE AGREEMENT for a JUNK KING® franchised business including all applicable exhibits with all information completed in a form ready to execute.

______________________________	______________________________
Date	Signature
______________________________	______________________________
Date	Signature

JUNK KING® FRANCHISE AGREEMENT

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JUNK KING® FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made as of the Effective Date by and between Junk King SPV LLC, a Delaware limited liability company with its principal business located at 1616 Gilbreth Road, Burlingame, CA 94010 ("we", "us" or "Franchisor"), and the person or entity (the "Franchisee" or "you") identified as Franchisee on the Data Sheet attached as Schedule A together with addenda attached thereto, the "Data Sheet"). If the franchisee is a corporation, partnership, limited liability company or other legal entity, the provisions of this Agreement also apply to its owners.

RECITALS

A. We have developed a system for establishing and operating businesses identified by the Marks (as defined below) and engaged in junk removal, dumpster rental, clean-out services, resale services and recycling and other related services and products pursuant to certain standards and specifications (each, a "JUNK KING Business").

B. We own the JUNK KING service mark and other marks, as well as other Intellectual Property (as defined below) used in connection with the operation of a JUNK KING Business.

C. You desire to develop and operate a JUNK KING Business, and we have agreed to grant you a franchise to operate a JUNK KING Business subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the promises and consideration below, you and we agree as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions (other terms are defined in the body of this Agreement):

A. "Business" means the JUNK KING Business you develop and operate pursuant to this Agreement.

B. "Confidential Information" means any proprietary and non-public information, data, materials and know-how owned by us relating to the development or operation of JUNK KING Businesses, whether contained in the Operations Manual or otherwise, including, but not limited to: (1) training programs and materials; (2) databases of Customers and potential customers, including Customer Information; (3) sales and marketing programs and techniques for JUNK KING Businesses; (4) knowledge of operating systems of JUNK KING Businesses; and (5) computer systems, technology and software programs.

C. "Customer" means any person or entity (1) included on any marketing or customer lists you develop or use, including any such lists provided by us to you; (2) who has purchased or purchases products or services from you during the term (even if you have solicited the person and/or established a relationship independent of us and without our assistance) or whom you have solicited to purchase any products or services; (3) for whom you provide products or services on our behalf or at our direction; and (4) if any of the foregoing is an entity, all employees of such entity.

D. “Customer Information” means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any Customer, including any personal information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular individual or household.

E. “Dumpster Services” means services consisting of delivering a dumpster (typically a 12 cubic-yard dumpster) to a Customer’s location for a short-term rental and removing such dumpster and disposing of its contents at the conclusion of such rental period.

F. “Effective Date” means the date designated as Effective Date on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement.

G. “Franchise Location” is the premises that are located within the Territory, that meet our site selection guidelines and criteria and from which you will operate your Business.

H. “Gross Sales” include the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of or in connection with your Business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from Customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing.

I. “Intellectual Property” means patents, rights to inventions, copyright and related rights, the Marks, business names, domain names, social media accounts and identifiers (and all related content and programming, and related security codes and passwords), rights in goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, confidential information (including know-how), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection that subsist or will subsist now or in the future in any part of the world relating to the JUNK KING Business and the System, owned by us and acquired by us from time to time.

J. “Internet” means all communications between computers and television, telephone, facsimile and any other communication or communication capable devices and another such device or machine, including the World Wide Web, proprietary online services, social media platforms, blogs, E-mail, news groups and electronic bulletin boards and forums.

K. “Key Accounts” means national, regional or other customers of Junk King Businesses located within and/or outside the Territory with whom we have entered or plan to enter into contracts, programs or other arrangements (i) for servicing of multiple locations of such customers and/or (ii) that we determine are designed to benefit the System as a whole by gaining otherwise unavailable business or addressing the concerns of such customers that may require specific terms or provisions of our arrangement with them, including without limitation special insurance, experience, equipment, pricing, payment terms, turnaround requirements, or approvals.

L. “Marks” means the “JUNK KING” service mark and logo, the “neighborly” service mark and logo, and such other trade names, trademarks, service marks, trade dress, logos, social media indicators, social media handles, and commercial symbols as we may from time to time expressly authorize or direct you, in writing, to use in connection with the operation of the Business.

M. “Operations Manual” means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for operating JUNK KING Businesses, all of which we may change from time to time. The term “Operations Manual” includes all means of communicating such information, regardless of format.

N. “Preferred Lead Program” means a program that we offer to qualified franchisees that permits each such franchisee to perform services in a defined area outside of its territory (the “designated area”) so long as (i) such services are for such franchisee’s existing customer that has locations within and outside of such franchisee’s territory (but within the designated area) and (ii) the franchisee who owns the territory in which the designated area is located also participates in the Preferred Lead Program. Additional terms and conditions of the Preferred Lead Program are set forth in the Operations Manual. You must meet the qualifications set forth in the Operations Manual before you may participate in the Preferred Lead Program.

O. “Principal Owner” means any person or entity who, now or hereafter, directly or indirectly, owns a 5% or greater interest in the franchisee when the franchisee is a corporation, limited liability company, partnership, or other entity. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 5% interest in the franchisee, we have the right to designate that person or entity as a Principal Owner for all purposes under this Agreement. In addition, if the franchisee is a partnership entity, then each person or entity who, now or hereafter is or becomes a general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one Principal Owner. Your Principal Owner(s) are identified in the Data Sheet in Schedule A to this Agreement. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

P. “System” means our operating systems, marketing systems, business techniques, and methods, processes, policies and procedures for providing junk removal, dumpster rental, clean-out services, and recycling and other related services and products pursuant to certain standards and specifications, along with items of trade dress and sales, leadership and management training for the development and operation of Junk King Businesses, including all training materials; all as the same may exist today or as the same may change from time to time, as specified in the Operations Manual or as otherwise reasonably directed by us from time to time.

Q. “Territory” means the area designated on the Data Sheet. If the Territory is not designated at the time you and we sign this Agreement, we will notify you of the Territory within 30 days of the Effective Date. To the extent any portion of the Territory includes an area designated as an Indian Reserve, a governmental territory or other territory that may have separate or additional laws, regulations or other requirements for performing work in such territory, Franchisee is granted such territory only to the extent and for so long as Franchisee is qualified under such separate or additional requirements to perform work in such territory; knowledge of and compliance with such requirements being the sole responsibility of Franchisee.

GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Rights Granted. Subject to the terms and conditions of this Agreement, we hereby grant you the right and license to engage in and conduct, in the Territory, during the term of this Agreement, a JUNK KING Business identified by the Marks. For avoidance of doubt, you acknowledge and agree that you may only offer or provide Dumpster Services subject to compliance with Section 5.R.

You hereby accept said license and undertake the obligation to operate your Business faithfully, honestly and diligently, using the System and in compliance with this Agreement and our standards and requirements. You may not subfranchise, sublicense, assign or transfer your rights under this Agreement, except as specifically provided in this Agreement.

B. Rights to Territory. During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Territory without your written permission, or (ii) subject to our reservation of rights set forth in Section 2.C, establish either a company- or affiliate-owned or franchised JUNK KING Business geographically located within the Territory.

You may not advertise or solicit customers, perform services or sell products related to the Business outside the Territory without our prior written consent, which consent we may give, condition or withdraw as we deem appropriate. If you receive a request for services or products from outside the Territory, you must refer that request to the franchisee, if any, that owns the applicable territory, or seek our written permission to process such a request. Notwithstanding the foregoing, under certain limited circumstances, you may process such a request from outside the Territory if such activity is permitted under our Preferred Lead Program as more particularly set forth in the Operations Manual.

If we permit you to advertise, solicit, service or sell in areas outside the Territory that are not serviced by another franchisee (each, a "Territory Available for Sale" or "TAFS"), you must comply with all of the conditions and other requirements that we may from time to time specify (in the Operations Manual or otherwise in writing) with respect to such activities. At any time upon our demand or upon your actual notice that a TAFS has been purchased by another franchisee, you agree to immediately cease all activities in such TAFS and to comply with our procedures for the transition of Customer accounts for such TAFS.

C. Our Reservation of Rights. Except as expressly limited by Section 2.B, we and our affiliates may engage in any activity whatsoever on any terms and conditions we deem advisable whenever and wherever we or they desire. We and our affiliates retain all rights whatsoever not expressly granted herein, including, but not limited to:

(i) the right to establish and operate, and to grant to others the right to establish and operate similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory (A) under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate or (B) under the Marks, but if inside the Territory, then only pursuant to programs set forth in the Operations Manual (including the Preferred Lead Program);

(ii) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those provided at the Franchise Location hereunder, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including internet or similar electronic media) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(iii) the right to establish and operate, and to grant to others the right to establish and operate businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(iv) the right to establish and operate, and to grant others the right to establish and operate a JUNK KING Business located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of their proximity to the Franchise Location or their actual or threatened impact on sales at the Franchise Location;

(v) (a) the right, directly or through an authorized third party (including, another franchisee), to advertise, solicit, enter into contracts with and service Key Accounts in any area, including in the Territory, upon such terms as we negotiate from time to time; or (b) further, if (i) you refuse or, in our sole judgment, are not qualified, interested or available to perform services or otherwise cannot or do not perform services for any customer located within the Territory, including a Key Account, (ii) you request assistance in the performance of services to a customer, or (iii) a customer, orally or in writing, specifically requests services within the Territory from a different franchisee or another third party, we have the right to authorize another franchisee (or designate or authorize a corporate employee or any other third party) to perform services for or sell products to the applicable customers inside the Territory. You agree that you will not be entitled to any compensation for sales or services performed inside the Territory by someone other than you as contemplated under this paragraph;

(vi) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Business, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

(vii) the right to be acquired (in whole or in part and regardless of the form of transaction), by a business providing products and services similar to those provided at the Business, or by another business, even if such business operates, franchises and/or licenses a business(es) that competes with you in the Territory.

TRADEMARK STANDARDS AND REQUIREMENTS

3. We hereby grant you the right to use the Marks in connection with the operation of the Business hereunder, subject to the following terms and conditions:

A. Mark Ownership. The Marks are our and/or our affiliates' valuable property, and we and/or our affiliate(s) are the sole and exclusive owner of all right, title and interest in and to the Marks and all past, present or future goodwill of the Business and of the business conducted that is associated with or attributable to the Marks. Your use of the Marks will inure to our benefit. You may not, during or after the term of this Agreement, engage, directly or indirectly, in any conduct that would infringe upon, harm, contest or otherwise interfere with our or our affiliates' rights in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media. You agree that you will not grant or attempt to grant a security interest in, or otherwise encumber, the Marks or record any such security interest or encumbrance against any application or registration regarding the Marks in the United States Patent and Trademark Office or elsewhere.

B. Use of Marks. You may not use, or permit the use of, any trademarks, trade names, logos, service marks or any other names or marks in connection with the Business except those we authorize or direct in writing. You may use the Marks only in the form and manner we prescribe in writing and only in connection with the products and services that we specify and that meet our standards and requirements with respect to quality, production, installation and sale. You must strictly comply with all trademark, trade name and service mark notice marking requirements and other brand usage guidelines that we may provide from time to time.

C. Business Identification. You must use the name JUNK KING and the city, county or region we designate for you as the trade name of the Business (e.g., Junk King Burlingame), and you must obtain and maintain corresponding fictitious or assumed name registration as required under applicable laws in the jurisdiction in which your Business is located and provide us with evidence of the same prior to opening for business. You may not use the words "JUNK KING" or any other Mark as part of the name of your corporation, partnership, limited liability company or other business entity. You may not use any other mark or words to identify the Business without our prior written consent. You may not change your legal entity name, trade name, or fictitious or assumed name without our prior written consent. You may use the Marks on various materials associated with the Business, such as business cards, stationery and checks; provided that you (i) accurately depict the Marks on the materials as we direct, (ii) use the Marks in accordance with all of our trademark usage and branding standards, (iii) include a statement on the materials indicating that the Business is independently owned and operated by you, (iv) do not use the Marks in connection with any other trademarks, trade names, logos, service marks or any other names or marks unless we specifically approve in writing prior to such use, and (v) make available to us, upon our request, a copy of any materials depicting the Marks. You must put Customers on notice (by language in your contracts) identifying you as a JUNK KING franchisee in a format we deem acceptable, including an acknowledgment that you independently own and operate the Business.

D. Litigation. If any person or entity improperly uses or infringes the Marks or challenges your use or our use or ownership of or the validity of the Marks, we will control all litigation and other proceedings and we have the right to determine whether suit or other proceeding will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you become aware or any challenge or claim arising out of your use of any Mark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses incurred in connection with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement, in which case you must pay us for our costs and expenses including our attorney's fees.

Provided that you are using the Marks in compliance with the terms of this Agreement, we will defend, at our own expense, any action against you brought by a third party alleging that any of the Marks infringes any U.S. trademark of a third party, and we will pay those costs and damages finally awarded against you in any such action that are specifically attributable to such claim or those costs and damages agreed to in a monetary settlement of such action. The foregoing obligations are conditioned on you: (i) notifying us promptly in writing of such action; (ii) giving us sole control of the defense thereof and any related settlement negotiations; and (iii) cooperating and, at our request and expense, assisting in such defense.

E. Changes. Unless we direct you so in writing, you may not make any changes or substitutions to the Marks. We reserve the right to change the Marks at any time and you must comply with any such changes within the time frames we specify.

F. Creative Works. All ideas, business ventures, concepts, inventions, techniques, or materials concerning a JUNK KING Business, whether or not protectable Intellectual Property and whether created by or for you or one of your owners or employees, must be promptly disclosed to us and will be deemed to be solely and exclusively our property, part of the System, and "works made-for-hire," as the phrase is defined in the Copyright Act of 1976 (17 U.S.C. 101 et seq.), for us. To the extent any item does not qualify as a "work made-for-hire" for us, by operation of law or otherwise, you agree to assign and hereby irrevocably assign, for no additional consideration, ownership of that item, and all related rights to that item, to us, our successors and assigns, including without limitation, the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world and agree to take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item. Notwithstanding anything to the contrary, neither the expiration nor the termination of this Agreement shall affect our ownership of the items herein or alter any of our rights or privileges hereunder.

TERM AND RENEWAL

4. The following provisions control with respect to the term and renewal of this Agreement:

A. Term. The initial term of this Agreement commences on the Effective Date and expires on the 10-year anniversary of the Effective Date, unless terminated earlier as provided herein.

B. Renewal Term and Conditions of Renewal. You may renew your license for one renewal term of 10 years; provided that: (i) you have given us written notice of your request to renew at least 180 days but not more than 240 days prior to the end of the expiring term; (ii) you sign our then-current form of franchise agreement (modified to reflect that the agreement relates to the grant of a renewal), the terms of which may differ from this Agreement, including higher fees; (iii) you are not in default of this Agreement or any other agreement pertaining to the franchise granted, have satisfied all monetary and other material obligations on a timely basis during the term, are in good standing and have received no more than 3 written notices of default during the term of this Agreement; (iv) you comply with our then-current training requirements; (v) you and your guarantors execute a general release of claims in a form we prescribe; and (vi) you pay a renewal fee of $5,000.

C. Interim Period. If this Agreement expires without you properly exercising your renewal right and you continue to accept the benefits of this Agreement thereafter, then, at our option, we may treat this Agreement either as (i) expired as of the date of expiration, with you then illegally operating a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the “Interim Period”) until both parties agree to enter into our then-current form of franchise agreement for a renewal term or until one party provides the other with written notice of termination, in which case the Interim Period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, except that the License Fee during the Interim Period will be increased to 10% of Gross Sales for all types of products/services and without any reductions. All obligations and restrictions imposed on you upon expiration of this Agreement shall take effect upon termination of the Interim Period.

OPERATIONS STANDARDS AND REQUIREMENTS

5. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to operation of your Business:

A. Franchise Location. You are responsible for finding and purchasing or leasing a site that meets our site selection guidelines and standards and is located in the Territory. We will approve your site as long as it meets our site selection guidelines and we will attempt to provide our approval or disapproval within 10 business days after you submit the location information (together with evidence of compliance with our site selection guidelines) to us. We make no guarantees concerning the success of the Franchise Location or Territory. In addition, your Franchise Location must meet the following conditions:

(i) You must begin operating your Business within 6 months of the date we sign this Agreement, although you may not commence operations of your Business until you have satisfactorily completed our training program and complied with your other pre-opening obligations. We are not responsible or liable for any of your pre-opening obligations, losses or expenses, including those you might incur for your failure to comply with these obligations or your failure to open by a particular date. We have no responsibility for any lease; it is your sole responsibility to evaluate, negotiate and enter into a lease or a purchase agreement for the Franchise Location premises.

(ii) You must construct and equip your Franchise Location in accordance with our current approved specifications and standards as set forth in the Operations Manual. You must maintain and periodically refresh the building, equipment, vehicles, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) used in the operation of your Business in accordance with our requirements established periodically and any periodic evaluations of the premises by our representatives.

From time to time as we require, you must effect items of modernization and/or replacement of the premises, trade dress, vehicles, equipment and grounds as may be necessary for your Business to conform to the standards for similarly situated new JUNK KING Businesses.

Each Transfer of any interest in this Agreement or your Business under Section 10 and each renewal under Section 4 are expressly conditioned upon your compliance with our then-current modernization or replacement requirements.

(iii) If you need to relocate your Franchise Location for reasons other than your breach of your lease, we will grant you authority to relocate to another site within the Territory that meets our site selection guidelines and standards; provided that you are not in default under this Agreement or any other agreement with us and you are current on all of your financial obligations to us, our affiliates and third parties. You still must continue to operate the Business at all times during any such relocation.

B. Vehicle Acquisition and Maintenance. You must acquire and maintain, at your sole expense, one or more vehicles as specified by us for use in the Business. Each vehicle shall be equipped, outfitted, insured and maintained in accordance with our specifications and standards. You must maintain the interior, exterior and mechanical parts of all required vehicles in good repair and condition and regularly service and maintain the vehicles to keep them clean and in good working order.

C. Authorized Services and Products. You can only offer and sell authorized services and products from your Business and you must refrain from selling any other services or products. You may not deal in any way with any hazardous materials (as such term is from time to time defined in the Operations Manual). You must use in the operation of your Business and in the offer and sale of authorized services and products of your Business only those techniques, procedures and supplies we specify in writing. You acknowledge and agree that we may change any of our requirements periodically and you agree to conform to any such changes. All Customer service materials, techniques, and promotional items of all descriptions and types must meet our standards of uniformity and quality.

D. Approved Supplies and Suppliers. We reserve the right to require that you only use approved products, services, inventory, equipment, signs, advertising materials, and other items (collectively "approved products and supplies") in the Business. We may introduce new products and supplies and change previously approved products and supplies from time to time and you agree to promptly comply with our new or changed requirements. Although we do not do so for every item, we have the right to approve the supplier of approved products and supplies. You acknowledge and agree that certain approved products and supplies may only be available from one approved supplier source, and we or our affiliates may be that source. You will pay the then-current price in effect for any approved products and supplies you purchase from us or our affiliates. All products, materials, services, and other items and supplies used in the operation of the Business must conform to the specifications and standards we establish from time to time. We may furnish to you from time to time lists of approved products and supplies and/or approved suppliers, which lists we may amend from time to time. We or our affiliate may make available to you the opportunity to participate from time to time in certain discounts, rebates or other benefits in connection with approved suppliers.

WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

E. Computer System. You must purchase a computer system (including all future updates, supplements and modifications) that meets our standards and requirements (the "Computer

System"). The Computer System will be used to develop a database of Customers and prospective customers and other related Customer Information, schedule appointments, generate proposals, maintain communications over the Internet, and produce your accounting records.

You may be required to license software from us, our affiliate, or a third party and you also may be required to sign software license agreements and pay an additional software licensing or user fee(s) in connection with your use of the software. All right, title and interest in and to the software will remain with the licensor of the software. You will be liable for all damages (under this Agreement, any other software license agreement you execute and under applicable law) and problems caused by your use of any software on the Computer System. You acknowledge and agree that we will have full and complete access to the information and data entered into and produced by the Computer System, including, without limitation, email communications and related data, and we can use the same in any way we deem appropriate. You must have Internet access with a form of high speed connection as we may require and you must maintain a dedicated email account for the Business, separate from any personal or other email account. You must purchase any upgrades, enhancements and/or replacements to the Computer System and/or related hardware and software as we may from time to time require. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including all data protection, privacy and security laws as well as payment card industry (PCI) compliance.

As to any malfunctioning of the Computer System or any website as further described in Section 5.L., neither we nor any affiliate will be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that such damages are possible as a result of any breach or malfunction.

F. Customer Information. We own all Customer Information and may use the Customer Information as we deem appropriate (subject to applicable law), including disclosing it to vendors or sharing it with our affiliates for cross-marketing or other purposes. You may only use Customer Information for the purpose of operating the Business to the extent permitted under this Agreement, including the Operations Manual, during the term hereof and subject to such restrictions as we may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, you agree to comply with applicable law in connection with your collection, storage, disclosures and your use and our use of such Customer Information, including, if required under applicable law, obtaining consents from Customers to our and our affiliates' use of the Customer Information. You must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements ("Privacy Laws"), as well as data privacy and security policies, procedures and other requirements we may periodically establish. You must notify us immediately of any suspected data breach at or in connection with the Business. You must fully cooperate with us and our counsel in determining the most effective way to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You are responsible for any financial losses you incur or remedial actions that you must take as a result of breach of security or unauthorized access to Customer Information in your control or possession.

If any federal or state Privacy Law, including the California Consumer Privacy Act ("CCPA"), as revised by the California Consumer Privacy Rights Act ("CPRA"), Cal. Civ. Code § 1798.100, et seq., and any related regulations, applies to the operation of the Business, whenever and to the extent you operate as a "Service Provider" or "Contractor" under the CCPA, a data processor, or in a similar capacity under any federal or state Privacy Law, you represent and warrant that:

(1) Except for the purpose of operating the Business in accordance with this Agreement, including the Operations Manual, you will not retain, use, combine or disclose any Customer Information;

(2) You will not sell, share, make available or otherwise disclose any Customer Information to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising;

(3) You will not retain, use, or disclose Customer Information outside of the direct business relationship between you and us;

(4) You will delete any Customer Information upon our request unless you can prove that such request is subject to an exception under applicable law; and

(5) If you receive a Customer Information data request (e.g., a request to delete Customer Information) directly from a consumer (e.g., a California resident under the CCPA, or a resident of another jurisdiction under other applicable Privacy Law), you shall inform us of that request within one business day and cooperate with us to ensure that the consumer receives an appropriate and timely acknowledgement and response. As an example, currently under the CCPA, an acknowledgement is typically required within 10 business days and a final response is required within 45 calendar days.

(6) You will implement reasonable security procedures and practices appropriate to the Customer Information you collect, retain, use or disclose, in order to protect it from unauthorized or illegal access, including following minimum requirements that may be set forth in the Operations Manual.

(7) You will cooperate with us if we seek to ensure that you have collected, retained, used, or disclosed Customer Information consistent with Privacy Laws and this Agreement, including but not limited to providing us with requested compliance documents, or allowing us to assess, audit, or test your privacy and security controls at least annually.

(8) You will cooperate with us to stop or remediate any unauthorized use of Customer Information, including verifying that you no longer retain or personal information that a consumer has asked to delete under applicable Privacy Laws.

(9) You will notify us immediately if you determine you cannot meet your obligations under Privacy Laws or this Agreement regarding your collection, retention, use, or disclosure of Customer Information.

You certify that you understand the restrictions in Paragraphs (1) – (9) of this section and will comply with them. You also acknowledge and agree that we may modify these restrictions from time to time by written notice to you, by issuing updates to our standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and you agree to comply with the same. You also agree to execute any addenda that we may determine are required to conform this Agreement to new or changed Privacy Laws.

To the extent that you engage a third party to collect, use, sell, share, store, disclose, analyze, delete, modify, or to otherwise perform any processing of Customer Information for the purpose of operating the Business (a "Subprocessor"), you will notify us of such engagement, which shall be governed by a written contract that includes the same restrictions as in Paragraphs (1) – (9) of this section and imposes reasonable confidentiality obligations and privacy and security controls on the Subprocessor.

G. Operating Procedures; Operations Manual. We will loan you a copy of our Operations Manual. We will make it available to you online or in such other manner and format as we approve. You acknowledge that the Operations Manual is at all times our Intellectual Property and owned exclusively by us. You must, at all times, treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information secret and confidential. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques and management systems described in the Operations Manual or other written materials relating to the Business provided from time to time by us. We will revise the Operations Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions and in the best interest of the JUNK KING Businesses and the System. We will notify you of any such updates or revisions and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manual is kept current and up to date, and in the event of any dispute as to the contents of said Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling.

The Operations Manual will contain both mandatory standards and recommended standards. Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Operations Manual or other written materials. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and the Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

If you fail to comply with any required operating standards or specifications as outlined in the Operations Manual or as we may otherwise communicate to you, and you fail to cure said non-compliance within the cure period we specify in our non-compliance notice to you, we may charge you our then-current noncompliance fee for each day that such non-compliance continues (currently, $20/day). Exercising this remedy does not in any way limit any other rights or remedies we may have available under this Agreement or applicable law.

H. Confidential Information. You may not, during the term of this Agreement or thereafter, communicate, divulge or use any Confidential Information for the benefit of any other person or entity, except that you may communicate Confidential Information to such employees as must have access to it in order to operate the Business. All Confidential Information, including, without limitation, methods, procedures, suggested pricing, specifications, processes, materials, techniques and other data, may not be used for any purpose other than operating the Business hereunder. In the interest of protecting our System, we may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your owners (if franchisee is an entity), your spouse, your manager and other key employees. You must provide executed copies of these agreements to us upon our request. A copy of the current Confidentiality Agreement form to be used with your owners (if franchisee is an entity) or your spouse is included as Schedule F.

I. Evaluations. We or our authorized representative have the right to visit and inspect your Business at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain your compliance with the provisions of this Agreement, and to inspect and evaluate your services, supplies or products and other aspects of your Business. Any failure of an inspection is a default under this Agreement. Further, if we determine that any condition in the Business presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Business until the situation is remedied to our satisfaction. Any evaluation or inspection we conduct is not intended to exercise control over your day-to-day operation of your Business or to assume any responsibility for your obligations under this Agreement.

J. Compliance with Laws; Licenses and Permits. You must, at your expense and at all times, maintain and conduct your Business operations in compliance with all applicable federal, state and local laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Business, including but not limited to obtaining and maintaining required authorizations from federal and state transportation authorities and public utility commissions. Without limiting the foregoing, if you or any of your Principal Owners is not a U.S. national, you represent that you and/or such Principal Owner(s) have an immigration status that allows you and/or such Principal Owner(s) to live and work in the United States, and you hereby promise that you and/or such Principal Owner(s) will maintain such status during the term of this Agreement.

You acknowledge that you are an independent business and responsible for control and management of your Business, including, but not limited to, the hiring and discharging of your employees, tax withholdings, and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring or discharging of employees, tax withholdings or setting or paying of wages or related matters.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your Business or names us as a party.

K. Participation in Internet Websites or Other Online Communications. We may require you, at your expense, to participate in our JUNK KING website on the Internet, our intranet or extranet system or other online communications as we may from time to time prescribe. We have the right to determine the content and use of our website and intranet or extranet system and establish the rules under which franchisees may or must participate. We will post your Business contact information on our website. You may not separately register any domain name containing any of the Marks or operate a website or social media account for your Business. We reserve the right to pre-approve, establish rules, procedures and policies relating to any website and social media account that you create for the operation of your Business. We may immediately terminate this Agreement if you register any domain name or social media account containing any of the Marks. We retain all rights relating to our website, intranet system and social media accounts and may alter or terminate our website, extranet system or intranet system, or any social media accounts. Your general conduct on our website, social media accounts, intranet or extranet system or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website, social media accounts, extranet system or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our website, social media accounts, and intranet or extranet system, or otherwise use the Marks or System on the Internet or other online communications, will terminate when this Agreement expires or terminates. You acknowledge and agree that you do not have any right to use the Marks or other Intellectual Property of the System on any website or any social media platform except as expressly approved by us in writing.

Unless we direct otherwise, simultaneously herewith, you agree to execute the Telephone Number and Internet Agreement (attached hereto as Schedule E), pursuant to which you assign to us ownership of all Telephone Listings and Internet Listings (each term as defined in Schedule E).

L. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to any express limitations set forth in this Agreement.

M. Suggested Pricing Policies. Based on examples from JUNK KING Businesses, we may, from time to time, make suggestions to you with regard to your pricing policies. In addition, we have the right to negotiate Key Account arrangements, including pricing which will bind all JUNK KING Businesses providing services to such Key Accounts. Although you generally have the right to establish prices for the products and services you sell, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law.

N. Key Accounts. We have established and administer a Key Accounts program. You must participate in it and must comply with all Key Accounts standards and procedures set forth in the Operations Manual and/or as we may otherwise communicate to you, as well as the specific terms of our arrangement with each applicable Key Account, which terms may include, without limitation, the provision of certain insurance and other products and services, special pricing, payment terms, turnaround on services, etc.

If we handle the billing, invoicing, and collections for a Key Account, we will pay to you the Gross Sales we receive from the Key Account related to services provided by you in the Territory, less an administrative fee specified for each job by us ranging from 1% to 20% of such Gross Sales. We reserve the right to determine the administrative fee and fee split between us and you for each job. We will disclose the applicable fee to you upon request. You agree to these fees and fee splits between us and you in consideration of obtaining access to the Key Accounts and the administrative costs that we incur related to such Key Accounts. You acknowledge that we will not be obligated to reimburse you for any fees that we are unable to collect from a Key Account and that you bear the risk of any non-payment by a Key Account.

O. Customer Service; Service Warranties. You must honor our warranty policies for services you provide to Customers, as described in the Operations Manual. You are solely responsible for the quality and results of the services and products you sell and provide to Customers, maintaining a continuing responsibility with respect to such services and products beyond the termination or expiration of this Agreement. You must render and must cause each of your employees to render prompt, competent and courteous service to Customers and you shall offer and honor such service warranties as we direct.

You must respond to any dissatisfied Customers within 24 hours after the complaint is received or as otherwise set forth in the Operations Manual. If you are unable to equitably resolve the Customer's complaint within 3 days after the initial contact, you must contact us for assistance in handling the complaint. In no event shall our assistance be construed to make us liable to you or to a Customer in connection with such complaint. You are solely responsible for satisfactorily and timely resolving all warranty claims, Customer disputes, and online Customer reviews. Should you fail to do so, you must reimburse the cost of any such services to us or any third party that we authorize to perform the services or you must reimburse us for any refund or other payment we may make to a Customer (as applicable). We may at any time contact Customers concerning the quality of services you provide, the level of Customer satisfaction, or other aspects of the Business that we deem relevant.

P. Ethical Business Conduct. You agree to adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct and good faith in all business dealings with Customers, vendors, your employees, our corporate employees, and all other Junk King franchisees. You must not engage in deceptive, misleading or unethical practices or conduct that may have a negative impact on the reputation and goodwill associated with the Marks.

Q. Crisis Situations. In the interest of protecting the Junk King brand, Marks and the System, we have the sole and absolute right to determine a response, including what steps will be taken and what communications will be made, in instances of a Crisis, and you agree to comply with and implement our directions in response to a Crisis. "Crisis" means an event or development that negatively impacts the Junk King brand or System in such a way that we determine may cause substantial harm or injury to the Marks, System, the Intellectual Property associated with the System, or the reputation or image of the Junk King brand.

R. Dumpster Services.

(i) In order to offer Dumpster Services in the Territory, you must comply with the following terms and conditions:

(a) you must meet the following eligibility requirements: (1) you must have operated your Business for at least six months; (2) you must have achieved the market penetration rates specified in the Operations Manual or our other written communications; and (3) you must have been fully compliant with this Agreement to date (collectively, the "Eligibility Requirements");

(b) you must begin offering Dumpster Services no later than thirty-six (36) months after the Effective Date ("Dumpster Services Option Period");

(c) you must purchase and maintain at least seven dumpsters meeting our specifications from a vendor that we approve or designate;

(d) you must purchase and maintain at least one additional vehicle that meets our specifications and is capable of handling dumpsters; and

(e) you must comply with any other specifications or standards related to the Dumpster Services as we may from time to time specify in the Operations Manual or our other written communication.

Provided that you comply with the foregoing qualifications and requirements and execute the Dumpster Program Amendment attached to this Agreement as **Schedule G** ("Dumpster Program Amendment"), we will consent to you offering Dumpster Services in the Territory by countersigning the Dumpster Program Amendment. If you fail to obtain our approval to offer Dumpster Services within the Dumpster Services Option Period, or you fail to otherwise comply with this Section 5.R, we reserve the right to (x) grant the rights to provide the Dumpster Services in the Territory to another third party; or (y) charge you an initial Dumpster Services fee of $25,000 for the right to offer Dumpster Services in the Territory; provided, that you meet our qualifications, cure any deficiencies and agree to comply with the Dumpster Program Amendment.

(ii) You acknowledge and agree that states, localities, and neighborhoods may regulate the transportation, placement, and use of dumpsters, as well as disposal of their contents. You are solely responsible for the investigation of and compliance with all applicable laws related to the provision of the Dumpster Services.

(iii) We may terminate your right to offer the Dumpster Services (a "Dumpster Service Termination") upon written notice to you if you (a) are not compliant with this Section 5.R (including by failing to maintain the required number of dumpsters and a vehicle capable of handling the dumpsters) and you do not cure the default within 30 days of receiving written notice from us; (b) do not receive any Gross Sales from Dumpster Services during any month and you do not cure the default within 30 days of receiving written notice from us; (c) provide written notice to us that you no longer intend to offer the Dumpster Services; or (iv) after meeting the Eligibility Requirements and receiving a written request from us to begin offering the Dumpster Services, you reject the request or do not complete the steps necessary to offer the Dumpster Services as specified in this Section 5.R within 30 days after your receipt of our request.

(iv) If a Dumpster Service Termination occurs, (a) you will lose your right to offer Dumpster Services in the Territory, (b) we or our affiliates will have the right to offer and provide, or license others to offer and provide, Dumpster Services in the Territory using the Marks and the System (or any other marks or system), and (c) you will be required to de-identify and change the color scheme of the dumpsters and related vehicle and dispose of such assets in accordance with our instructions.

S. <u>Customer Care Center; JunkWare</u>. We agree to maintain (directly or indirectly through an affiliate or a third-party vendor) a customer care and call center (the "Customer Care Center") to process all orders for services and to handle Customer inquiries on a system-wide basis. Your participation may be subject to separate written terms and conditions that we or our designee may from time to time require. The Customer Care Center is intended to provide an efficient and uniform system for placement and retrieval of orders for services and handling Customer inquiries and complaints, and to provide a mechanism for establishing a Customer database and providing management reports to Junk King franchisees.

(i) We will provide you a password-protected access to our proprietary software, JunkWare. You agree to keep the password confidential at all times and will not release it to any person, including any employee of the Business, without our prior written consent. Promptly upon receipt of a Customer order for services within the Territory, we will post such order on JunkWare. You agree to promptly retrieve all orders for the services in the Territory from JunkWare. You acknowledge and agree that except as explicitly provided for in this Agreement, you are not permitted to receive or fill any order for Customer services within the Territory other than those orders that are placed or processed through the Customer Care Center and posted on JunkWare. If you receive an order via your local telephone number or any other method, you must process the order through the Customer Care Center and JunkWare. Notwithstanding the foregoing, if you receive a request to provide services to a new Customer (an "Unsolicited Order") while providing services to another Customer, and your employees do not have the opportunity to first process the Unsolicited Order through JunkWare before rendering the services to such new Customer, you may service the Unsolicited Order; provided, that immediately after completion of the Unsolicited Order, you process the Unsolicited Order through JunkWare (i.e., by entering all the particulars of the Unsolicited Order, including the name and address of the Customer, the amount charged for the services, and the date on which the Unsolicited Order was made and completed).

(ii) You agree that:

(a) In consideration of the services provided to you by the Customer Care Center, you agree to pay us the Customer Care Center Fee in accordance with Section 8.D;

(c) The Customer Care Center Fees will be used to cover the operating expenses of the Customer Care Center;

(d) Except as expressly provided for in this Section, we assume no obligation or liability to you with respect to the maintenance, direction, or administration of the Customer Care Center. We have the sole right and responsibility to control and direct the policies, direction, administration, and operation of the Customer Care Center. You are not a third-party beneficiary and have no right to enforce any contributions from other franchisees or the administration of the Customer Care Center. Our obligation with respect to the Customer Care Center is contractual in nature;

(e) You must participate in all programs established and required by us involving the Customer Care Center; and

PERSONNEL AND SUPERVISION STANDARDS

6. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision of the Business; Guarantors. You, or your Principal Owner(s) (as defined on the Data Sheet) if you are a business entity, must devote full-time attention to your Business, which at all times must be under your, or your Principal Owner(s)'s direct and active supervision and management. If you are a business entity, (i) all your owners must sign a Confidentiality Agreement; (ii) you must designate one or more Principal Owners; and (iii) all persons and entities that, as of the date of this Agreement hold, or during the term of this Agreement become holders of, 5% or more of your ownership interests must personally guarantee your performance hereunder to us by executing the personal guarantee attached hereto as Schedule C.

If two (2) or more persons are the Franchisee or guarantors, their obligations and liability to us shall be joint and several.

B. Training. You must comply with all of the training requirements we prescribe for the Business. You, or your Principal Owners if you are a legal entity, must attend our initial training program and complete it to our satisfaction. You must pay all costs and expenses, including hotel and transportation costs, you incur in attending our initial training program. If it becomes necessary to re-train a certain individual, we reserve the right to charge you a training fee. You also must pay all costs and expenses for any additional personnel who attend our initial training program. The training requirements may vary depending on your experience and other factors specific to the Business. If you are given notice of default that relates, in whole or in part, to your failure to meet any operational standards, we may require that, as a condition of curing the default, you and your manager, at your expense, comply with the additional training requirements we prescribe. Under no circumstances may you permit management of the Business' operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.

C. Ongoing Training. We may require you and other key employees of the Business to attend ongoing training at our training facility or other locations we designate. If you request training in addition to the initial training program identified above, we reserve the right to charge you a training fee, plus you must pay your costs and expenses in connection with such training. Any training provided by us to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

D. Staffing. You must employ a sufficient number of competent and trained employees to ensure efficient service to Customers. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from you to us.

E. Attendance at Reunion and Meetings. You must attend, at your expense, any annual franchise convention we may hold or sponsor and any meetings relating to new services or products, new operational procedures or programs, training, business management, sales or sales promotion, or similar topics, including any system-wide teleconferences or web-conferences, as more particularly set forth in the Operations Manual. We reserve the right to charge you a fee to attend any such franchise conventions, meetings, programs or other trainings, and we may collect such a fee from you whether you attend or not. If you do not attend the annual franchise convention (Reunion), you will be charged $1,000. If you are not able to attend a meeting or convention, you must give us prior notice and must have a substitute person acceptable to us attend such meeting or convention. Nothing in this Agreement is intended to require us to hold any annual conventions or other meetings.

MARKETING

7. You agree to actively promote your Business, to abide by all of our marketing and advertising requirements and to comply with the following provisions:

A. MAP Fund. We have established and manage a Marketing, Advertising and Promotion Fund for JUNK KING Businesses (the "MAP Fund"). All MAP Fees (as defined in Section 8.D) you pay to us hereunder will be placed in the MAP Fund. On behalf of our company and affiliate-owned JUNK KING Businesses, we will pay the same MAP Fund fee as similarly situated franchised JUNK KING Businesses. The MAP Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to it. We have the right to make disbursements from the MAP Fund for expenses incurred in connection with the cost of formulating, developing, implementing and administering marketing, advertising, public relations, and promotional campaigns. The disbursements may include payments to us for the expense of administering the MAP Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the administration and operation of the MAP Fund or otherwise providing services with respect to the MAP Fund. We have the right to determine the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each JUNK KING Business or in each advertising market. We, as the administrator of the MAP Fund, may collaborate with the administrators of advertising funds of certain other franchise systems affiliated with us. You acknowledge that there can be no assurance that the MAP Fund's participation in these collaborations and joint efforts will benefit JUNK KING Businesses proportionately or equivalently to the benefits received by any other franchised businesses of the other participating affiliated franchise systems.

The MAP Fund will be accounted for separately and will not be used to defray any of our general operating expenses, except for such expenses, administrative costs and overhead relating to MAP Fund business, including compensation of employees and others providing services to the MAP Fund and other expenses that we incur in activities related to maintaining, administering, directing and conducting the MAP Fund programs, including, without limitation, conducting market research and public relations activities; preparing advertising promotion and marketing materials; and collecting and accounting for MAP Fund contributions and expenses. If requested, we will provide you an annual unaudited statement of the financial condition of the MAP Fund.

We assume no direct or indirect liability or obligation to you with respect to collecting amounts due to the MAP Fund or related to our maintenance, direction or administration of the MAP Fund, including with respect to the efficiency or effectiveness, if any, of the MAP Fund in enhancing the Marks, brand or System or advancing the business interests of a franchisee or franchisees in general.

We have the right, but not the obligation, to cause the MAP Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and any such successor entity shall have all our rights and duties under this Section 7.A. We may use collection agents and institute legal proceedings at the MAP Fund's expense to collect MAP Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the MAP Fund. If we terminate the MAP Fund, we will refund to you your pro-rata portion of any amounts remaining in the MAP Fund, based on your contributions to the MAP Fund.

B. Required Local Expenditures. You must use your best efforts to promote and advertise the Business and participate in any local marketing and promotional programs we establish from time to time. In addition to the payment of the MAP Fee, you must spend the minimum amounts set forth in the Data Sheet on approved local marketing and promotion in the Territory each year ("Minimum Local Marketing Amounts"). Upon our request, you must provide us with itemized documentation and proof of such expenditures. If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Amounts and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. Should this Agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Amounts collected to the MAP Fund.

C. Approved Materials. You must use only such marketing materials (including any print, radio, television, electronic, on-line or other media forms that may become available in the future) as we furnish, approve in writing or make available, and the materials must be used only in the manner we prescribe and in compliance with all trademark usage and branding standards. Furthermore, any promotional activities you conduct for the Business are subject to our approval. You must submit all advertising and promotional materials to us for approval prior to your use. If we do not respond within 14 days of your submission, the materials will be deemed not approved. We will not unreasonably withhold approval of any materials or media and activities; provided that they are current, in good condition, in good taste and accurately depict the Marks. Notwithstanding our approval, it is solely your responsibility to conduct your promotional activities in accordance with all applicable laws.

D. Local Marketing Groups. We have the right to designate local advertising markets and advertising cooperatives and/or local marketing groups for such markets (collectively, each such cooperative or group, a "LMG"), and if designated, you must participate in the LMG and its programs in your designated local advertising market. If established, you must contribute to the LMG the amount we designate, but such contribution amount shall not exceed 3% of your Gross Sales. We may require that some or all of your LMG contribution be paid to us or our affiliate, and we reserve the right to use your LMG contribution on any promotional, marketing and advertising initiatives, including digital and other marketing and brand awareness programs. In addition, we may require that a portion of your LMG contribution be paid for use towards the Neighborly marketing and brand awareness initiatives, which may include service professional recruitment marketing. If established, each JUNK KING Business, including those operated by us or our affiliates within a designated local advertising area, will be a member of the LMG. You must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. Your contribution to the LMG will count towards the Minimum Local Marketing Amounts, but the Minimum Local Marketing Amounts do not represent a limit on your LMG contribution. We have the right to establish how the LMGs operate and we have the right to require LMGs to be formed, changed, dissolved or merged.

FEES, REPORTING AND AUDIT RIGHTS

8. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. Upon signing of this Agreement, you must pay to us an initial franchise fee as set forth in the Data Sheet (the "Initial Franchise Fee"), which is earned upon receipt and is non-refundable.

B. License Fees. From and after the Effective Date, you must pay to us, monthly in the manner specified in Section 8.E, a fee (the "License Fee") in the amount equal to the greater of

(i) the percentage of Gross Sales set forth on the Data Sheet or (ii) the Minimum License Fee set forth on the Data Sheet.

C. MAP Fees. From and after the Effective Date, you must pay to us each month, in the manner specified in Section 8.E, a MAP Fund contribution (the "MAP Fee") in the amount set forth in the Data Sheet.

D. Customer Care Center Fee. From and after the Effective Date, you must pay to pay to us, in the manner specified in Section 8.E, a monthly contribution to the Customer Care Center equal to the percentage of Gross Sales set forth on the Data Sheet (the "Customer Care Center Fee").

E. Manner of Payment; Electronic Transfer of Funds. All payments of the License Fees, MAP Fees and Customer Care Center Fees are due to us by the 10^{th} day of each calendar month for the prior calendar month's Gross Sales. Within four (4) days following the end of each calendar month, you must update all records and data on JunkWare and submit to us a monthly report of Gross Sales. If you fail to timely submit a report, we will enter in a zero report for that month and you will automatically be charged the minimum fee payment. You must sign an electronic ACH Form, attached as **Schedule B**, to authorize and direct your bank or financial institution to allow us or our affiliate to initiate a transfer of funds electronically directly to our or our affiliate's account and to charge to your account all amounts due to us or any affiliate. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section. Without limiting the foregoing, if we don't receive payment of the fees by the due date or if the electronic transfer of funds is declined for any reason, an administrative fee of $150 will added to the ACH amount owed.

F. Late Payments. A late payment fee of $10.00 per day (the "Late Payment Fee") plus interest at the highest applicable legal rate for open account business credit in the state of your domicile, not to exceed 12.0% per annum, will accrue on all late payments from the due date until all sums are paid. In addition, if you fail to timely provide any Gross Sales report to us, in addition to any other rights available to us, we may withdraw the applicable Minimum License Fee and the MAP Fee from your account, and once the applicable Gross Sales report becomes available to us, you will be required to immediately pay us any additional amounts owed as shown in the calculation of the License Fees and Customer Care Center Fees in such Gross Sales report. You acknowledge and agree that this Section 8.F does not constitute our agreement to accept payments or reports after they are due or a commitment by us to extend credit to you or to otherwise finance your operation of the Business. Further, you acknowledge and agree that your failure to pay all amounts and provide all reports when due will constitute grounds for termination of this Agreement, notwithstanding the provisions of this Section 8.F. You will not, on grounds of the alleged nonperformance by us of any of our obligations under this Agreement, withhold payment of any License Fees, MAP Fees or any other amounts due to us and you will not, on such grounds, discontinue providing services to Customers of the Business in accordance with this Agreement.

G. Application of Fees. Notwithstanding any designation by you, we have the right to apply any payments received from you to any past due indebtedness to us or any affiliate in such amounts and in such order as we determine.

H. Financial Planning and Management. You must compile and keep books and records that accurately reflect the operations and condition of your Business, including detailed daily sales, cost of sales, and other relevant records and information, maintained in an electronic media format and using the methods of bookkeeping and accounting as we periodically may prescribe. You must also retain check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, state, federal, personal or other income tax records and returns covering or related to the Business, payroll records, cash disbursement journals and general ledgers. You must submit to us such reports, statement of profit and loss, balance sheet, tax returns, books and records as we may require, including those identified in Section 8.I below, all on the forms and according to reporting formats, methodologies and time schedules that we establish from time to time. You must preserve the books, records and reports for the longer of (i) five years from creation or (ii) such period as required under applicable laws. You must allow us electronic and manual access to any and all records relating to your Business.

I. Reports. Simultaneously with each payment of License Fees, MAP Fees and Customer Care Center Fees hereunder, you must submit to us a report of the corresponding Gross Sales and gross receipts of the Business, and a computation of the corresponding License Fees and Customer Care Center Fees with respect to the preceding month. Gross Sales must be entered into the software (JunkWare) and reported for the month in which they are earned; you may not postpone the reporting of any Gross Sales for any reason. In addition, within 15 days after the end of each month, you must submit to us the following information for the preceding month: (i) copies of your most recent balance sheet and statement of profit and loss, including a summary of your costs for labor, rent and other material cost items; and (ii) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year. All reports shall be provided in the form and content as we periodically prescribe. You must certify in writing all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.

J. Audits. We or our authorized representative have the right, at all times (i) during the business day to enter the premises where your books and records relative to the Business are kept and to evaluate, copy and audit such books and records, including, but not limited to any and all financial statements, reports, state, federal, personal income tax records or other income tax records covering or related to the Business, sales tax records, payroll records, databases, and other related records (ii) to remotely access and evaluate, copy and audit your electronic records located on the Computer System, and (iii) to evaluate remotely or on the Business premises your compliance with your obligations regarding Customer Information. In addition, if, in our reasonable business judgment, we believe that you have failed to comply with your reporting and/or record keeping obligations hereunder, we have the right to also access and evaluate, copy and audit books and records related to any other business in which you have an ownership or management interest. We also have the right to request information from you and your suppliers, vendors, and Customers. You must fully cooperate with us in connection with our exercise of our audit rights. If any such evaluation or audit reveals an understatement of 2% or more of your Gross Sales or you do not provide any requested information within 30 days from the date of our initial request, you must pay for the cost of the audit (including, without limitation, professional fees, travel, and room and board expenses directly related thereto), in addition to the amount owed (if any) plus interest and late fees as provided in Section 8.F. In addition to any other rights we may have in such an event, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary and any further audits and evaluations conducted within two years thereafter will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales of 2% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. To verify the information that you supply, we have the right to reconstruct your sales through any reasonable method of analyzing and reconstructing sales, and you agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance. If you dispute any audit findings, you must do so in writing and in accordance with the Operations Manual within 30 days of the notice of understatement or variance, or you will waive the right to challenge the audit findings. For avoidance of doubt, no provision of this Section 8.J shall be deemed to supersede or waive the 10-day cure period for failure-to-pay defaults set forth in Section 12.B.1

YOUR OTHER OBLIGATIONS; NONCOMPETITION COVENANTS

9. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to (i) pay promptly when due all payments, obligations, assessments and taxes due and payable to us and our affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your Business; (ii) promptly discharge and remove all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Business; and (iii) timely pay all accounts and discharge other indebtedness of every kind incurred by you in the conduct of the Business. If you default in making any such payment, we are authorized, but not required, to pay and discharge the same on your behalf and you agree promptly to reimburse us on demand for any such payment as well as an administrative fee of the greater of $35 or 5% of the payment amount.

You also will pay all federal, state and local taxes, other than taxes as assessed on our income, that may be imposed on us as the result of our receipt or accrual of the Initial Franchise Fee, the License Fees, the MAP Fees, or other fees referenced in this Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you shall pay us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

B. Indemnification. You waive any and all Claims (as defined below) against us for damages to property or injuries to persons arising in any way out of this Agreement, your servicing of Customers under this Agreement or any other contracts, your actions or omissions, or the operation of your Business. Except to the extent otherwise provided in Section 3.D, you agree, at your sole expense, to defend, fully protect, indemnify and hold harmless, us, our affiliates, our parent companies, our sister companies and our owners, directors, officers, members, managers, employees, attorneys, successors and assigns (collectively, "Franchisor Parties"), as well as our customers and the owners of each and every property you service, from any and all Claims. "Claims" as used herein means any and all claims, demands, damages, assessments, violations, interest, causes of action, lawsuits, liens, and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Business (regardless of cause or any concurrent, superseding or contributing fault, liability or negligence of us, our affiliates, our parent companies, and our customers and the owners of any property you service), your actions or omissions, or any breach by you or your failure to comply with any of the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you agree to reimburse us for our costs and attorneys' fees immediately upon our request.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, you will, at your sole expense, defend, fully protect, indemnify and hold harmless, Franchisor Parties, from any and all Claims arising in any manner, directly or indirectly, out of or in connection with or incidental to the actions or omissions of your employees or independent contractors or allegations that we are the joint employer of your employees.

C. Insurance. Before you begin operating your Business you must purchase, and maintain at all times during the term of this Agreement, at your sole cost, insurance coverage, from a responsible carrier, with an A.M. Best rating of A-VIII or better, with the coverage amounts, types and other features as we from time to time specify, using the insurance industry form(s) acceptable to us, and such other insurance coverage as required by law and any other agreement related to the Business. We reserve the right to designate a primary or single source for all or any of the insurance coverage for the Business, and we or our affiliates may be that primary or single source. Any person or entity with an insurable interest that we designate (each, an "Additional Insured") must be named an additional insured on all required liability policies. Each insurance policy must contain a waiver of subrogation in favor of the Additional Insureds. Your insurance must apply as primary and non-contributory. Currently, our minimum insurance requirements include (i) commercial general liability insurance, with minimum liability coverage of $1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury) and $2,000,000 in the aggregate; (ii) auto liability coverage, combined single limit in the amount we specify, up to $2,000,000 but no less than $1,000,000, on each owned, non-owned or hired vehicle used in connection with the Business; (iii) workers' compensation coverage regardless of whether required by state law, but with minimum coverage as required by law (if applicable); and (iv) $500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures; and (v) such other insurance as from time to time required by us, under applicable law and under other agreements applicable to your Business. With respect to Key Accounts, if the insurance amount required for any Key Account or for Key Account work in general exceeds the amount specified as the maximum amount required by us for any type of insurance, that higher amount required for the Key Account work will apply. Additional insurance requirements are set forth in the Operations Manual.

The commercial general liability policy must name Franchisor and any and all parents, subsidiaries, directors, officers, employees, and agents as their interest may appear as Additional Insureds. The policy must also include a waiver of subrogation against all parties named as Additional Insureds. The auto liability policy must name Franchisor and any and all parents, subsidiaries, directors, officers, employees, and agents as their interest may appear as Additional Insureds. The policy must also include a waiver of subrogation against all parties named as Additional Insureds. The workers' compensation policy must include a waiver of subrogation against Franchisor and any and all parents, affiliates, subsidiaries, directors, officers, employees, and agents.

Additional Insured status for Franchisor and any and all parents, subsidiaries, directors, officers, agents, employees or any other party required to be named as additional insureds under this Agreement will extend to the full limits of liability maintained by you even if those limits of liability are in excess of those required in this Agreement. Your insurance will be primary and any insurance carried by Franchisor is strictly excess and secondary and will not contribute with your insurance. The requirements of this Agreement as to insurance limits and acceptability of insurers and insurance to be maintained by you are not intended to and will not in any manner limit or qualify the liabilities and obligations assumed by you under this Agreement.

You may satisfy the insurance coverage limits through an umbrella policy that meets all the requirements of this Section. If you fail to purchase or maintain required insurance, we may, but are not obliged to, obtain such insurance for you and keep the same in force and effect, and you must pay us, on demand, all premiums charged for such insurance policies together with a reasonable fee for the expenses we incur in doing so. We also have the right to terminate this Agreement for cause if you fail to comply with this Section.

You must deliver to us at least 5 days prior to commencement and thereafter annually or at our request a proper certificate of insurance, insurance policy endorsements and other evidence of compliance - showing the existence of the insurance coverage and your compliance with this Section. If you change your insurance provider, you must immediately deliver the proper certificate of insurance to us. We also may request copies of all insurance policies. Any review we conduct of your insurance coverage does not limit your obligation to comply with this Section. Your certificate of insurance will provide proof of the following: (i) Franchisor and all other affiliated parties are included as an Additional Insured where required; (ii) waiver of subrogation included in favor of Franchisor and all other affiliated parties; (iii) your insurance is primary, and all insurance maintained by Franchisor is excess and secondary and shall not contribute with your insurance; and (iv) all insurance will not be cancelled or substantially changed without thirty (30) days' prior written notice by certified mail to Franchisor. We may modify the required minimum limits and types of coverage, by written notice to you. Upon such notification, you must immediately implement the modification of the policy, and provide evidence thereof, in accordance with our request.

You acknowledge that these minimum insurance requirements do not constitute advice or a representation by us that such coverages are necessary or adequate to protect you from losses in connection with the Business. Nothing in this Agreement restricts you from obtaining insurance with higher policy limits and/or additional coverage.

D. Noncompetition Covenants. You agree that you will receive valuable training and Confidential Information that you otherwise would not have received or had access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants and agree that the following noncompetition covenants are reasonable and necessary to protect the System's legitimate business interests, including its Confidential Information, Intellectual Property, and customer goodwill:

1. Unless otherwise specified, the term "you" as used in this Section 9.D means and includes, collectively and individually, (a) if you are an entity, the entity, all guarantors and all shareholders, members, partners, as the case may be, and other holders of any ownership interest in the entity (collectively, "Owners"), as well as any spouse, children, parents and siblings of any guarantor and Owner, or (b) if you are an individual, the individual and the individual's spouse, children, parents and siblings. We may require

you to obtain from your guarantors and Owners, and/or from your spouse, children, parents and siblings or any spouse, children, parents, and siblings of any Owner or guarantor, as applicable, a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Section 9.D.

2. You promise that during the term of this Agreement, and during any Interim Period (if applicable), you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business (as defined below).

3. You promise that you will not, for a period of two years after the expiration or termination of this Agreement, or after the expiration or termination of any Interim Period (as applicable), regardless of the cause of termination, or within two years of the sale or Transfer of the Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, advertise, promote in any media including social media platforms, or consult with or have any interest in a Competitive Business (as defined below) that is located:

a. In the Territory;

b. Within a 25-mile radius of the outer boundary of the Territory; or

c. Inside the territory of another JUNK KING Business, whether franchised or owned by us or our affiliates.

For purposes of this Agreement, a "Competitive Business" is any business that offers or sells any product or service or component thereof that (i) composes a part of our System, (ii) is the same as or similar to any product or service then-offered by our franchisees or (iii) otherwise competes directly or indirectly with our System.

4. You agree that the length of time in paragraph 3 above will be tolled for any period during which you are in breach of the non-compete covenants or any other period during which we seek to enforce this Agreement.

5. In addition, you agree that during the term of this Agreement and for one year thereafter, you will not, without our prior written consent, directly or indirectly, for yourself or on behalf of any other person divert, or attempt to divert, any business or customer of the Business or any other JUNK KING Business away from the System.

6. The parties agree that each of the foregoing covenants in this Section 9.D will be construed as independent of any other covenant or provision of this Agreement. To the extent anyone successfully contests the validity or enforceability of any part of this Section 9.D in its present form predicated upon the area of coverage, this provision will not be deemed invalid or unenforceable, but will instead be deemed modified, so as to be valid and enforceable, to provide coverage for the maximum scope that any court of competent jurisdiction or arbitrator will deem reasonable and necessary to protect our legitimate interests.

TRANSFER OF FRANCHISE

10. You agree that the following provisions govern any Transfer or proposed Transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Business. Consequently, neither your interest in this Agreement nor in the Business may be directly or indirectly Transferred to or assumed by any other person or entity (at times referred to as the "Assignee"), in whole or in part, unless (i) you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 10.F and we do not exercise such right; (ii) our prior written consent is obtained; (iii) the Transfer fee provided for in Section 10.C is paid; and (iv) the Transfer conditions described in Section 10.D are satisfied. Any direct or indirect sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the Business to a person or entity who shares in the losses or profits of the Business (including merger, combination, or reorganization or as a result of death, disability, divorce, insolvency, or bankruptcy) in a manner other than as an employee will be considered a "Transfer" for purposes of this Agreement. A Transfer also includes the following which triggers the Transfer conditions set forth in this Section 10:

1. For purposes of this subsection 10.A, a transfer, pledge or seizure, or change in the control of any 20% ownership interest in you or in any Principal Owner, whether accomplished in a single transaction or a series of related or unrelated transactions; or

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity.

You may not place in any communication media or any form of advertising, any information relating to the sale of the Business or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to a Transfer; provided we determine that all of the conditions described in this Section 10 have been satisfied. Application for our consent to a Transfer and tender of the right of first refusal provided for in Section 11.F must be made by submission on our form of application for consent to Transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other Transfer agreement) and other required information. The application must indicate whether you or an owner will retain an interest in the property to be Transferred. No interest may be retained or created without our prior written consent and only upon conditions acceptable to us. Any agreement used in connection with a Transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed Transfer and must submit promptly to us the application for consent to Transfer. Any attempted Transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to default and terminate this Agreement or to collect from you and the guarantors a Transfer fee equal to two times the Transfer fee provided for in Section 10.C as damages.

C. Transfer Fee. You must pay to us a Transfer fee of $7,500, with $2,500 payable upon your listing of the Business for sale and the remainder of the Transfer fee due upon closing of the Transfer. We will reduce the Transfer fee to $500 for a Transfer to an immediate family member (i.e., a spouse or a child; for avoidance of doubt, a sibling is not considered an immediate family member for this purpose). The Transfer fee is nonrefundable. You will not be required to pay a Transfer fee if you are an individual and wish to Transfer this Agreement to a newly formed legal entity wholly owned by you and established solely for purposes of the convenience of ownership and the operation of the Business; provided that you must become a guarantor of the Business as required under Section 6.A.

D. Conditions of Transfer. We condition our consent to any proposed Transfer, whether to an individual, a corporation, a partnership or any other entity, upon the following:

1. Assignee Requirements. The Assignee must meet all of our then-current requirements for our JUNK KING franchise program we are offering at the time of the proposed Transfer, sign our then-current form of franchise agreement, and its owners must become guarantors of the Business as required under Section 6.A.

2. Payment of Amounts Owed. All amounts owed by you to us, or any of our affiliates or your suppliers, or upon which we or our affiliates have any contingent liability, must be paid in full.

3. Reports. You must have provided all required reports to us.

4. Guarantee. In the case of an installment sale for which we have consented to you or any owner retaining an interest or other financial interest in this Agreement or the Business, you or such owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

5. Assumption of Obligations. The Assignee must assume and agree to be bound by all of your Customer obligations, including all warranty work and service plans obligations.

6. General Release. You and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Business or the parties' business relationship, in the form we designate, releasing us and our affiliates.

7. Training. The assignee must, at your or assignee's expense, comply with our training requirements.

8. Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Business and its operations as we deem reasonably necessary or appropriate for assignee and/or us to evaluate the Business and the proposed Transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Business and proposed Transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed

Transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

9. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our Transfer policies. You acknowledge and agree that following any Transfer hereunder, you and your owners will continue to be subject to the noncompetition covenant under Section 9.D.3.

E. Involuntary Transfers.

1. Death, Disability or Incapacity. You will promptly notify us in the event of a death, disability or incapacity of Franchisee (or, if Franchisee is a legal entity, of Franchisee's Principal Owner). In such an event if the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as the Franchisee or the Principal Owner of the Franchisee entity, such person or entity must tender the right of first refusal provided for in Section 10.F, apply for our consent under Section 10.B, pay the applicable Transfer fee under Section 10.C, and satisfy the Transfer conditions under Section 10.D, as in any other case of a proposed Transfer, all within 120 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Business still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent, disabled, or incapacitated person is the spouse or child of such person, no Transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 10.F.

2. Insolvency or Bankruptcy. In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subsection 10.F, and if we do not exercise such right, must apply for and obtain our consent to the Transfer, pay the Transfer fee provided for in the subsection 10.C, and satisfy the Transfer conditions described in subsection 10.D. In addition, you or the Assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

3. Divorce. You will promptly notify us of any divorce proceedings that may result in a Transfer and tender the right of first refusal provided for in subsection 10.F. If we do not exercise such right, you must apply for and obtain our consent to the Transfer, pay the Transfer fee provided for in subsection 10.C, and satisfy the Transfer conditions described in subsection 10.D.

F. Right of First Refusal. If you propose to Transfer this Agreement or your interest herein or in the Business, in whole or in part, to any third party, as contemplated by Section 10.A, you first must deliver a statement to us offering to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures and any other assets or leasehold interests used in the operation of the business (subject to this Section 10). If the proposed Transfer involves an offer from a third party, then you must obtain from the third-party offeror and deliver to us a statement, in writing, signed by the offeror and by you, of the binding terms of the offer.

If the Transfer does not involve an offer from a third party, then the purchase price for our purchase of assets described above will be established by a qualified appraiser selected by the parties.

The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of a Business and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Marks and the System. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Franchise Location is located will appoint one upon petition of either party. You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We and you will each pay one-half of the appraiser's fees and expenses.

We then have 10 days from our receipt of the statement setting forth the third-party offer or the appraiser's report, as applicable (and all other information requested by us) to accept the offer by delivering written notice of acceptance to you. We will have an additional 45 days to complete the purchase if we elect to exercise our right of first refusal. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however (and regardless of whether the following are inconsistent with the price and terms set forth in the statement) (1) we have the right to substitute equivalent cash for any noncash consideration included in the offer, (2) we will prepare the transaction documents for the Transfer, which will be on terms customary for this type of transaction (including representations and warranties, covenants, conditions, and indemnification), and (3) our purchase may be limited to any assets related to the business.

If we fail to accept the offer within the 10-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such Transfer is in accordance with this Section 10, including obtaining our consent under Section 10.B. You may effect no other sale or assignment of you, this Agreement or the Business without first offering the same to us in accordance with this Section 10.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement without prior notice to you and without your consent.

DISPUTE RESOLUTION

11. The following provisions apply with respect to dispute resolution:

A. Mediation. Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted in Section 11.B below), the parties must first meet to mediate the dispute. The mediation will be held in McLennan County, Texas. Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association (the "AAA") in accordance with its then-current rules for mediation of commercial disputes unless the parties agree otherwise in writing. The mediator will be appointed in accordance with the rules and regulations of the AAA unless the parties agree on a mediator in writing within 10 days after either party gives written notice of mediation. The mediation hearing will be held within 20 days after the mediator has been appointed. Each party will bear its own costs and expenses for the mediation and will be responsible to pay 50% of the mediator's costs and expenses.

B. Exceptions to Mediation. Notwithstanding Section 11.A or any other provision of this Agreement, the parties agree that the following claims will not be subject to mediation and may be brought in any court of competent jurisdiction, subject to Sections 14.G.1 and 14.H:

1. any action for temporary, preliminary or permanent injunctive relief, ex parte seizure, specific performance, writ of attachment, or other equitable relief necessary to enjoin any harm or threat of harm to such party's tangible or intangible property, including trademarks, service marks and other Intellectual Property, confidential and/or trade secret information, or noncompetition covenants. You specifically acknowledge that your breach or threatened breach of any of your obligations under this Agreement, including but not limited to Sections 3 (Trademark Standards and Requirements), 5.C (Authorized Services and Products), 5.E (Computer System), 5.F. (Customer Information), 5.H (Confidential Information), 5.K (Participation in Internet Websites), 9.D (Noncompetition Covenants), 10.A (Transfers), or 13.A (Reversion of Rights; Discontinuation of Trademark Use), will cause irreparable harm to our tangible and/or intangible property and goodwill. You understand that irreparable harm is an injury for which monetary damages are not an adequate remedy. Therefore, upon any such breach or threatened breach by you, in addition to any other rights or remedies that may be available to us at law, equity or otherwise, you acknowledge that we will be entitled to equitable relief, including an injunction, restraining order or specific performance, without any requirement to prove irreparable harm. In addition, you hereby waive any right to request that a bond be issued as security (except for a nominal bond not to exceed $100);

2. any action in ejectment or for possession of any interest in real or personal property; and

3. any action related solely to the collection of moneys owed to us or our affiliates under this Agreement (including, without limitation, License Fees, MAP Fees, and Minimum License Fees), or any other agreement related to the franchise granted under this Agreement, including, without limitation, any promissory note or a guarantee executed hereunder. "Moneys owed" also includes attorneys' fees incurred in the collection of moneys owed, including through the judicial process.

C. Litigation. Except as provided in Section 11.D., any dispute between you and us or any of our or your affiliates, including without limitation, your owners and guarantors, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Business (collectively, "Dispute") not resolved through mediation under Section 11.A must be submitted to litigation pursuant to Section 14.H.

D. Arbitration. If a court of competent jurisdiction determines that Section 14.I (Jury Waiver) and/or Section 14.J (No Class or Consolidated Actions) is invalid or unenforceable with respect to the Dispute, then and only then, notwithstanding any other provision of this Agreement to the contrary, the Dispute must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the AAA pursuant to its then-current commercial arbitration rules and procedures. The arbitration must take place in McLennan County, Texas. The arbitration must be conducted by a single arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five years of significant experience in franchise law. The court shall decide the gateway issue of arbitrability. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If this limitation on joinder of or class action certification of claims within arbitration is held to be unenforceable, then this entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts. A judgment may be entered upon the arbitration award in any court of competent jurisdiction. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) except as provided in Section 14.K., assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. Each party will bear its own costs and expenses for the arbitration and will be responsible to pay 50% of the arbitrator's fees and costs (including arbitrator's and AAA's fees and costs); provided that the prevailing party will be entitled to reimbursement of its fees and costs under Section 11.E.

E. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, the parties' relationship or the Business will be entitled to recover its reasonable attorneys' fees and costs (including arbitrator's and AAA's fees and costs).

DEFAULT AND TERMINATION

12. The following provisions apply with respect to default and termination:

A. Defaults. You are in default if we determine that you or any guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing includes (i) making any false report to us; (ii) intentionally understating or underreporting or failing to pay when due any amounts required to be paid to us or any of our affiliates; (iii) conviction of you or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Marks or the Business or any felony; (iv) filing of tax or other liens that may affect this Agreement; or (v) the filing of voluntary or involuntary bankruptcy by or against you or any guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Section 12.B: (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults; (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective immediately upon our issuance of the written notice of termination. For the avoidance of doubt, a breach of this Agreement shall be deemed a default under the Dumpster Program Amendment, and should this Agreement for any reason be terminated, the Dumpster Program Amendment will automatically terminate. A breach under the Dumpster Program Amendment or any related agreement is a breach under this Agreement and a termination of the Dumpster Program Amendment or any related agreement entitles us to terminate this Agreement.

2. Immediate Termination With No Opportunity to Cure. If any of the following defaults occur, you will have no right to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: (i) any material misrepresentation or omission in your franchise application or other reports or information provided to us; (ii) your voluntary abandonment of this Agreement (which includes your failure to operate the Business for seven or more consecutive days); (iii) the closing of the Business by any state or local authorities for public safety reasons; (iv) your registration of any domain name containing our Marks; (v) any unauthorized use of the Confidential Information; (vi) insolvency of you or guarantor, you or a guarantor making an assignment or entering into any similar arrangement for the benefit of creditors; (vii) conviction of you or any guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of the Marks or the Business or any felony; (viii) intentionally understating or underreporting Gross Sales, License Fees or Customer Care Center Fees or any understatement or 2% variance on a subsequent audit within a 2-year period; (ix) a violation of the non-competition covenant under Section 9.D and/or Schedule F; (x) any actual or attempted unauthorized Transfer in violation of Section 10; (xi) a final judgment against you in our or our affiliates' favor is issued by a court or an arbitrator of competent jurisdiction; or (xii) any default by you that is the second default of any type within any 12-month consecutive period even if the default(s) were cured.

3. Immediate Termination After No More than 24 Hours to Cure. If a default under this Agreement occurs that materially impairs the goodwill associated with any of the Marks, violates any health or safety law or regulation, violates any System standard as to cleanliness, health and safety, or if the operation of your Business presents a health or safety hazard to the public or to customers or employees: (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) if the default is not timely cured, this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement; provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Section 13 of this Agreement.

POST-TERM OBLIGATIONS

13. Upon the expiration or termination of this Agreement, or the expiration or termination of any Interim Period:

A. Reversion of Rights; Discontinuation of Trademark Use and Use of Intellectual Property. All of your rights to the use of the Marks and Intellectual Property and all other rights and licenses granted herein and the right and license to conduct business under the Marks will revert to us immediately upon expiration or termination of this Agreement without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Business (although we will not assume any past due obligations).

You must immediately comply with the post-term noncompetition obligations under Section 9.D, cease all use and display of the Marks, all other Intellectual Property associated with the System and of any proprietary material (including the Operations Manual) and of all or any portion of promotional materials furnished or approved by us, assign and transfer all right, title and interest in the telephone numbers, domain names, and social media or digital marketing accounts used at any time for the Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You are solely responsible for removing and ceasing use of the Marks on any social media or digital marketing accounts that you setup for the Business and providing us with written confirmation of the same. You must immediately pay all sums due to us, our affiliates or designees and to third parties, such debts being accelerated automatically without further notice to you. You must immediately deliver to us, at your expense, all copies of the Operations Manual, Customer lists and ongoing Customer contracts then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 5.H. You must promptly, at your expense, remove or obliterate all JUNK KING Business signage, displays or other materials in your possession that bear any of the Marks or names or material confusingly similar to the Marks, including all such signage and displays on any vehicles, and so alter the appearance of the Business premises as to differentiate the Business unmistakably from duly licensed JUNK KING Businesses identified by the Marks and you must provide us with written confirmation of the same. You must cease any and all advertising and use of any identifying materials generated during the term of the franchise, including, but not limited to, terminating all business listings in electronic and print format, cancelation of all websites, domain names, social media accounts, and telephone numbers (if not assigned to us) used at any time in connection with the Business. If you fail to immediately de-identify your Business, you must pay all expenses we incur to de-identify your Business.

Upon expiration or termination of this Agreement (or the expiration or termination of any Interim Period), any continued use of the Marks by you or the Business or use of any other Intellectual Property associated with the System: (i) will constitute willful and knowing infringement, dilution of our trademark rights and unfair competition; (ii) will constitute the false designation of origin, source, or sponsorship and false or misleading descriptions and representations in violation of Section 43 of the Lanham Act, 15 U.S.C. § 1125(a), and (iii) may constitute trafficking in a counterfeit mark, among other causes of action.

In the event of expiration or termination of this Agreement (or the expiration or termination of any Interim Period), you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement, including your indemnification obligations under Section 9.B.

B. <u>Claims</u>. You and your owners and guarantors may not assert any claim or cause of action against us or our affiliates arising out of or relating to this Agreement or your Business after the shortest period of (i) the applicable statute of limitations, (ii) two years and one day following the effective date of expiration or earlier termination of this Agreement or (iii) two years and one day from the accrual of any such claim or cause of action; provided that where the two-year-and-one-day limitation of time in clause (ii) or clause (iii) is prohibited or invalid by or under any applicable law, then and in that event only, no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

GENERAL PROVISIONS

14. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each party that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each party agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed a bar or an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Operations Manual and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto constitutes the entire agreement between the parties concerning the franchise for the Business and supersedes any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document we furnished to you.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally, in electronic form via email to an authorized email address or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by a reputable overnight service, and addressed as follows:

1. If intended for us, addressed to Junk King SPV LLC, 1616 Gilbreth Road, Burlingame, CA 94010: Attn: President with a copy to the General Counsel at 1010 North University Parks Drive, Waco, Texas 76707;

2. If intended for you, addressed to you at the address set forth on the Data Sheet; or,

in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents or other authorized officer.

E. References. If the franchisee is two or more individuals, the individuals are jointly and severally liable hereunder, and references to you in this Agreement include all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Successors/Assigns. Subject to the terms of Section 10 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and permitted assigns of the parties.

G. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. The parties agree that the execution of this Agreement and the acceptance of its terms occurred in the state of Texas. The parties further agree that the performance of material obligations arising under the Agreement, including but not limited to, your payment of monies due hereunder and the satisfaction of certain of our training requirements, shall occur in the state of Texas. Accordingly, subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 11, this Agreement, the parties' rights under this Agreement, and the relationship between the parties under this Agreement are governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Texas (excluding any conflicts of laws principles).

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of Section 5.A(ii) and other express limitations set forth in this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "Reasonable Business Judgment" (as defined below) in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of "Reasonable Business Judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

H. Venue. Any dispute between you and us or any of our or your affiliates, including without limitation, your owners and guarantors, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Business, including disputes not resolved through mediation, must be brought in the state or federal district court located in McLennan County, Texas. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts and specifically waive any objection to the jurisdiction and venue of such courts. The parties specifically waive the right to remove any action brought in the state court of McLennan County, Texas to a federal district court. The provisions of this Section will survive the termination of this Agreement. The parties are aware of and acknowledge the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

I. **Jury Waiver. ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT AND CLAIMS ARISING OUT OF THE PARTIES' RELATIONSHIP.**

J. **No Class or Consolidated Actions. ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY THE FRANCHISEE ON AN INDIVIDUAL BASIS AND MAY NOT BE COMBINED OR CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION**.

K. Waiver of Punitive and Consequential Damages. Except with respect to indemnification obligations hereunder with respect to third party claims and except for damages under the Lanham Act, you and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any consequential, indirect, special, punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained. Notwithstanding anything herein to the contrary, each party waives, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other.

L. WAIVER OF CONSUMER RIGHTS. YOU WAIVE ANY RIGHTS YOU MAY HAVE UNDER THE TEXAS DECEPTIVE TRADE PRACTICES CONSUMER PROTECTION ACT, SECTION 17.41, ET SEQ., BUSINESS AND COMMERCE CODE, AND UNDER ANY OTHER SIMILAR LAW OF TEXAS OR ANY OTHER JURISDICTION THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER AN ADEQUATE OPPORTUNITY TO REVIEW THIS PROVISION INCLUDING THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF YOUR OWN SELECTION, YOU VOLUNTARILY CONSENT TO THIS WAIVER.

M. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

N. Construction. The parties mutually agree that any ambiguities in this Agreement shall not be construed or interpreted more strictly against the drafting party.

O. Force Majeure. A party's failure of performance of this Agreement according to its terms will not be deemed a breach of this Agreement to the extent such failure was caused by events beyond a party's control and which could not be avoided by the exercise of due care including, but not limited to terrorism, strikes (except those caused by employees or agents), war, riots, civil disorder, and acts of government except as may be specifically provided for elsewhere in this Agreement. Nothing in this provision shall excuse a party from any obligations, or deprive any party of rights, that survive termination of this Agreement, including but not limited to those obligations and rights set forth in Sections 9.B and 9.D.

P. Adaptations and Variances. You acknowledge that complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the standards, specifications, and requirements for any franchised business based on conditions we deem important to the operation of such business and/or the System, as more particularly set forth in the Operations Manual. We are not required to grant you a like or other variation. You acknowledge that the obligations and rights of the parties to other agreements may differ materially from your rights and obligations under this Agreement.

Q. Notice of Potential Profit. You acknowledge that we and/or our affiliates may from time to time make a profit on our sales of goods or services to you for use in your Business. Further, we and/or our affiliates may from time to time receive rebates and/or other consideration from suppliers and/or manufacturers in respect of sales of goods or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said rebates, profits and/or consideration and we may use same as we deem appropriate.

R. Anti-Terrorism Provision. You and each of your owners represent and warrant to us that: (i) neither you nor any owner is named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control currently located at www.treas.gov/offices/ enforcement/ofac/; (ii) you and each owner will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U.S. Patriot Act (currently located at www.epic.org/privacy/ terrorism/hr3162.html), U.S. Executive Order 13244 (currently located at www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html) or any similar laws; and (iii) you and each Owner shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

S. Franchisor's Affiliates. You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Junk King SPV LLC will have any liability for: (i) any obligations or liabilities of Junk King SPV LLC relating to or arising from this Agreement; (ii) any claim against Junk King SPV LLC based on, in respect of, or by reason of the relationship between you and Junk King SPV LLC; or (iii) any claim against Junk King SPV LLC based on any alleged unlawful act or omission of Junk King SPV LLC.

EACH PERSON SIGNING THIS AGREEMENT REPRESENTS AND WARRANTS THAT HE OR SHE IS AUTHORIZED TO BIND THE RESPECTIVE PARTY TO THIS AGREEMENT. THIS AGREEMENT IS NOT BINDING OR ENFORCEABLE UNTIL WE SIGN IT.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

FRANCHISEE:

____
____________________, individually

____
Date

FRANCHISOR:

JUNK KING SPV LLC
A Delaware Limited Liability Company

BY: ____
Lisa Merry, President

____
Date

Schedule A to the Franchise Agreement

Data Sheet

1. **Franchisee:** ______________________________

____

____

____

Email: ________________________

Telephone: ______________________

Cell Phone: ______________________

2. **Owners.** You represent and warrant to us that the following persons are the only owners of Franchisee:

Name	Home Address	Percentage of Ownership	Principal Owner (Y/N)

The foregoing Principal Owners will be devoting their full time to the Business with _________________ being identified as the Managing Principal Owner. The Managing Principal Owner is a Principal Owner for all purposes under this Agreement, except that the Managing Principal Owner shall have primary responsibility for the management of the Business and shall have the authority to make all decisions on behalf of the Franchisee and the Managing Principal Owner's decisions will bind the Franchisee.

Within 10 days from the date of any and every change in the identity and/or ownership holdings of any owner of Franchisee (any such change being subject to the limitations and requirements of this Agreement, including Section 10) or a change in the identity of the Managing Principal Owner you must update this Data Sheet accordingly and provide us a copy of the updated Data Sheet.

3. **Territory.** ____

____

____

Total population in the Territory: ____

4. **Initial Franchise Fee:** $______________[1]

[1] Initial Franchise Fee equal to $0.12 (twelve cents) times the number of persons living in your Territory.

5. **License Fee:** the greater of (a) 8% of monthly Gross Sales for the first 18 months immediately following the opening of the Business, and (b) beginning in the 19th month of operation of the Business, the greater of (i) 8% of monthly Gross Sales; or (ii) $2,000 ("**Minimum License Fee**").

For avoidance of doubt, all Gross Sales generated by the Business in servicing customers in TAFS or pursuant to the Preferred Lead Program or any Key Accounts program shall be included in the Gross Sales of the Business for purposes of calculation of the License Fees, Customer Care Center Fees and any other fees or amounts that are calculated as a percentage of Gross Sales.

6. **MAP Fee: $**575 per month for the first 12 months of operation and then $795 per month.

7. **Customer Care Center Fee:** 5% of monthly Gross Sales; provided that we do not charge the Customer Care Center Fee on the Gross Sales derived from recycling services and resale services.

8. **Minimum Local Marketing Amounts:**

a. Each month, the greater of (i) 10% of the average Gross Sales of the Business per month during the immediately preceding calendar quarter or (ii) $3,000.

8. **Effective Date: ________________**

9. **Scheduled Opening Date**: **_____________________________**

[Signature Page Follows]

FRANCHISEE:

____
__________________, individually

____
Date

FRANCHISOR:

JUNK KING SPV LLC
A Delaware Limited Liability Company

BY: ____
Lisa Merry, President

____
Date

Schedule B to the Franchise Agreement

ACH FORM

ACH Origination services will not be considered until this application is

FILLED OUT COMPLETELY

Date of Application ____________________ Business Phone ________________________

Name of Company ____

Contact Person ____________________________ Title ____________________________

Address ____

Please complete blanks below with your banking information using the sample as a reference only, or attach a sample voided check that displays the required information.

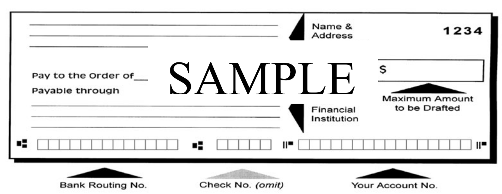
Name of Financial Institution: ____

Name and Address on Account: ____

____

Bank Routing No.: ________________________

Account No: ________________________



I hereby authorize JUNK KING SPV LLC ("Franchisor"), its affiliates, including Neighborly Assetco LLC, and the financial institution named above to initiate entries, including debit and credit entries, to my checking/savings account identified above periodically, including weekly, monthly, annually or as necessary, on a day specified from time to time by Franchisor to pay all fees, charges and any other amounts owed (including, License Fees, MAP fees, Customer Care Center fees, late fees, interest charges, note payments, software fees and any other amounts owed) pursuant to the terms of the Franchise Agreement and all related agreements entered into with Franchisor and/or its affiliates, with License Fees and Customer Care Center fees to be in accordance with the monthly sales analysis submitted by me; and, if necessary, to initiate adjustments for any transactions credited in error. These debits are related to the operation of the franchised business and the amount of each debit will vary, including from month to month, to a maximum amount (if any) as set forth in the Franchise Agreement. The credits are the amounts due to the franchised business that Franchisor receives from third parties for services performed by the franchised business net of Franchisor's deductions for audit and any related administrative fees and/or credit entries to correct any debit entries that may have been made in error. This authority will remain in effect until I notify you in writing to cancel it in such time as to afford the financial institution a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the financial institution or up to 60 days after deposit, whichever occurs first.

________________________ ________________________________

Date Signature of Franchisee

Schedule C to the Franchise Agreement

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including the provisions in Section 9, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of the Franchise Agreement.

Each of the undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, each of the undersigned consents and agrees that: (i) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (ii) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or any amendment or extension of the Franchise Agreement, with or without notice to the undersigned. It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

FRANCHISEE: ________________________

PERSONAL GUARANTORS:

____
________. Individually
Address
City, State, Zip Code
Telephone:

Schedule D to the Franchise Agreement

ACKNOWLEDGMENT ADDENDUM TO
JUNK KING FRANCHISE AGREEMENT

THIS SCHEDULE D DOES NOT APPLY TO CANDIDATES LOCATED IN, OR FRANCHISED BUSINESSES TO BE LOCATED IN, ANY OF THE FOLLOWING FRANCHISE REGISTRATION STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, or WI.

As you know, you and we are entering into a Franchise Agreement for the operation of a JUNK KING franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following statements carefully and confirm their accuracy or advise us of their inaccuracy.

Acknowledgments and Representations. I, the undersigned, hereby acknowledge and represent to Junk King SPV LLC, as follows:

1. I have received a copy of Junk King SPV LLC Franchise Disclosure Document (and all exhibits and attachments) (the "Disclosure Document") at least fourteen calendar days prior to signing the Junk King® Franchise Agreement (the "Franchise Agreement").
Please select one: ☐ **I Agree** ☐ **I Disagree**
If you disagree, please comment:____

2. I have reviewed carefully the Disclosure Document and Franchise Agreement.
Please select one: ☐ **I Agree** ☐ **I Disagree**
If you disagree, please comment:____

3. I understand all the information contained in both the Disclosure Document and Franchise Agreement.
Please select one: ☐ **I Agree** ☐ **I Disagree**
If you disagree, please comment:____

4. No oral, written or visual claim or representation was made to me that contradicted the disclosures in the Disclosure Document.
Please select one: ☐ **I Agree** ☐ **I Disagree**
If you disagree, please comment:____

5. Other than as expressly stated in Item 19 of the Disclosure Document, no employee or other person speaking on behalf of Junk King SPV LLC has made any oral, written or visual claim, statement, promise or representation to me that stated, suggested, predicted or projected sales, revenues,

expenses, earnings, income or profit levels at any JUNK KING business, or the likelihood of success at my franchised business.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment:____

6. No employee or other person speaking on behalf of Junk King SPV LLC has made any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document.

   Please select one: ☐ **I Agree** ☐ **I Disagree**

   If you disagree, please comment:____

7. I acknowledge and agree that except for the right granted to me to operate a JUNK KING Business within the Territory during the Franchise Agreement term so long as I am in compliance with the Franchise Agreement, Junk King SPV LLC and its affiliates reserve all other rights to the Marks and the System and they may engage in any activity whatsoever, whenever and wherever they desire, as set forth in the Franchise Agreement.

   Please select one: ☐ **I Agree** ☐ **I Disagree**

   If you disagree, please comment:____

8. The Franchise Agreement together with the addenda and appendices thereto constitutes the entire agreement between me and Junk King SPV LLC concerning the franchise for the JUNK KING Business and supersedes any and all prior negotiations, understandings, representations, and agreements, which means that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding. However, nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations Junk King SPV LLC made in the Disclosure Document it furnished to me.

   Please select one: ☐ **I Agree** ☐ **I Disagree**

   If you disagree, please comment:____

9. I acknowledge and agree that in entering into the Franchise Agreement I have not relied on and am not relying on any representations, warranties or other statements whatsoever, whether written or oral other than those included in the Franchise Agreement and the Disclosure Document (including any exhibits, addenda, amendments and attachments) and that I will not have any right or remedy rising out of any representation, warranty or other statement not expressly set out in the Franchise Agreement and the Disclosure Document (including any exhibits, addenda, amendments and attachments). I am entering into the Franchise Agreement as a result of my own independent investigation of the franchised business and not as a result of any representations about DRYER VENT WIZARD system made by DRYER VENT WIZARD SPV LLC's shareholders, officers, members, managers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in the Franchise Agreement or in any disclosure document given to me pursuant to applicable law. I UNDERSTAND THAT I SHOULD NOT

SIGN THE FRANCHISE AGREEMENT IF I BELIEVE DRYER VENT WIZARD SPV LLC OR ANY OF ITS REPRESENTATIVES HAVE PROMISED ME SOMETHING THAT IS NOT PART OF THE FRANCHISE AGREEMENT, ANY ATTACHED EXHIBIT, SCHEDULE OR ADDENDUM OR THE FRANCHISE DISCLOSURE DOCUMENT.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment: ____

10. I understand that the success or failure of my JUNK KING Business will depend in large part upon my skills and experience, my business acumen, my location, the local market for products under the JUNK KING trademarks, interest rates, the economy, inflation, taxes, the number of employees I hire and their compensation, the extent to which I follow established systems, policies and guidelines, the cost of capital and the extent to which I finance the business operations, my contractual arrangements with suppliers, landlord and professional advisors, competition and other economic and business factors. Further, I understand that the economic and business factors that exist at the time I open my JUNK KING Business may change.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment: ____

11. I understand that I am bound by the non-compete covenants (both in-term and post-term) and that an injunction is an appropriate remedy to protect the interest of the JUNK KING system if I violate the covenant(s). Further, I understand that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment: ____

12. I understand that any training, support, guidance or tools Junk King SPV LLC provides to me as part of the franchise are for the sole purpose of protecting the JUNK KING brand and Marks and the Intellectual Property associated with the System and to assist me in the operation of my business and not for the purpose of controlling or in any way intended to exercise or exert control over my decisions or day-to-day operations of my business, including my sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of my employees and all other employment and employee related matters.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment: ____

13. On the receipt pages of my Disclosure Document I identified __________________________ as the franchise sellers involved in this franchise sales process (these are the company representatives who offered me my franchise). The franchise sellers identified above are the only franchise sellers involved with this transaction.

Please select one: ☐ **I Agree** ☐ **I Disagree**

If you disagree, please comment:____

____

____

14. I have been advised to seek professional assistance, to have legal, financial and/or other professional advisors review the documents, and to consult with other franchise owners regarding the risks associated with the purchase of the franchise.
Please select one: **☐ I Agree** **☐ I Disagree**
If you disagree, please comment:____

____

____

IF MORE SPACE IS NEEDED TO RESPOND TO ANY REPRESENTATION, CONTINUE ON A SEPARATE SHEET AND ATTACH.

I UNDERSTAND THAT MY ANSWERS ARE IMPORTANT AND THAT JUNK KING SPV LLC WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, I REPRESENT THAT I HAVE CONSIDERED EACH REPRESENTATION CAREFULLY AND RESPONDED FULLY AND TRUTHFULLY.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

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 any applicable law that prohibits releases, estoppels or waivers of liability under such law. Should one or more clauses of this Addendum be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Addendum shall be valid and in full force and effect. **Do not sign** this Acknowledgement if you are a resident of Maryland or the franchise is to be operated in Maryland.

FRANCHISEE:

____
____________________, individually

____
Date

Schedule E to the Franchise Agreement

TELEPHONE NUMBER AND INTERNET AGREEMENT

____
(Name of Telephone Company)

____
(Address)

____
(City, State, Zip)

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("Assignment") is made pursuant to the terms of the Franchise Agreement dated ___________ ("Agreement") by and between JUNK KING SPV LLC ("Franchisor") and ______________________ ("Franchisee"), authorizing Franchisee to use Franchisor's Marks and System in the operation of a junk removal and recycling and related services business (the "Franchised Business") in and for the Territory. Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement.

For value received, Franchisee hereby irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business in the Territory, whether now-existing or adopted by Franchisee in the future, (collectively "Telephone Listings") and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively "Internet Listings") (collectively referred to herein as "Listings"). From time to time upon Franchisor's request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).

Franchisee shall have the right to use the Listings only in connection with advertising and promoting the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website, social media account or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by this Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

FRANCHISEE:

____
___________________, individually

____
Date

Schedule F to the Franchise Agreement

CONFIDENTIALITY AGREEMENT

This **CONFIDENTIALITY AGREEMENT** is entered into by the undersigned, ____________________ ("you"), for the benefit of **JUNK KING SPV LLC**, a Delaware limited liability company having a principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor"); and __________________ ("Franchisee");

WHEREAS, you are associated with Franchisee as a spouse or owner of Franchisee;

WHEREAS, Franchisor intends to enter into a Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisor will grant Franchisee (or a legal entity owned and/or controlled by Franchisee) a license to use Franchisor's trademarks, services marks, logos and other indicia of origin (the "Marks") and Franchisor's methods of operation (the "System") in connection with the operation of a junk removal and recycling and related services business (the "Franchise") in and for a specified geographical area described in the Franchise Agreement. (Capitalized terms used herein without a definition shall have the same meaning as assigned to them in the Franchise Agreement); and

WHEREAS, Franchisor has undertaken, at considerable effort and expense, to create the System which will be revealed to Franchisee pursuant to the Franchise Agreement and you either will be involved in the operation of the franchise, or, if a spouse of Franchisee, may not intend to hold an ownership interest in the Franchise or be actively involved in the operation of the Franchise but through your relationship with Franchisee, will be exposed to and learn many procedures, techniques and other matters that are identified and treated by Franchisor as confidential, proprietary or trade secret, including, without limitation, information regarding the operational, sales, and marketing methods and techniques of Franchisor, which are beyond your skills and experience ("Confidential Information"); and

WHEREAS, You agree that you will receive material benefit from Franchisor entering into the Franchise Agreement with Franchisee. In exchange for that good consideration, you agree to execute and be bound by this Agreement, including the noncompetition covenant set forth herein.

NOW, THEREFORE, you hereby agree as follows:

1. Acknowledgement of Confidentiality Obligation. You acknowledge that through your association or relationship with Franchisee, you will receive valuable Confidential Information that provides a competitive advantage in the development of the Franchise. You acknowledge and agree that the Confidential Information and any Operations Manual are confidential and proprietary in nature and contain trade secrets belonging to Franchisor and that all such tangible evidence of Confidential Information is a property right of great value to Franchisor. You hereby agree to be bound by the provisions of the Franchise Agreement related to confidentiality and protection of trade secrets, including but not limited to Section 5.H of the Franchise Agreement, to the same extent as if a party to the Franchise Agreement.

2. Non-Use. You agree not to (a) use Confidential Information without prior written approval from Franchisor, or (b) do or perform any other act injurious to the goodwill associated with the Marks and the System.

3. Non-Disclosure. Without prior written approval from Franchisor, you agree not to disclose, communicate or divulge any Confidential Information for your benefit or for the benefit of any other third party, including, without limitation, a competitor of the Franchise and/or Franchisor.

4. Exclusions. Confidential Information does not include and this Agreement does not apply to information that you can establish by reliable documentary evidence (a) was previously known by you, (b) is or becomes part of the public domain other than through your wrongful act, (c) is otherwise lawfully in your hands by a means other than breach of this Agreement or (to your knowledge) third party's breach of its confidentiality obligation to Franchisor, or (d) is sought pursuant to a subpoena or written discovery ("Process"); provided that Franchisor shall be immediately notified of the receipt of the Process, whereupon Franchisor has the right to request that Franchisee and/or you delete the Confidential Information from the scope thereof, and if Franchisee or you refuse, then Franchisor may seek any and all available remedies, including, without limitation, commencing proceedings to enjoin the disclosure of Confidential Information or intervening impending proceedings to seek the entry of protective orders or other appropriate relief. Nothing in this Agreement shall be construed to interfere with a party's obligations to comply with lawful court orders; however, no disclosure of Confidential Information by a party pursuant thereto shall be deemed to place the Confidential Information in the public domain or to relieve the party from the future performance of all its confidentiality obligations under this Agreement, absent express orders of the court to the contrary.

5. Covenant Not to Compete. Except as otherwise approved in writing by Franchisor, you may not, directly or indirectly, through, on behalf of, or in conjunction with, any other person, partnership, or legal entity, own, maintain, operate, or engage or participate in, inure benefit to, or have any financial interest, either as an officer, agent, employee, principal, partner, director, shareholder or any other individual or representative capacity, in any corporation, partnership or other legal entity that engages in any business that is the same as or similar to the Franchise, or is otherwise in competition with the business of Franchisor or Franchisor's franchisees, that engages in the distribution of similar products, services and/or equipment and that is located (a) anywhere, while the Franchise Agreement is in effect or (b) (i) within the territory specified on the Data Sheet to the Franchise Agreement, (ii) within a 25-mile radius of the outer boundary of such territory, or (iii) inside the territory of another JUNK KING business, in each case during a period of two (2) years commencing with the earlier of the termination of the Franchise Agreement or the date on which you cease to be associated with Franchisee (or the individual who is the principal of a legal entity identified as Franchisee) whether because of a termination of an employment arrangement or marriage or otherwise, which period shall be extended by any period of non-compliance. You further agree that upon Franchisor's request you shall make his/her personal and business records available for inspection by Franchisor to determine your compliance with this provision.

6. Customer Non-Solicitation Covenant. In addition, you agree that during the term of the Franchise Agreement and for one year thereafter, you will not, without our prior written consent, directly or indirectly, for yourself or on behalf of any other person divert, or attempt to divert, any business or customer of the Business or any other JUNK KING Business to any competitor by direct or indirect inducement.

7. Scope of Covenants. The parties agree that each of the foregoing covenants in Section 5 and Section 6 will be construed as independent of any other covenant or provision of this Agreement. To the extent anyone successfully contests the validity or enforceability of any part of Section 5 or Section 6 in its present form predicated upon the scope of coverage, this provision will not be deemed invalid or unenforceable, but will instead be deemed modified, so as to be valid and enforceable, to provide coverage for the maximum scope that any court of competent jurisdiction or arbitrator will deem reasonable and necessary to protect Franchisor's legitimate interests.

8. Choice of Law and Jurisdiction. This Agreement shall be governed by the internal laws of the State of Texas, without regard to conflicts of laws provisions. You agree that any litigation or legal action to enforce or relating to this Agreement shall be filed in Waco, McLennan County, Texas. You

hereby consent to the jurisdiction of such Courts and further agree to waive any rights or objections to the jurisdiction or venue of any such actions when filed in such Courts.

9. Legal Fees and Costs. Any unauthorized disclosure following execution of this Agreement may be cause for suit for injunctive relief and damages. If you breach this Agreement, you shall pay reasonable attorney's fees and other costs incurred by Franchisor and/or Franchisee in enforcing the provisions of this Agreement. If any legal proceeding is commenced to enforce or interpret any provision of this Agreement, the prevailing party will be entitled to recover reasonable attorney's fees and all costs and disbursements allowed by law.

10. Defend Trade Secrets Act of 2016 Disclosure. 18 U.S.C. § 1833(b) states: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, the Parties to this Agreement have the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The Parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

11. Entire Agreement. This Agreement sets forth the entire understanding among you, Franchisor and Franchisee with respect to its subject matter and cannot be changed except by written instrument signed by you, Franchisor and Franchisee. There are no representations of any kind except as contained herein. This Agreement will be binding upon and inure to the benefit of the parties, their legal representatives, successors, and assigns.

____
Signature, individually

____
Date

Schedule G to the Franchise Agreement

AMENDMENT TO FRANCHISE AGREEMENT
(DUMPSTER PROGRAM AMENDMENT)

This Amendment to Franchise Agreement (**"Amendment"**) is made and entered into as of the effective date outlined on Schedule 1 ("**Amendment Effective Date**") by and between Junk King SPV LLC, a Delaware limited liability company with its principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010 ("**Franchisor**"), the franchisee specified on Schedule 1 ("**Franchisee**") with its principal place of business or residence as specified on Schedule 1, and the owners specified on Schedule 1 ("**Owners**").

RECITALS

Franchisee and Franchisor are parties to that certain Franchise Agreement identified on Schedule 1 ("**Franchise Agreement**"), pursuant to which Franchisee is authorized to own and operate a Junk King® junk removal business in the Territory identified on Schedule 1 ("**Franchised Business**").

Owners have an ownership interest in Franchisee and are guarantors under the Franchise Agreement.

Franchisee would like to participate in Franchisor's dumpster program ("**Dumpster Program**") in which Franchisee will offer dumpster removal services to residential and commercial customers located in the Territory. The dumpster services consist of delivering a dumpster to a customer's location and removing the dumpster and disposing of its contents at the conclusion of a rental.

Franchisor is willing to grant Franchisee the right to participate in the Dumpster Program in accordance with the terms of this Amendment, which the parties intend to amend the Franchise Agreement.

NOW THEREFORE, the parties agree as follows:

1. Defined Terms. All capitalized terms not defined in this Amendment will have the meaning assigned to such term in the Franchise Agreement.

2. Dumpster Program.

(a) Franchisee acknowledges, agrees, represents, warrants and covenants that Franchisee:

(i) has been fully compliant with the Franchise Agreement throughout its term;

(ii) has operated its Franchised Business for at least six months;

(iii) has achieved the market penetration rates specified in the Operations Manual or Franchisor's other written communications;

(iv) will continue to comply, throughout the term of the Franchise Agreement, with the Eligibility Requirements;

(v) has purchased (or will purchase prior to the Start Date) and will maintain at least seven dumpsters meeting Franchisor's specifications from a vendor approved or designated by Franchisor;

(vi) has purchased (or will purchase prior to the Start Date) and will maintain at least one additional vehicle that meets Franchisor's specifications and is capable of handling dumpsters;

(vii) has complied and will continue to comply with any other specifications or standards related to the Dumpster Services specified by Franchisor from time to time in the Operations Manual or other written directives;

(viii) has paid the initial dumpster services fee outlined in Schedule 1;

(ix) acknowledges that the initial investment to purchase the required dumpsters and vehicles is estimated to be between approximately $102,000 and $125,000 but may vary based on market prices offered by vendors (the "Dumpster Program Initial Investment");

(x) has investigated all applicable laws and regulations related to transportation, placement, and use of dumpsters, as well as disposal of their contents and will comply with all such laws and regulations in connection with its offer and provision of Dumpster Services; and

(ix) agrees to begin to offer Dumpster Services no later than the Start Date identified in Schedule 1.

(b) Subject to Franchisee's compliance with all of the terms and conditions of this Amendment, Franchisor hereby consents to Franchisee offering Dumpster Services in the Territory. If Franchisee fails to comply with any of the provisions of this Amendment, Franchisor reserves the right to revoke its consent and (i) grant the rights to provide Dumpster Services in the Territory to another third party; and/or (ii) charge Franchisee an increased initial dumpster services fee for the right to continue to offer Dumpster Services in the Territory.

(c) Franchisee acknowledges that Franchisor may terminate Franchisee's right to offer the Dumpster Services as defined under the Dumpster Service Termination in Section 5.R of the Franchise Agreement. If a Dumpster Service Termination occurs, (x) Franchisee will lose its right to offer Dumpster Services in the Territory, (y) Franchisor or its affiliates will have the right to offer and provide, or license others to offer and provide, Dumpster Services in the Territory using the Marks and the System (or any other marks or system), and (z) Franchisee must promptly de-identify and change the color scheme of the dumpsters and related vehicle and dispose of such assets in accordance with Franchisor's instructions.

3. **Loan**. If Franchisee qualifies for, and Franchisor agrees to, loan Franchisee funds for the Dumpster Program Initial Investment for the purchase of that certain equipment (the "**Equipment**"), then upon the execution of this Amendment and the Loan Documents (as defined below) and Franchisee's compliance with the terms required to occur therein in connection with execution, Franchisor will make the loan to Franchisee to provide financing for the Dumpster Program Initial Investment for the amount set forth in Schedule 1 (the "**Equipment Loan**"). The proceeds from the Equipment Loan must only be used by Franchisee to purchase the equipment necessary to operate the Dumpster Program. The Equipment Loan will be evidenced by the promissory note in the form attached to the Franchise Disclosure Document as Exhibit M-2 (the "**Equipment Note**") and secured by the security agreement in the form attached to the Franchise Disclosure Document as Exhibit M-2 (the "**Equipment Security Agreement**", and together with the Equipment Note, the "**Loan Documents**"). Franchisee shall ensure that: (a) title to the Equipment will be solely vested in Franchisee, free of all liens and encumbrances; and (b) the Equipment will remain in good condition and repair and of good workmanship and materials, all as determined by Franchisor in its sole discretion. Franchisee will promptly give written notice to Franchisor of any loss or damage by fire or other casualty to any substantial part of the Equipment.

4. General Release. In order to induce Franchisor to enter into this Agreement, Franchisee and Owners, each on behalf of himself/herself/itself, and as applicable, each of its present and past affiliates and his/her/its present and past owners, investors, guarantors, shareholders, members, directors, officers, employees, contractors, agents, and legal representatives, and the predecessors, successors, heirs, executors, administrators, and assigns of the foregoing in their corporate and individual capacities (collectively, "**Releasors**"), freely and without any influence, forever release and covenant not to sue Franchisor, and its past, present, and future direct or indirect parent organizations, subsidiaries, divisions, affiliated entities and its and their shareholders, contractors, agents, legal representatives, owners, members, partners, officers, directors, trustees, administrators, fiduciaries, employment benefit plans and/or pension plans or funds, executors, attorneys, employees, insurers, reinsurers, and/or agents and their successors and assigns, individually and in their official capacities (collectively, "**Releasees**"), from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively "**Claims**"), that any Releasor now owns, has or claims to have or holds, or may in the future own or hold, or at any prior time owned, held, had or claimed to have, based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the Option Date, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances, Claims for contribution, indemnity and/or subrogation and Claims arising out of or relating to the Franchise Agreement and/or any other agreement between any Releasee and any Releasor ("**Related Agreement**"), the sale of franchises by any Releasee to any Releasor, the development and operation of a Franchised Business by any Releasor and/or Releasees' performance of their obligations under the Franchise Agreement and/or any Related Agreement.

Franchisee and Owners (on behalf of Releasors) agree that fair consideration has been given by Franchisor for this release and fully understand that this is a negotiated, complete and final release of all of Releasors' claims. Franchisee and Owners (on behalf of Releasors) understand that each may later discover Claims or facts that may be different from, or in addition to, those that they now know or believe to exist regarding the subject matter of the release contained in this Section, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section. Nevertheless, Franchisee and Owners (on behalf of Releasors) intend to fully, finally, and forever settle and release all Claims that now exist, may exist, or previously existed, as set out in the release contained in this Section, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts.

Franchisee and Owners (on behalf of Releasors) have been made aware of, and understand, the provisions of California Civil Code Section 1542 ("**Section 1542**"), which provides: "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." Franchisee and Owners (on behalf of Releasors) expressly, knowingly, and intentionally waive all rights, benefits, and protections of Section 1542 and of any other state or federal statute or common law principle limiting the scope of a general release.

5. Miscellaneous.

A. Cross-Default. For the avoidance of doubt, a breach of this Amendment shall be deemed a default under the Franchise Agreement, and should this Amendment for any reason be terminated, Franchisor may, at its option, terminate the Franchise Agreement. If Franchisee, its owners, or any partnership, joint venture, or corporation in which one or more of Franchisee or its owners has a controlling interest, is a franchisee under another franchise agreement with Franchisor respecting another Junk King business, or if Franchisee and Franchisor have entered into any direct or indirect financing agreement, a default under such other franchise agreement, financing agreement or addendum (each, a "**Related Franchise Document**" and collectively, the "**Related Franchise Documents**") shall constitute a default under this Amendment and the Franchise Agreement, and should such other franchise agreement, financing agreement or addendum for any reason be terminated, Franchisor may, at its option, terminate this Amendment, the Franchise Agreement and any Related Franchise Document. This Amendment automatically terminates upon the expiration or any earlier termination of the Franchise Agreement.

B. Entire Agreement and Interpretation. This Amendment supersedes all prior discussions, understanding and agreements between the parties with respect to the matters contained in this Amendment, and this Amendment contains the sole and entire agreement between the parties with respect to the matters contemplated by this Amendment. The terms of this Amendment form an integral part of the Franchise Agreement and hereby incorporated into and made a part of it. The Franchise Agreement will be amended only as provided in this Amendment. All other provisions of the Franchise Agreement will continue in full force and effect as set forth therein. In the event of a conflict between the terms contained in the Franchise Agreement and this Amendment, the terms and conditions of this Amendment will govern and control.

C. Successors and Assigns. This Amendment inures to the benefit of Franchisor and its successors and assigns and will be binding upon Franchisee and Owners, and their respective successors, permitted assigns and legal representatives.

D. Dispute Resolution. Any disputes arising under or in respect of this Amendment will be subject to and resolved in accordance with the dispute resolution provisions of the Franchise Agreement.

E. Execution in Counterparts. This Amendment may be executed in multiple counterparts, each of which will be deemed to be an original and all of which taken together will constitute one and the same agreement. This Amendment or any counterpart may be executed via facsimile or electronic transmission, and any such executed facsimile or electronic copy will be treated as an original.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Amendment Effective Date.

FRANCHISEE:

____

____________________, individually

____

Date

FRANCHISOR:

JUNK KING SPV LLC
A Delaware Limited Liability Company

BY: ____________________________________
Lisa Merry, President

____

Date

SCHEDULE 1

1. Amendment Effective Date: ______________________________________.

2. Franchisee: ____________.

3. Franchise Agreement date: ____________________

4. Date by which Franchisee must begin offering Dumpster Services (the "Start Date"): ___________________

5. Initial Dumpster Services Fee (if any): $_______________.

6. Financing: YES ☐ NO ☐

7. Amount Financed: $_______________.

Schedule H to the Franchise Agreement

ADDENDUM TO JUNK KING FRANCHISE AGREEMENTS
(SEGMENTATION ADDENDUM)

This Addendum (**"Addendum"**) is made and entered into as of ______________________________________, ("**Addendum Effective Date**") by and between JUNK KING SPV LLC (**"Franchisor," "we,"** or **"us"**) and ____________________ (**"Franchisee," "you,"** or **"your"**).

RECITALS

We and you are parties to a Franchise Agreement dated ____________________ ("**Franchise Agreement**") pursuant to which you are authorized to own and operate a Junk King® junk removal business in the territory identified in Schedule A to the Franchise Agreement ("**Original Territory**").

You have requested, and we have agreed, to permit you to segment the Original Territory into two smaller territories (each, a "**Revised Territory**") and execute a second franchise agreement of even date herewith (the "**Second Franchise Agreement**") to govern the operation of a second franchised business in the segmented portion of the Original Territory (the "**Second Territory**").

We and you are entering into this Addendum to memorialize the changes to the Franchise Agreement and the Second Franchise Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. Incorporation of Recitals. You acknowledge and agree that the recitals above are true and correct and are incorporated into this Addendum for all purposes.

2. Amendment to the Franchise Agreement. The Original Territory described in the Franchise Agreement is hereby deleted in its entirety and is replaced with the Revised Territory listed as Territory in attached Exhibit 1.

3. Amendment to the Second Franchise Agreement. As is outlined in Schedule A to the Second Franchise Agreement, Franchisor hereby waives Franchisee's obligation to pay an initial franchise fee in connection with the execution of the Second Franchise Agreement for the Second Territory. The Second Territory is described in Schedule A to the Second Franchise Agreement.

4. General Release. In order to induce Franchisor to agree to segment the Territory, Franchisee, on behalf of himself, and as applicable, each of his present and past affiliates and his/her/its present and past owners, investors, guarantors, shareholders, members, directors, officers, employees, contractors, agents, and legal representatives, and the predecessors, successors, heirs, executors, administrators, and assigns of the foregoing in their corporate and individual capacities (collectively, "Releasors"), freely and without any influence, forever release and covenant not to sue Franchisor, and its past, present, and future direct or indirect parent organizations, subsidiaries, divisions, affiliated entities and its and their shareholders, contractors, agents, legal representatives, owners, members, partners, officers, directors, trustees, administrators, fiduciaries, employment benefit plans and/or pension plans or funds, executors, attorneys, employees, insurers, reinsurers, and/or agents and their successors and assigns, individually and in their official capacities (collectively, "Releasees"), from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively "Claims"), that any Releasor now owns, has or claims to have or holds, or may in the future own or hold, or at any prior time owned, held, had or claimed to have, based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the Addendum Effective Date, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances, Claims for contribution, indemnity and/or subrogation and Claims arising out of or relating to the Franchise Agreement and/or any or any other agreement between any Releasee and any Releasor ("Related Agreement"), the sale of franchises by any Releasee to any Releasor, the development and operation of a Franchised Business by any Releasor and/or Releasees' performance of their obligations under the Franchise Agreement and/or any Related Agreement.

For avoidance of doubt, the foregoing release does not apply to any claims alleging a violation of any franchise laws in connection with Franchisor's offer and sale of the franchise under the Second Franchise Agreement.

Franchisee (on behalf of Releasors) agrees that fair consideration has been given by Franchisor for this release and fully understands that this is a negotiated, complete and final release of all of Releasors' claims. Franchisee (on behalf of Releasors) also expressly agrees that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived. That Section reads as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

5. Miscellaneous.

A. Capitalized Terms. Any capitalized term that is not defined in this Addendum will have the meaning given it in the Franchise Agreement, as the context requires.

B. Captions. All captions in this Addendum are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Addendum.

C. Counterparts and Signatures. This Addendum may be executed in counterparts, and each copy so executed and delivered will be deemed to be an original. This Addendum may be signed using electronic signatures, and such signatures will have full legal force and effect.

D. Limited Modification, Amendment, Entire Agreement. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. This Addendum may be changed only in a writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. This Addendum represents the entire agreement and understanding among the parties in relation to the subject matter of this Addendum. All other agreements, writings or oral representations are hereby deemed merged into the terms of this Addendum.

E. Acknowledgment and Confidentiality. You agree and acknowledge that you have requested the benefit of the revisions and amended terms of the Franchise Agreement contained in this Addendum. The parties acknowledge that disclosure of the terms of this Addendum would cause irreparable harm to us and that a material term of this Addendum and the consideration therefor is that the terms of this Addendum shall be held in the strictest confidence. You shall maintain the confidentiality of this Addendum and shall not disclose the terms contained herein to any person or persons except your professional advisors for legitimate business purposes, or otherwise as required by law. This confidentiality specifically extends to any prospective or current franchisees of us that might contact you.

F. Negotiated Changes. After negotiations, you and we have agreed to certain modifications to the Franchise Agreement at your request and for your benefit. This Addendum contains the agreements between you and us based on those negotiations.

G. Transfers and Assignment. Your rights granted under this Addendum are personal to you and may not be transferred or assigned under any circumstances, and any attempt to do so will render it void, although the remainder of the Franchise Agreement will remain in effect and the changes in this Addendum will no longer apply.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum on the Addendum Effective Date.

FRANCHISEE:

____
___________________, individually

____
Date

FRANCHISOR:

JUNK KING SPV LLC
A Delaware Limited Liability Company

BY: ___________________________________
Lisa Merry, President

____
Date

EXHIBIT 1

Attachment A to Schedule A
To
Franchise Agreement

Description of Territory

The Territory, which is reflected in the map below, consists of the zip codes listed below (the geographic area within such zip codes as of the Effective Date):

Zip codes within the Territory:

Exhibit I

STATE ADDENDUM

EXHIBIT B

**AGENCIES/AGENTS
FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	California Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll-free (866-275-2677)	Commissioner of Department of Financial Protection & Innovation
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2722	Hawaii Commissioner of Securities
ILLINOIS	Franchise Division Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-1090	Illinois Attorney General
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Bldg. 1st Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651)-539-1600	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8222	Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor State Capitol, Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Rhode Island Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex – Bldg. 69-1 Cranston, RI 02920 (401) 462-9500 x5	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	South Dakota Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of the South Dakota Division of Securities
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 (360) 902-8760	Director of Washington Financial Institutions Securities Division
WISCONSIN	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-0448	Wisconsin Commissioner of Securities
OTHER STATES	N/A	Grayson Brown 1010 N. University Parks Drive Waco, TX 76707

EXHIBIT C

FINANCIAL STATEMENTS

Neighborly Assetco LLC and Subsidiaries

Combined Financial Statements

As of December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the periods from September 1, 2021 through December 31, 2021 (Successor) and January 1, 2021 through August 31, 2021 (Predecessor)

Neighborly Assetco LLC and Subsidiaries

Combined Financial Statements

As of December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the periods from September 1, 2021 through December 31, 2021 (Successor) and January 1, 2021 through August 31, 2021 (Predecessor)

Neighborly Assetco LLC and Subsidiaries

Contents

Building a better
working world

Ernst & Young LLP
One Victory Park
Suite 2000
2323 Victory Avenue
Dallas, TX 75219

Tel: +1 214 969 8000
Fax: +1 214 969 8587
ey.com

Report of Independent Auditors

To the Board of Directors and Stockholders of
Neighborly Assetco LLC and Subsidiaries

Opinion

We have audited the combined financial statements of Neighborly Assetco LLC and Subsidiaries (the Company), which comprise the combined balance sheet as of December 31, 2022, and the related combined statements of income, changes in member's equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 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 (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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of Other Auditors on 2021 Financial Statements

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Ernst & Young LLP

Dallas, Texas
April 1, 2023

Combined Financial Statements

Neighborly Assetco LLC and Subsidiaries

Combined Balance Sheets
($000's)

As of December 31,		**2022**		2021
Assets				
Current assets				
Cash	$	**2,381**	$	2,311
Restricted Cash		**3,359**		4,191
Trade accounts receivable - net		**21,003**		14,334
Trade notes receivable, current portion – net		**7,846**		8,115
Inventories		**1,592**		-
Prepaid selling expenses, current		**4,449**		3,158
Other current assets		**1,644**		413
Total current assets		**42,274**		32,522
Property and equipment - net		**18,279**		-
Prepaid selling expenses, less current portion		**27,556**		20,587
Trade notes receivable, less current portion - net		**17,884**		19,827
Intangible assets - net		**1,326,225**		1,313,560
Goodwill		**1,700,383**		1,739,192
Total assets	$	**3,132,601**	$	3,125,688
Liabilities and Member's Equity				
Current liabilities				
Accrued liabilities	$	**3,253**	$	2,915
Deferred revenue, current		**10,604**		8,980
Total current liabilities		**13,857**		11,895
Deferred Revenue, less current portion		**57,622**		53,413
Contingencies (Note 9)				
Member's Equity				
Additional paid-in equity	$	**2,944,568**	$	3,030,896
Accumulated earnings		**141,691**		29,484
Accumulated other comprehensive income (loss)		**(25,137)**		-
Total Member's Equity		**3,061,122**		3,060,380
Total liabilities and member's equity	$	**3,132,601**	$	3,125,688

See accompanying notes to combined financial statements.

Neighborly Assetco LLC and Subsidiaries

Combined Statements of Income
($000's)

	Year ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	March 26, 2021 through August 31, 2021 (Predecessor)
Revenues and income			
Franchise service fees	$ **152,248**	$ 46,350	$ 64,679
Synthetic royalties and master license fees	**22,879**	4,482	8,958
Franchise sales fees	**13,642**	3,705	6,580
Sales of products and services	**123,984**	7,157	21,133
Advertising and promotional fund revenue	**39,184**	12,045	16,675
Other revenue	**31,214**	10,473	11,095
Total revenues and income	**383,151**	84,212	129,120
Cost of Sales			
Products and services	**62,493**	4,934	11,372
Gross Profit	**320,658**	79,278	117,748
Selling expense	**8,274**	1,676	2,522
General and administrative expense	**9,033**	-	-
Advertising and promotional fund expense	**42,987**	12,045	13,431
Depreciation and amortization	**82,921**	25,454	5,637
Management expenses	**37,264**	10,206	13,123
Loss on impairment of goodwill	**25,937**	-	-
Bad debt expense	**2,035**	413	157
Net income	$ **112,207**	$ 29,484	$ 82,878
Other comprehensive income			
Foreign currency translation adjustment	**(25,137)**	-	-
Comprehensive income	$ **87,070**	$ 29,484	$ 82,878

See accompanying notes to combined financial statements.

Neighborly Assetco LLC and Subsidiaries

Combined Statements of Changes in Member's Equity
($000's)

		Member's Equity
Balance - March 25, 2021 (Predecessor)	$	756,709
Equity contribution		23,456
Distributions		(68,875)
Net income		82,878
Balance - August 31, 2021 (Predecessor)	$	794,168
Balance – September 1, 2021 (Successor)		-
Equity contribution for acquisition of the Company		3,089,263
Distributions		(58,367)
Net income		29,484
Balance - December 31, 2021 (Successor)	$	3,060,380
Equity contribution		116,670
Distributions		(202,999)
Net income		112,208
Foreign currency translation adjustment		(25,137)
Balance - December 31, 2022	$	3,061,122

See accompanying notes to combined financial statements.

Neighborly Assetco LLC and Subsidiaries

Combined Statements of Cash Flows
($000's)

	Year ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	March 26, 2021 through August 31, 2021 (Predecessor)
Operating activities			
Net income	$ **112,208**	$ 29,484	$ 82,878
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**82,921**	25,454	5,637
Loss on impairment of goodwill	**25,937**	-	-
Bad debt expense	**2,035**	413	157
Notes received	**(12,808)**	(4,743)	(6,283)
Collections of notes receivable	**13,699**	5,638	6,708
Changes in assets and liabilities:			
Trade accounts receivable	**(7,383)**	(8)	(8,163)
Inventories	**(1,035)**	-	-
Prepaid selling expenses and other assets	**(9,491)**	(2,643)	(7,933)
Accrued liabilities	**338**	(681)	3,596
Deferred revenue	**5,832**	5,911	(1,678)
Net cash provided by operating activities	**212,253**	58,825	74,919
Investing activities			
Purchase of equipment and other assets	**(7,904)**	-	-
Purchase of intellectual property	**(104,112)**	-	-
Net cash provided by (used in) investing activities	**(112,016)**	-	-
Financing activities			
Equity contribution	**102,000**	-	-
Distributions paid	**(202,999)**	(58,367)	(68,875)
Net cash used in financing activities	**(100,999)**	(58,367)	(68,875)
Net increase in cash and restricted cash	**(762)**	458	6,044
Cash and restricted cash - Beginning of period	**6,502**	6,044	-
Cash and restricted cash - End of period	$ **5,740**	$ 6,502	$ 6,044
Supplemental cash flow disclosures:			
Non-cash contribution of equity	$ **14,670**	$ 3,089,263	$ 23,456

See accompanying notes to combined financial statements.

1. Description of Business and Significant Accounting Policies

Organization and Description of Business

Neighborly Assetco LLC ("we", "our" and the "Company") is an infinite-lived single-member special purpose Delaware limited liability company and was organized on November 13, 2020, with no operations until March 25, 2021. The Company is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly Company (the "Manager"). All of the issued and outstanding limited liability company interests of the Company are directly owned by the Issuer, upon an initial $1.00 capital contribution. The Company is a bankruptcy remote entity and which owns substantially all of the US intellectual property including trademarks, franchise agreements, national account relationships and systems-in-place, as well as the United Kingdom (the "UK") trademarks of the Manager. The Company conducts transactions with affiliated parties under common control, and as such, results of operations may not be indicative of operations on a stand-alone basis, without those transactions with related parties. The Company has no employees and relies on the Manager for continued operations.

As of March 25, 2021 the Company's subsidiaries were comprised of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Back Office SPV LLC and G-O Manufacturing SPV LLC (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of the Company.

In June 2021, the assets of Neighborly Services Solutions, a Non-Franchisor SPV entity, were contributed to the Company.

In January 2022, the assets of Zorware SPV LLC, NBLY Co Ops CO SPV LLC, and Trench Right SPV LLC were contributed to the Company and intangible assets were acquired by Pimlico SPV Limited, all Non-Franchisor entities. In March 2022, additional assets of NBLY Co Ops CO SPV LLC as well as assets of NBLY Co Ops AZ SPV, both Non-Franchisor entities, were contributed to the Company. In December 2022, intangible assets of Greensleeves Limited were acquired by the Company.

The Company holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the trademarks and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain trademarks, certain product supply agreements, certain vendor agreements and the office service agreements.

The Company was formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 (see Note 2). On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the SPV Guarantor, the Issuer, the Company and its subsidiaries (the "Securitization Entities"), substantially all of its US intellectual property, including trademarks (the "Securitization IP"), franchise agreements, national account relationships and systems-in-place and the UK trademarks (collectively, the "Securitization Assets"). The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating the company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

On March 25, 2021, the Securitization Entities entered into the management agreement (the "Management Agreement") with the Manager to perform certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee payments, managing the operations on behalf of the Securitization Entities, and performing certain franchising, marketing, and operational and reporting services, as well as managing the intangible assets on behalf of the Securitization Entities. In exchange for providing such services, the Manager will be entitled to receive certain management fees on a weekly basis.

Basis of Presentation

The accompanying combined financial statements as of December 31, 2022 and December 31, 2021 include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE, which is the Company and its subsidiaries.

The Company has determined that Neighborly Company, the Manager, is the primary beneficiary, having both power and benefits, of the Securitization Entities. Accordingly, consolidation of the Company and its subsidiaries (SPV Franchisors and Non-franchisor SPVs) is precluded, and as result, combined financial statements are presented. All intercompany transactions have been eliminated.

Acquisition of the Manager

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly Company, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources. Consideration consisted of $1,914,164 of cash to the sellers and equity rollover with a fair value of $227,829.

The Company elected to apply pushdown accounting as a result of change in ownership of the Manager, and accordingly, the Company's assets acquired and liabilities assumed were recorded at the acquisition-date fair values established by Nest Holdings LP, the acquirer, based on independent valuation studies and management estimates of their fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations, on September 1, 2021 (the "Date of Acquisition"). In accordance with ASC Topic 805, the debt assumed in the transaction for which the Company is not the obligor has not been pushed down to Company's stand-alone financial statements. Resulting goodwill, measured as the residual amount of consideration in excess of the fair value of net assets acquired, was allocated to the Company on a relative fair value basis.

($000's)

The acquisition-date fair value of identifiable net assets of the Company is as follows:

Working capital	$	**5,436**
Notes receivable		**29,365**
Trademarks		**792,800**
Franchise relationships		**542,800**
National account relationships		**1,700**
Developed technology		**400**
Goodwill		**1,739,192**
Other assets		**18,374**
Other liabilities		**(40,804)**
Total	$	**3,089,263**

The goodwill recognized is attributable to intangible assets not qualifying for separate recognition.

Throughout this document we refer to Successor and Predecessor. The term "Successor" refers to the Company following the Date of Acquisition, and the term "Predecessor" refers to the Company prior to the Date of Acquisition. As a result of the application of purchase accounting to this transaction, the Company's financial statements for the Successor Period are not comparable to the Predecessor Periods, which is from March 26, 2021 through August 31, 2021.

Reclassifications

Certain reclassifications have been made to conform prior year balances to the current year presentation. Collections of notes receivable have been included in operating activities in the accompanying Consolidated Statements of Cash Flow, for both the Successor and Predecessor periods. The components of member's equity are presented. None of the reclassifications affected our net loss in the prior year.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is a single-member limited liability company for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the Manager. As such, no recognition of federal or state income taxes will be provided for in the financial statements of the Company.

Revenue Recognition

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;
- Synthetic royalties and master license fees from affiliated entities resulting from their use of the Company's intellectual property;
- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;
- Sales of products and services to unrelated third parties;
- Advertising and promotional revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors;
- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The respective franchisor's obligations under franchise agreements consist of providing a license of the applicable brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated, and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement with the exception of variable or sales-based royalties, MAP fund fees and revenue allocated to goods and services which are recognized as the underlying sales occur.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees.

The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners. Allowances for doubtful trade accounts receivable and trade notes receivable are provided based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Franchise service fee revenues represent sales-based royalties that are related entirely to the applicable franchisor's performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to the franchise owners to maintain the intellectual property being licensed.

The right to collect marketing, advertising, and promotional ("MAP") fees and the obligation to maintain the MAP fund is assigned to the Manager by each SPV Franchisor, and the performance obligation and fulfillment thereof resides with the Manager. The Manager's obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual businesses. We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported on a gross basis in the accompanying Combined Statements of Income. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from contracts with customers.

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Synthetic royalties from affiliated entities represent sales-based royalties that are related entirely to our performance obligation under intellectual property license agreements with affiliated entities and are recognized in the period in which the sales occur. These sales-based royalties are variable consideration related to our performance obligations to affiliated entities to maintain the intellectual property being licensed.

Master license and services fees from affiliated entities represent variable consideration in a series for which our performance obligation is satisfied over time, as our intellectual property is simultaneously accessed and benefits thereof consumed by affiliated entities.

Contract Balances

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being amortized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, , as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties, synthetic royalties, license fees and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

During 2022, we determined that our prior year deferred revenue for MAP fund fees was overstated and the associated revenue related to prior periods was understated, resulting in immaterial errors in our previously issued financial statements. The overstatement of deferred revenue was the result of concluding, in error, that the related performance obligation had not yet been fulfilled, and that the revenue had not yet been earned. As a result, we have made certain corrections to adjust the liability and associated revenue in the consolidated balance sheet as of December 31, 2021 and the consolidated statement of income for the predecessor period from March 26, 2021 through August 31, 2021.

The cumulative effect of the adjustment to correct the misstatements in the financial statements for years prior to 2022 totaled $8.5 million and is reflected as a $5.2 million reduction to equity contributions and a $3.2 million increase to net income, in the predecessor period of our Consolidated Statements of Changes in Member's Equity. The correction is reflected as an $8.5 million decrease in deferred revenue – current, total current liabilities and total liabilities and member's equity on our Consolidated Balance Sheets at December 31, 2021, and as increased advertising and promotional fund revenue, total revenues and operating income, gross profit, net income and comprehensive income of $3.2 million in our Consolidated Statements of Income and had no impact to our Consolidated Statements of Cash Flows in the predecessor period for 2021.

We concluded that the effect of the error on prior period financial statements was immaterial but the effect of the correction is material to the current year consolidated financial statements. Prior year misstatements which, if corrected in the current year, would materially misstate the current year's financial statements, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior year financial statements. Correcting prior year financial statements for such immaterial misstatements does not require previously issued reports to be amended as they continue to be materially accurate. Users of our financial statements can continue to rely on the prior financial statements and the auditor's opinion thereon is not modified.

($000's)

The components of the change in deferred revenue are as follows:

For the period		Year ended December 31, 2022		September 1, 2021 through December 31, 2021		March 26, 2021 through August 31, 2021
				(Successor)		(Predecessor)
Balance at beginning of period	$	**62,393**	$	56,482	$	51,315
MAP fund fees received from franchise owners		**39,618**		11,545		17,175
MAP fund revenue recognized		**(39,618)**		(12,045)		(16,675)
Fees received from franchise owners		**24,518**		9,616		20,224
Franchise sales revenue recognized		**(13,642)**		(3,705)		(6,580)
Contributed from Manager		**-**		-		6,845
Other deferred revenue recognized		**(5,043)**		500		(15,822)
Balance at end of period		**68,226**		62,393		56,482
Less: current portion		**10,604**		8,980		7,201
Deferred revenue, noncurrent	$	**57,622**	$	53,413	$	49,281

Revenue deferred as of December 31, 2021 and recognized in the year ended December 31, 2022 was $16,912. Revenue deferred as of August 31, 2021 and recognized in the period from September 1, 2021 through December 31, 2021 was $13,242. Revenue deferred as of March 25, 2021 and recognized in the period from March 26, 2021 through August 31, 2021(Predecessor) was $12,552.

As of December 31, 2022, the deferred revenue expected to be recognized for each of the next five years, and in the aggregate, is as follows:

Years ending December 31,		
2023	$	11,154
2024		9,278
2025		9,163
2026		8,959
2027		8,621
Thereafter		24,586
	$	71,761

Direct, incremental selling expenses are reimbursed by the Company to the Manager. Such costs paid when the franchise agreement is executed are recorded as a contract asset by the Company and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Combined Balance Sheets. For the year ended December 31, 2022, $16,534 of costs were incurred and expense of $8,274 was recognized. For the period from September 1, 2021 through December 31, 2021 (Successor), $5,825 of costs were incurred and expense of $1,676 was recognized. For the period from March 26, 2021 through August 31, 2021 (Predecessor), $8,852 of costs were incurred and expense of $2,522 was recognized. The ending asset for deferred contract costs as of December 31, 2022 was $32,728, of which $4,566 was current. The ending asset for deferred contract costs as of December 31, 2021 (Successor) was $23,745, of which $3,158 was current.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $9,033 for the year ended December 31, 2022 and none was incurred in the prior periods. Advertising expense is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

Inventories

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: machinery, equipment, and vehicles (5-10 years); and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the year ended December 31, 2022, the periods from September 1, 2021 through December 31, 2021 (Successor) or from March 26, 2021 through August 31, 2021 (Predecessor).

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance was measured as of September 1, 2021, resulting from the acquisition of the Manager and pushdown accounting election, based on the excess of consideration over the fair value of assets acquired.

The Company performed a qualitative assessment of its goodwill as of October 1, 2022 and concluded that indicators of impairment existed for certain of its international brands, based on trends in financial performance. Additionally, upon measurement using present value techniques, the Company's weighted average cost of capital increased, due to increasing interest rates, combined with operating performance, unfavorably impacting the calculated fair value of those reporting units. Accordingly, a goodwill impairment charge of $25,937 was recorded in 2022.

Intangible Assets

Intangible assets consist of trademarks, franchise relationships, national accounts, developed technology, and domain name, and are stated at their acquisition-date fair value, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. The Company performed a qualitative assessment of its intangible assets and determined that no indicators of impairment were present for definite lived intangible assets in either the Successor or Predecessor periods.

Successor Period

Trademarks are amortized over their estimated useful life of 20 years, using the straight-line method. Franchise relationships and national accounts relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Software is amortized over its estimated useful life of 3 years, using the straight-line method.

Domain names are stated at their acquisition-date fair value, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1 in each of 2022 and 2021 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

Predecessor Period

Franchise relationships, national accounts relationships, and software are stated at their estimated fair value at the date of acquisition, less subsequent amortization. National accounts relationships were amortized over their estimated useful lives of 15 years using the straight-line method. Franchise relationships were amortized over their estimated useful life of 10-15 years using the straight-line method. Software was amortized over the estimated useful life of 3 years.

Trademarks, systems-in-place, and domain names were each stated at their estimated fair value at the date of acquisition, and were not amortized, as their useful lives were considered indefinite, but were subject to annual impairment testing. No impairment expense was recorded in the period from March 26, 2021 through August 31, 2021 (Predecessor).

Fair Value of Financial Instruments and Non-Financial Assets

In accordance with FASB ASC 820, Fair Value Measurements, certain assets carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

Level 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company believes the carrying amounts of financial instruments as of December 31 of both 2022 and 2021, including cash, restricted cash, and accounts receivable, approximate their fair values due to their short maturities. The Company's long-term trade notes receivable bear interest at market rates. Thus, management believes their carrying amounts approximate fair value (Level 3).

The Company performs an annual impairment assessment over its goodwill and other indefinite lived intangible assets, or more frequently as necessary if events and circumstances exist that indicate than an impairment test should be performed. The trade names, systems in place, and developed technology are valued using the relief from royalty method and the franchise relationships and national account relationships are valued using the multi-period excess earnings method. The future projections and estimates used for the valuations are considered Level 3 inputs.

Foreign Currency Translation

Consolidated entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in the UK Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), primarily in general and administrative expense, and was immaterial in all periods presented.

Cash and Restricted Cash

Cash consists of cash held on deposit. Restricted cash includes securitized cash held on deposit in Company accounts related to the Securitization Transaction.

($000's)

Cash and restricted cash consists of the following:

As of		December 31, 2022		December 31, 2021
Cash	$	**2,381**	$	2,311
Restricted Cash:				
Whole business securitization		**3,359**		4,191
Total cash and restricted cash	$	**5,740**	$	6,502

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other, which simplifies the test for goodwill impairment by removing the second step of the two-step impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. For nonpublic entities, the standard is effective for annual periods beginning after December 15, 2022 with early application permitted for tests performed after January 1, 2017. The Company adopted ASU 2017-04 as of January 1, 2022 on a prospective basis and the adoption resulted in no material impact on the consolidated financial statements or disclosures. The Company applied this guidance when measuring goodwill impairment in the current year, which is discussed above.

2. Securitization Transactions

On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the Securitization Entities, substantially all of the US intellectual property, including trademarks, franchise agreements, national account relationships and systems-in-place and the UK trademarks. The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating the company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The Company received an initial non-cash capital contribution as of March 25, 2021 of $756,709, consisting of $794,758 in intangible assets, and an unearned revenue liability, net of prepaid selling expenses, of $38,049 from the Issuer. During the period from March 26, 2021 through August 31, 2021 (Predecessor), the Company received additional non-cash capital contributions of $23,456, consisting of $4,457 in intangible assets, and $36,310 in accounts receivable and notes receivable, along with unearned revenue liability of $6,845 from the Issuer.

The Company received a cash capital contribution in January 2022 of $102,000 which the Company used to acquire $102,000 in intangible assets. Also in January 2022, the Company received a non-cash capital contribution of $13,456, consisting of $10,862 in property and equipment, $2,082 in intangible assets, and $512 in inventories. In March 2022, the Company received a non-cash contribution of $1,214, consisting of $1,169 in property and equipment and $45 in inventories.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

The Issuer is dependent on the Company for sufficient cash flows from their securitized operations to service the Series 2021-1 and Series 2022-1 Senior Notes (see Note 3), remit management fees to the Manager, and pay certain other ongoing costs related to the Securitization Transaction.

3. Debt Guarantee

In conjunction with the Securitization Transaction, on March 25, 2021, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Senior Notes"). The Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2 million and interest are paid quarterly. As of December 31, 2022 and 2021, $788 million and $796 million, respectively, was outstanding on the Senior Notes.

On January 19, 2022, in connection with the Second Securitization, the Issuer, issued $410 million Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction. The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1.03 million and interest are paid quarterly. As of December 31, 2022, $406.93 million was outstanding on the Series 2022-1 Senior Notes.

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The Senior Notes issued in conjunction with the Securitization Transaction and Second Securitization are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities, including the Company. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Senior Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transaction requires, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization are subject to compliance with maximum leverage ratio levels. As of December 31, 2022 and 2021, the Issuer was in compliance with all debt-service coverage covenants.

4. Intangible Assets and Goodwill

As of March 25, 2021, intangible assets were contributed to the Company, along with certain dates thereafter as discussed in Note 1. Each of the SPV Franchisors are wholly owned subsidiaries and there was no change in ultimate ownership. Accordingly, there has been no change in control and therefore the Company concluded that the guidance in ASC 805 Business Combinations was not applicable. Intangible assets were recorded at the carrying value from the contributing entities on the date of the contribution, as the entities are under common control. Upon the acquisition by KKR (see Note 1), and the Company's election to apply purchase accounting, the intangible assets were recorded at their acquisition-date fair values.

Intangible assets as of December 31, 2022, consisted of the following:

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradenames	20 years	$ 886,322	$ 57,733	$ 828,589
Franchise relationships	15 years	542,800	48,249	494,551
National accounts	15 years	1,700	151	1,549
Developed Technology	3 years	400	178	222
Total definite-lived intangibles		$ 1,431,222	106,311	$ 1,324,911

	Useful Life	Gross Amount	Accumulated Impairment	Net Amount
Domain name	Indefinite	1,314	-	1,314
Total indefinite-lived intangibles		$ 1,314	$ -	$ 1,314

Amortization expense was $81,265 for the year ended December 31, 2022. Amortization expense was $25,454 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $5,637 for the period from March 26, 2021 through August 31, 2021 (Predecessor).

Intangible assets as of December 31, 2021, consisted of the following:

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradenames	20 years	$ 792,800	$ 13,213	$ 779,587
Franchise relationships	15 years	542,800	12,091	530,709
National accounts	15 years	1,700	104	1,596

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Developed Technology	3 years	400	44	356
Total definite-lived intangibles		$ 1,337,700	25,454	$ 1,312,246

	Useful Life	Gross Amount	Accumulated Impairment	Net Amount
Domain name	Indefinite	1,314	-	1,314
Total indefinite-lived intangibles		$ 1,314	$ -	$ 1,314

Estimated amortization expense for the subsequent five years is as follows:

Years ending December 31,	
2023	$ 81,410
2024	81,382
2025	80,593
2026	80,593
2027	80,593
Thereafter	920,340
	$ 1,324,911

Goodwill

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the Manager by KKR.

The changes in the carrying amount of goodwill are as follows:

Balance as of March 25, 2021 (Predecessor)	**$ -**
Goodwill allocated to the Company in connection with the acquisition	1,739,192
Balance as of December 31, 2021 (Successor)	$ 1,739,192
Adjustment to goodwill for unrealized gain/loss on foreign currency	**(12,872)**
Goodwill impairment	**(25,937)**
Balance as of December 31, 2022	**$ 1,700,383**

5. Member's Equity

Neighborly Assetco LLC ("the Limited Liability Company") was formed pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.), as amended from time to time (the "Act").

The Limited Liability Company is governed by a Limited Liability Company Agreement in which management of the Company is vested in the member ("the Member"), the Manager, who has all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware. The Member has the authority to bind the Company.

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The Member may appoint officers of the Company and may revoke delegated authorities and duties at any time by the Member.

The Limited Liability Company is capitalized with a single membership unit with a $1 per unit par value.

Pursuant to the Management Agreement, excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager. The Member's equity is the residual of equity contributions from the Manager and income earned from operations, less distributions to the Issuer and Manager.

The Company shall dissolve, and its affairs be wound up upon the first to occur of the following: (i) the written consent of the Member, (ii) the retirement, resignation or dissolution of the Member or the occurrence of any other event which terminates the continued membership of the Member in the Company unless the business of the Company is continued in a manner permitted by the Act, or (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2022, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years. Initial trade notes receivable for the respective SPV Franchisors were contributed to the Company as of March 31, 2021 by the Manager and subsequently at various dates thereafter. As the contribution was between entities under common control, the notes receivable transferred were recorded at their historical cost basis in the financial records of the Manager.

A summary of trade notes receivable as of December 31 is as follows:

		2022		2021
Amounts due within one year, net of allowance for doubtful accounts of $166 as of December, 31, 2022 and $146 as of December 31, 2022	$	**7,846**	$	**8,115**
Amounts due after one year, net of allowance for doubtful accounts of $379 as of December 31, 2022 and $301 as of December 31, 2021		**17,884**		**19,827**
Total trade notes receivable, net	$	**25,730**	$	**27,942**

($000's)

An analysis of the changes in trade notes receivable is as follows:

	Year ended December 31, 2022	September 1, 2021 through December 31, 2021	March 26, 2021 through August 31, 2021
		(Successor)	(Predecessor)
Balance at beginning of period	$ 28,389	$ -	$ -
Trade notes receivable from acquisitions	**-**	29,364	-
Notes receivable, contributed, net		-	30,111
Principal payments received	**(13,699)**	(5,638)	(6,708)
Notes issued	**12,808**	4,743	6,283
Net write-offs	**(1,223)**	(80)	(234)
Gross trade notes receivable, at end of period	**26,275**	28,389	29,452
Allowance for doubtful accounts	**(545)**	(447)	(88)
Net trade notes receivable, at end of period	$ **25,730**	$ 27,942	$ 29,364

An analysis of the changes in the trade notes receivable allowance for doubtful accounts is as follows:

For the period	**Year ended December 31, 2022**	September 1, 2021 through December 31, 2021	March 26, 2021 through August 31, 2021
		(Successor)	(Predecessor)
Allowance, beginning of period	**$ 447**	$ -	**$** -
Provisions for bad debts	**1,282**	447	88
Net write-offs	**(1,184)**	-	-
Allowance, end of period	**$ 545**	$ 447	**$** 88

Scheduled future maturities of trade notes receivable are as follows:

Years ending December 31,	
2023	$ 8,012
2024	5,215
2025	4,405
2026	3,429
2027	2,428
Thereafter	2,786
	$ 26,275

($000's)

7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

		2022
Machinery and equipment	$	5,523
Software		6,831
Vehicles		8,539
Total property and equipment		20,893
Less accumulated depreciation		(2,614)
Property and equipment – net	$	18,279

Depreciation expense was $1,656 for the year ended December 31, 2022.

8. Related Party Transactions

The Company has material ongoing transactions with the Manager and other direct and indirect subsidiaries of the Manager.

Related parties, some of which are outside the United States, pay the Company, or its subsidiaries, a synthetic royalty or license fee for access to and use of their intellectual property, none of which are denominated in a foreign currency. Synthetic royalties and master license fees from affiliated entities were $22,879 from the year ended December 31, 2022, $4,482 from September 1, 2021 to December 31, 2021 (Successor) and $8,958 from March 26, 2021 through August 31, 2021 (Predecessor).

As discussed in Note 2, the Securitized Entities entered into the Management Agreement with the Manager to perform certain services on behalf of the Securitized Entities. In exchange for the services, the Securitized Entities pay a management fee for each 12-month period equal to the sum of (i) an annual base management fee of $8,000, plus (ii) a fee of $12.425 for every $100 of aggregate total securitization revenues in the form of collections for the applicable period.

For the year ending December 31, 2022, the Company incurred management fees of $37,264. During the period from September 1, 2021 through December 31, 2021 (Successor), the Company incurred management fees of $10,206. During the period from March 26, 2021 through August 31, 2021 (Predecessor), the Company incurred management fees of $13,123.

Costs of products and services as well as advertising and promotion fund expenses are reimbursed by the Company to the Manager.

Excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager. Distributions were $202,999 for the year ended December 31, 2022. Distributions were $58,367 during the period from September 1, 2021 through December 31, 2021 (Successor) and $68,875 during the period from March 26, 2021 through August 31, 2021 (Predecessor).

9. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2022. Management believes that the outcome of such matters will not have a material effect on the Company's combined financial statements.

10. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through March 31, 2023, which was the date the Company's financial statements were available to be issued.

Subsequent to the date of the financial statements, on February 3, 2023, the Issuer issued $275 million Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction. The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687.5 and interest are paid quarterly.

Additionally, that securitization transaction provided for a $125 million variable rate facility with a maturity date of January 30, 2026 with two one-year extension options. Interest is paid quarterly at the Secured Overnight Financing Rate (SOFR), plus 350 basis points. The securitization transaction also provided for a $5.03 million variable rate Delayed Draw Class A-1-LR Senior Note, with a final maturity date of January 30, 2053, which is only available for limited purposes and cannot be drawn by Neighborly Issuer LLC. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. In connection with that securitization transaction, issued and undrawn letters of credit increased to $16.95 million.

Also on January 1, 2023, and certain dates thereafter, the Manager contributed to the Securitization Entities through a series of asset transfers to the SPV Guarantor, the Issuer, the Company and its subsidiaries, substantially all of the intellectual property, as well as certain other assets and rights, acquired in 2022 in the business combinations with Lawn Pride and Junk King. The Manager, certain Securitization Entities and Non-Franchisor SPV Entities entered into a license agreement pursuant to which they granted a non-exclusive license to use Securitization intellectual property in connection with owning and operating company-owned locations in relation to Lawn Pride, Junk King, and Greensleeves.

The Series 2023-1 Senior Notes issued in conjunction with the securitization transaction are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities. Proceeds were distributed to the Manager's parent company to extinguish debt incurred by the parent to fund the Manager's acquisitions.

Neighborly Assetco LLC and Subsidiaries

Consolidated Financial Statement
As of March 25, 2021

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Neighborly Assetco LLC and Subsidiaries

Consolidated Financial Statement

As of March 25, 2021

Contents

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, TX 75201

Independent Auditor's Report

To the Board of Directors and Member of
Neighborly Assetco LLC and Subsidiaries
Waco, Texas

Opinion

We have audited the consolidated financial statement of Neighborly Assetco LLC and its subsidiaries (the "Company"), which comprises the consolidated balance sheet as of March 25, 2021 and the related notes to the consolidated financial statement.

In our opinion, the accompanying consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of March 25, 2021 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 (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 audit. 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 statement 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 statement, 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 statement is issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 statement.
- 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.

BDO USA LLP

March 29, 2021

Consolidated Balance Sheet

Neighborly Assetco LLC and Subsidiaries

Consolidated Balance Sheet
($000's)

As of March 25,		2021
Assets		
Current assets		
Prepaid selling expenses	$	1,544
Total current assets		1,544
Prepaid selling expenses, less current portion		11,722
Intangible assets - net		794,758
Total assets	$	808,024
Liabilities and Member's Equity		
Current liabilities		
Deferred revenue	$	6,163
Total current liabilities		6,163
Deferred Revenue, less current portion		45,152
Member's equity		756,709
Total liabilities and member's equity	$	808,024

See accompanying notes to consolidated financial statements.

1. Description of Business and Significant Accounting Policies

Organization and Description of Business

Neighborly Assetco LLC ("we", "our" and the "Company") is a single-member special purpose Delaware limited liability company and was organized on November 13, 2020, with no operations until March 25, 2021. The Company is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly Company (the "Manager").

As of March 25, 2021 the Company's subsidiaries were comprised of a number of franchisors and related supporting businesses operating in the United States and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Back Office SPV LLC and G-O Manufacturing SPV LLC (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of the Company.

The Company holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the trademarks and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain trademarks, certain product supply agreements, certain vendor agreements and the office service agreements.

The Company was formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 (see Note 2). On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the SPV Guarantor, the Issuer, the Company and its subsidiaries (the "Securitization Entities"), substantially all of the U.S. intellectual property, including trademarks (the "Securitization IP"), franchise agreements, national account relationships and systems-in-place and the U.K. trademarks (collectively, the "Securitization Assets"). The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating the company-owned store locations, U.K. locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The balance sheet presented is as of the date of these initial capital contributions. The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

On March 25, 2021, the Securitization Entities entered into the management agreement (the "Management Agreement") with the Manager to perform certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee payments, managing the operations on behalf of the Securitization Entities, and performing certain franchising, marketing, and operational and reporting services, as well as managing the intangible assets on behalf of the Securitization Entities. In exchange for providing such services, the Manager will be entitled to receive certain management fees on a weekly basis.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

At the time of this report, the current pandemic of the novel coronavirus, or COVID-19, continues to impact the areas in which we operate. Even though the majority of our brands have historically been deemed to be providing "essential services" by the relevant state and local authorities, the adverse economic effects of the COVID-19 outbreak could materially decrease demand for the services offered by our franchise owners based on the restrictions in place by governments trying to curb the outbreak and/or changes in consumer behavior.

Although many regions where the Company operates have since re-opened, and the essential service designation of many of our brands, it is challenging to predict the financial performance in upcoming reporting periods with reasonable accuracy due to the lack of visibility around the duration and severity of the crisis and its dynamic changes. Management continues to actively monitor the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Basis of Accounting

The accompanying financial statement has been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). This financial statement presents the opening balance of the accounts as of March 25, 2021, the date of operation commencement.

Principles of Consolidation

The accompanying consolidated financial statement as of March 25, 2021 includes the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Consolidation of Variable Interest Entities

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810-10, *Consolidation,* applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company evaluates its franchise arrangements and has concluded that it is not the primary beneficiary of any of its franchise owners.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Income Taxes

The Company is a single-member limited liability company for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the Manager. As such, no recognition of federal or state income taxes for the Company will be provided for in the financial statements of the Company.

Revenue Recognition

The Company has adopted FASB Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) and all subsequent ASUs that modified Topic 606. The guidance clarifies the principles used to recognize revenue for all entities and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled.

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;

- Franchise fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Incentives earned from services performed for unrelated third parties;

- Synthetic royalties from affiliated entities resulting from their sales of products and services to unrelated third parties;

- Upon the contribution of notes receivable to the Company, revenue will include interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. Our performance obligations under franchise agreements consist of providing a license of our brand's intellectual property, a list of approved suppliers, certain training programs, and an operations manual. These performance obligations are highly interrelated, and we do not consider them to be individually distinct, and therefore account for them under Topic 606 as a single performance obligation. The right to collect marketing, advertising, and promotional ("MAP") fees and the obligation to maintain the MAP fund is assigned to the Manager by each Franchisor SPV, and the performance obligation and fulfillment thereof resides with the Manager. Revenue related to franchise agreements is recognized evenly over the term of the agreement with the exception of variable or sales-based royalties and revenue allocated to goods and services distinct from the franchise right.

($000's)

In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

Franchise service fee revenues represent sales-based royalties that are related entirely to our obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.

Synthetic royalties from affiliated entities are recognized in the period in which the product sales are recognized within affiliated entities upon transfer of title, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Contract Balances

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being amortized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, excluding amounts of variable consideration related to sale-based royalties and advertising. Other deferred revenues not related to the franchise agreements are included in current deferred revenue.

As of March 25, 2021, deferred revenue expected to be recognized for each of the next five years, and in the aggregate, is as follows:

Years ending December 31,		
2021 (remainder of year)	$	4,747
2022		6,137
2023		6,059
2024		6,027
2025		5,941
Thereafter		22,404
	$	51,315

Selling expenses paid when the franchise agreement is executed are recorded as a contract asset and are amortized over the life of the agreement, consistent with the recognition of the deferred revenue. Contract assets are included in prepaid selling expenses in the accompanying consolidated balance sheet. The asset for deferred contract costs as of March 25, 2021 was $13,266, of which $1,544 was current.

Intangible Assets

Intangible assets consist of trademarks, systems-in-place, domain names, franchise relationships, national accounts, and software. Franchise relationships, national accounts, and software are stated at their estimated fair value at the date of acquisition, less amortization. National accounts relationships and insurance company relationships are amortized over their estimated useful lives of 15 years using the straight-line method. Franchise relationships are amortized over their estimated useful life of 10-15 years using the straight-line method. Software is amortized over the estimated useful life of 3 years. Trademarks, systems-in-place, and domain names, which are each stated at their estimated fair value at the date of acquisition less any recognized impairment losses, and trademarks acquired subsequent thereto, are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing in accordance with FASB ASC 350, Intangibles – Goodwill and Other.

When events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company evaluates, for impairment, the carrying value of definite lived intangible assets by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets.

Fair Value of Non-Financial Assets

In accordance with FASB ASC 820, *Fair Value Measurements,* certain assets are carried at fair value and are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

Level 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company's non-financial assets measured at fair value on a non-recurring basis include other intangible assets reported in connection with business combinations and impairment evaluations. If the Company deems a quantitative impairment assessment necessary, other indefinite life intangible assets are measured for impairment on an annual basis. The trade names and systems in place are valued using the relief from royalty method and the franchise relationships and national account relationships are valued using the multi-period excess earnings method. The future projections and estimates used for the valuations are considered Level 3 inputs.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the

FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

2. Securitization Transaction

On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the Securitization Entities, substantially all of the U.S. intellectual property, including trademarks (the "Securitization IP"), franchise agreements, national account relationships and systems-in-place and the U.K. trademarks (collectively, the "Securitization Assets"). The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating the company-owned store locations, U.K. locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The Company received an initial capital contribution of $756,709 consisting of $794,758 in intangible assets, and an unearned revenue liability, net of prepaid selling expenses, of $38,049 (pursuant to ASC 606) from the Issuer.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

On March 25, 2021, the Securitization Entities entered into the management agreement (the "Management Agreement") with the Manager to perform certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee payments, managing the operations on behalf of the Securitization Entities, and performing certain franchising, marketing, and operational and reporting services, as well as managing the intangible assets on behalf of the Securitization Entities. In exchange for providing such services, the Manager will be entitled to receive certain management fees on a weekly basis.

The Issuer is dependent on the Company for sufficient cash flows from their securitized operations to service the Senior Notes (see Note 3), remit management fees to the Manager, and pay certain other ongoing costs related to the Securitization Transaction.

($000's)

3. Debt Guarantee

In conjunction with the Securitization Transaction, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Senior Notes"). The Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051.

The Senior Notes issued in conjunction with the Securitization Transaction are secured by substantially all assets of the Securitization Entities. The net proceeds from the Securitization Transaction, after transaction expenses, were distributed to the Non-Securitization Entities to repay substantially all of their outstanding indebtedness and to terminate all commitments thereunder.

4. Intangible Assets

As of March 25, 2021, intangible assets were contributed to the Company. Each of the SPV Franchisors are wholly owned subsidiaries and there is no change in ultimate ownership. Accordingly, there has been no change in control and therefore the Company concluded that the guidance in ASC 805 Business Combinations was not applicable. As such, any assets and liabilities contributed to the new companies were recorded at the carrying value from the contributing entities on the date of the contribution. Any subsequent amortization of such assets will be recorded on the SPV Franchisors financial statements.

Intangible assets as of March 25, 2021, consist of the following:

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Franchise relationships	15 years	$ 154,017	$ -	$ 154,017
National accounts	15 years	6,351	-	6,351
Intangible software	3 years	1,992	-	1,992
Total definite-lived intangibles		$ 162,360	$ -	$ 162,360

	Useful Life	Gross Amount	Accumulated Impairment	Net Amount
Trademarks	Indefinite	$ 529,554	$ -	$ 529,554
Systems-in-place	Indefinite	101,530	-	101,530
Domain name	Indefinite	1,314	-	1,314
Total indefinite-lived intangibles		$ 632,398	$ -	$ 632,398

Definite-lived intangible assets were recorded at the carrying value from the contributing entities on the date of the contribution, as the entities are under common control. There has been no amortization yet recorded for the Company, and accordingly, no accumulated amortization is presented above.

Indefinite-lived intangible assets were recorded at the carrying value from the contributing entities on the date of the contribution, as the entities are under common control. No impairment was identified as of March 25, 2021.

($000's)

Estimated amortization expense for the subsequent five years is as follows:

Years ending December 31,		
2021 (remainder of year)	$	10,130
2022		13,507
2023		13,482
2024		12,773
2025		12,773
Thereafter		99,695
	$	162,360

5. Related Party Transactions

Related parties, some of which are outside the United States, will pay the Company, or its subsidiaries, a synthetic royalty for the use of their intellectual property, none of which will be denominated in a foreign currency.

The Company is expected to have material ongoing transactions with the Manager and other direct and indirect subsidiaries of the Manager.

As discussed in Note 2, the Securitized Entities entered into the Management Agreement with the Manager to perform certain services on behalf of the Securitized Entities. In exchange for the services, the Securitized Entities pay a management fee for each 12-month period equal to the sum of (i) an annual base management fee of $8,000, plus (ii) a fee of $12.425 for every $100 of aggregate total securitization revenues in the form of collections for the applicable period.

6. Subsequent Events

In preparation of its financial statement, the Company considered subsequent events through March 29, 2021, which was the date the Company's financial statement was available to be issued.

Neighborly Company and Subsidiaries

Consolidated Financial Statements

As of December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the periods from September 1, 2021 through December 31, 2021 (Successor) and January 1, 2021 through August 31, 2021 (Predecessor)

Neighborly Company and Subsidiaries

Consolidated Financial Statements
As of December 31, 2022 and 2021 and for the year ended December 31, 2022 and for the periods from September 1, 2021 through December 31, 2021 (Successor) and January 1, 2021 through August 31, 2021 (Predecessor)

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Building a better
working world

Ernst & Young LLP
One Victory Park
Suite 2000
2323 Victory Avenue
Dallas, TX 75219

Tel: +1 214 969 8000
Fax: +1 214 969 8587
ey.com

Report of Independent Auditors

To the Board of Directors and Stockholders of
Neighborly Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of Neighborly Company and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 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 (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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of ASU No. 2016-02, Leases

As discussed in Notes 2 and 9 to the financial statements, the Company changed its method of accounting for leases due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) and related amendments in 2022. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Ernst + Young LLP

Dallas, Texas
April 1, 2023

Consolidated Financial Statements

Neighborly Company and Subsidiaries

Consolidated Balance Sheets
($000's)

As of December 31,		**2022**		2021
Assets				
Current assets				
Cash	$	**55,741**	$	49,317
Restricted cash		**26,363**		23,468
Trade accounts receivable - net		**43,474**		32,423
Trade notes receivable - current portion - net		**8,461**		8,382
Inventories		**4,632**		2,985
Income tax receivable		**358**		-
Prepaid selling expenses - current		**3,143**		2,352
Other current assets		**8,898**		6,576
Total current assets		**151,070**		125,503
Property and equipment - net		**71,442**		53,546
Operating lease right of use assets		**27,904**		-
Prepaid selling expenses - less current portion		**16,882**		15,162
Trade notes receivable - less current portion - net		**19,893**		20,388
Intangible assets - net		**1,525,073**		1,529,112
Goodwill		**2,154,115**		2,069,311
Other non-current assets		**2,766**		3,657
Total assets	$	**3,969,145**	$	3,816,679

Neighborly Company and Subsidiaries

Consolidated Balance Sheets (continued)
($000's, except share and per share amounts)

As of December 31,		2022		2021
Liabilities and Stockholder's Equity				
Current liabilities				
Trade accounts payable	$	**22,199**	$	17,466
Accrued liabilities		**62,940**		50,905
Deferred revenue - current		**15,688**		14,500
Income tax payable		**-**		1,942
Current portion of long-term debt		**10,627**		8,000
Current portion of operating lease liabilities		**6,681**		-
Current portion of finance lease obligations		**2,659**		1,696
Total current liabilities		**120,794**		94,509
Long-term debt - less current portion		**1,175,523**		788,000
Operating lease obligations - less current portion		**22,141**		-
Finance lease obligations - less current portion		**4,053**		3,383
Deferred tax liabilities		**261,098**		310,705
Deferred revenue - less current portion		**64,676**		57,591
Other non-current liabilities		**1,971**		7,236
Commitments and Contingencies (Notes 9 and 11)				
Stockholder's equity				
Common stock-par value $0.01 per share; 100 shares authorized, issued and outstanding		**-**		-
Additional paid-in capital		**2,420,959**		2,576,318
Accumulated deficit		**(50,587)**		(14,841)
Accumulated other comprehensive loss		**(51,483)**		(6,222)
Total stockholder's equity		**2,318,889**		2,555,255
Total liabilities and stockholder's equity	$	**3,969,145**	$	3,816,679

See accompanying notes to consolidated financial statements

Neighborly Company and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss)
($000’s)

	Year-Ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)
Revenues and income			
Franchise service fees	$ **176,281**	$ 53,686	$ 104,184
Franchise sales fees	**20,655**	4,185	9,664
Sales of products and services	**263,318**	53,714	72,438
Advertising and promotional fund revenue	**50,870**	15,172	27,840
Other revenue	**38,056**	12,652	18,954
Total revenues and income	**549,180**	139,409	233,080
Cost of Sales			
Products and services	**154,815**	38,416	51,709
Gross Profit	**394,365**	100,993	181,371
Selling expense	**21,506**	4,947	11,894
General and administrative expense	**172,713**	45,928	63,756
Advertising and promotional fund expense	**54,235**	14,805	25,114
Equity-based compensation expense	**3,414**	509	22,376
Depreciation and amortization	**104,943**	32,066	14,976
Management and board fees and expenses	**5,207**	571	6,541
Transaction costs	**3,067**	10,591	99,886
Loss on impairment of goodwill	**51,454**	-	-
Bad debt expense	**2,398**	301	783
Operating loss	**(24,572)**	(8,725)	(63,955)
Other expenses			
Interest expense	**45,552**	9,878	30,797
Total other expenses	**45,552**	9,878	30,797
Net loss before income taxes	**(70,124)**	(18,603)	(94,752)
Income tax benefit	**(34,378)**	(3,762)	(4,724)
Net loss	**(35,746)**	(14,841)	(90,028)
Other comprehensive loss			
Foreign currency translation adjustment	**(45,261)**	(6,222)	(3,456)
Comprehensive loss	$ **(81,007)**	$ (21,063)	$ (93,484)

See accompanying notes to consolidated financial statements.

Neighborly Company and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity
($000's, except share amounts)

	Common Stock		Additional Paid - In	Accumulated	Accumulated Other Comprehensive	
	Shares	*Amount*	*Capital*	*Deficit*	*Income (Loss)*	*Total*
Balance - December 31, 2020 (Predecessor)	100	$ -	$ 533,065	$ (35,521)	$ 4,475	$ 502,019
Distribution	-	-	(163,771)	-	-	(163,771)
Equity-based compensation	-	-	22,376	-	-	22,376
Foreign currency translation adjustment	-	-	-	-	(3,456)	(3,456)
Net loss	-	-	-	(90,028)	-	(90,028)
Balance - August 31, 2021 (Predecessor)	100	$ -	$ 391,670	$ (125,549)	$ 1,019	$ 267,140
Balance - September 1, 2021 (Successor)	-	-	-	-	-	-
Equity contribution for acquisition of the Company	100	-	2,141,993	-	-	2,141,993
Distribution to parent	-	-	(29,197)	-	-	(29,197)
Equity contribution	-	-	429,733	-	-	429,733
Equity contribution for acquisitions	-	-	33,280	-	-	33,280
Equity-based compensation	-	-	509	-	-	509
Foreign currency translation adjustment	-	-	-	-	(6,222)	(6,222)
Net loss	-	-	-	(14,841)	$ -	(14,841)
Balance - December 31, 2021 (Successor)	100	$ -	$ 2,576,318	$ (14,841)	$ (6,222)	$ 2,555,255
Distribution to parent	-	-	(431,965)	-	-	(431,965)
Equity contribution	-	-	241,794	-	-	241,794
Equity contribution for acquisitions	-	-	31,398	-	-	31,398
Equity-based compensation	-	-	3,414	-	-	3,414
Foreign currency translation adjustment	-	-	-	-	(45,261)	(45,261)
Net loss	-	-	-	(35,746)	-	(35,746)
Balance - December 31, 2022	100	$ -	$ 2,420,959	$ (50,587)	$ (51,483)	$ 2,318,889

See accompanying notes to consolidated financial statements.

Neighborly Company and Subsidiaries

Consolidated Statements of Cash Flows
($000's)

	For the Year Ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)
Operating activities			
Net loss	$ **(35,746)**	$ (14,841)	$ (90,028)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	**104,943**	32,066	14,976
Amortization of deferred financing costs	**1,447**	-	1,756
Loss on impairment of goodwill	**51,454**	-	-
Debt issuance costs written off	**-**	-	8,488
Bad debt expense	**2,398**	301	783
Notes received	**(13,059)**	(4,737)	(10,546)
Collections of notes receivable	**13,965**	5,699	10,992
Deferred income taxes	**(44,898)**	(5,544)	(14,200)
(Gain) loss on disposal of assets	**(538)**	(9)	98
Equity-based compensation	**3,414**	509	22,376
Changes in assets and liabilities, net of business acquisitions:			
Trade accounts receivable	**(11,523)**	137	(5,297)
Inventories	**(1,281)**	(845)	(333)
Prepaid selling expenses and other assets	**(3,903)**	(1,703)	(4,661)
Trade accounts payable	**4,116**	(444)	491
Accrued liabilities	**8,264**	(101,718)	106,211
Other non-current liabilities	**(203)**	(1,543)	4,496
Income tax receivable	**(1,530)**	5,796	3,272
Change in operating lease assets and liabilities	**574**	-	-
Deferred revenue	**6,045**	6,854	10,936
Net cash provided by (used in) operating activities	**83,939**	(80,022)	59,810
Investing activities			
Acquisitions, net of cash received	**(254,373)**	(316,018)	-
Purchase of property, equipment and other assets	**(18,930)**	(3,980)	(7,994)
Acquisitions of intangible assets	**-**	-	67
Net cash used in investing activities	**(273,303)**	(319,998)	(7,927)
Financing activities			
Equity contribution	**241,794**	429,733	-
Distributions paid	**(431,965)**	(29,197)	(163,771)
Deferred financing costs paid	**(9,380)**	(1,282)	(19,017)
Payments on revolver	**-**	(5,000)	(39,550)
Proceeds from revolver	**-**	5,000	24,550
Payments on long-term borrowings	**(11,679)**	(2,595)	(595,137)
Proceeds from long-term borrowings	**410,915**	-	800,686
Net cash provided by financing activities	**199,685**	396,659	7,761
Effect of foreign currency translation on cash	**(1,002)**	(1,152)	(2,775)
Net increase (decrease) in cash and restricted cash	**9,319**	(4,513)	56,869
Cash and restricted cash - Beginning of period	**72,785**	77,298	20,429
Cash and restricted cash - End of period	**82,104**	72,785	77,298
Supplemental cash flow disclosures:			
Cash paid (refunds received) for income taxes	$ **3,734**	$ **(5,089)**	$ 3,101
Cash paid for interest	$ **40,950**	$ **7,384**	$ 18,106
Non-cash equity contribution for acquisition of the Company	$ **-**	$ **2,141,993**	$ -
Non-cash equity contribution for acquisitions	$ **31,398**	$ **33,280**	$ -

See accompanying notes to consolidated financial statements.

1. Organization and Description of Business

Organization and Description of Business

Neighborly Company and Subsidiaries ("we", "our", "Neighborly" and the "Company") is a Delaware corporation and is the parent company of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally which include the following companies: Mr. Rooter, Rainbow International, Mr. Electric, Aire Serv, Mr. Appliance, Glass Doctor, Grounds Guys, Molly Maid, Mr. Handyman, Five Star Painting, Mosquito Joe, Real Property Management, Window Genie, HouseMaster, Dryer Vent Wizard, ShelfGenie, Precision Door Service, Restoration 1, Junk King, ZorWare, Drain Doctor, Locatec, Countrywide, Bright and Beautiful, Dream Doors, Greensleeves, and ProTradeNet.

In addition, the Company owns and operates non-franchisor entities as follows: Portland Glass, which offers auto, home, and business glass repair and replacement through company owned stores located in Maine, Vermont, and New Hampshire; Pimlico Plumbers, which offers repair and maintenance services, concentrated in central London; Plumb Enterprises, which offers full plumbing, drain and sewer cleaning services, excavation, and repairs to customers; and Lawn Pride, which offers lawn care and maintenance services through the application of fertilizer, as well as pest control.

Acquisition of the Company

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources. Consideration consisted of $1,914,164 of cash to the sellers and equity rollover with a fair value of $227,829. The Company elected to apply push down accounting as a result of the change in ownership of the Company. The purchase price has been allocated to the assets acquired and liabilities assumed by the Company and its subsidiaries based on independent valuation studies and management estimates of their fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations, on September 1, 2021 (the "Date of Acquisition").

($000's)

The purchase price was allocated as follows:

Working capital	$	(35,306)
Debt assumed, net		(831,861)
Notes receivable		30,222
Property and equipment		25,805
Trademarks		826,800
Franchise relationships		608,200
National account relationships		2,350
Insurance company relationships		2,300
Goodwill		1,833,258
Other assets		15,843
Other liabilities		(47,186)
Deferred income taxes, net		(288,432)
Total consideration transferred	$	2,141,993

Debt assumed included a provisional amount of $6,283 for tax refund liability which was subject to change as the estimated payable to the predecessor parent for realization of the tax benefit of net operating losses, which would have affected a similar amount of provisional goodwill. The Company utilized the permitted one-year measurement period, which has now ended, to adjust this estimate to the acquisition-date fair value of this provisional amount, which resulted in an increase of $349 to the estimated liability, with a corresponding increase to goodwill.

The goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company does not expect to deduct any of the goodwill for tax purposes.

Throughout this document we refer to Successor and Predecessor. The term "Successor" refers to the Company following the Date of Acquisition, and the term "Predecessor" refers to the Company prior to the Date of Acquisition. The financial statements and footnotes include a black-line division, which appears between the columns titled Predecessor and Successor, and signifies that the amounts shown for the periods prior to and following the acquisition are not comparable.

The Company incurred acquisition costs and equity-based compensation of $78,386 and $22,376, respectively, all of which is included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor). In addition, the Company recorded expenses of $21,500 which were contingent upon the closing of the acquisition, which is included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor). There were no similar costs in the year ended December 31, 2022.

Acquisitions

During 2022, the Company acquired Lawn Pride in August, Greensleeves in October and Junk King in November, and repurchased three of its previously franchised Mr. Rooter territories in March, each of which operates in the home services industry. The purchase price of the acquisitions of $290,364, comprised of $258,870 of cash, consideration payable of $96, and $31,398 of rollover equity, has been allocated to the assets acquired and liabilities assumed by the Company based on independent valuation studies and management estimates of their fair value in accordance with FASB ASC Topic 805, Business Combinations, on the date of acquisition. The Company acquired 100%

($000's)

ownership of these entities, or acquired certain assets, to gain control and access to the intellectual property of each.

The total purchase price was allocated as follows:

Working capital	$	4,326
Capital lease obligations		(613)
Other long-term assets		2,507
Property and equipment		10,486
Tradenames		80,287
Developed technology		320
Franchise relationships		9,830
Franchise rights		5,400
Customer relationships		12,400
National accounts		830
Goodwill		168,868
Other long term debt		(3,712)
Deferred tax liability		(565)
Total consideration transferred	$	290,364

For the period ending December 31, 2022, the goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company expects to be able to deduct goodwill of $159,716 for tax purposes. Transaction costs totaling $3,067 were incurred at closing and are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

During 2021, the Company acquired Pimlico Plumbers in September, Top Drawer Components in November, Plumb Enterprises in December, and repurchased two of its previously franchised Mr. Rooter territories in December, each of which operates in the home services industry. The purchase price of the acquisitions of $353,573, comprised of $320,403 of cash, consideration payable of $150, consideration receivable of $260, and $33,280 of rollover equity, has been allocated to the assets acquired and liabilities assumed by the Company based on independent valuation studies and management estimates of their fair value in accordance with FASB ASC Topic 805, Business Combinations, on the date of acquisition. The Company acquired 100% ownership of these entities, or acquired certain assets, to gain control and access to the intellectual property of each.

The total purchase price was allocated as follows:

Working capital	$	(2,362)
Capital lease obligations		(3,727)
Other long-term assets		2,101
Property and equipment		27,042
Tradenames		108,560
Franchise rights		6,800
Copyright		155
Customer relationships		5,907
Goodwill		236,978
Deferred tax liability		(27,881)
Total consideration transferred	$	353,573

A provisional amount was estimated for the deferred tax liability which was subject to change, which would have affected a similar amount of provisional goodwill, and for which the accounting is now complete. The Company utilized the permitted one-year measurement period to adjust, as necessary, this estimate to the acquisition-date fair value of this provisional amount, and no adjustment was required or recorded.

The goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company expects to be able to deduct goodwill of $166,260 for tax purposes. Transaction costs totaling $10,591 were paid at closing and are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. ASU 2016-02 leaves the accounting for leases by lessors largely unchanged from previous GAAP. The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. Also, ASU 2018-20 provides certain narrow-scope improvements to Topic 842 as it relates to lessors. The ASU is effective for fiscal years beginning after December 15, 2021.

The Company adopted ASC 2016-02 as of January 1, 2022 using the modified retrospective approach and elected the transition option that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the consolidated financial statements. Companies that elect this option would record a cumulative-effect adjustment to the opening balance of retained earnings on the date of adoption. The Company elected this transition option and no cumulative effect resulted in an adjustment to opening retained earnings. The Company elected not to separate lease and non-lease components for new and modified leases after the adoption date, and instead will account for each separate lease component of a contract and its associated non-lease components as a single lease component. The Company elected not to recognize a right-of-use asset and a lease liability for leases with an initial term of twelve months or less. The Company did not elect the hindsight practical expedient. A complete population of contracts that meet the definition of a lease under ASU 2016-02 has been identified. The Company recorded right of use assets and operating lease liabilities of $28.8 million and $29.2 million, respectively, as of the transition date on the consolidated balance sheets. The adoption of this amended guidance did not have a material impact on the Company's Consolidated Statement of Operations and Comprehensive Income (Loss) and Consolidated Statements of Cash Flows. Refer to note 9 for additional lease disclosures.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other, which simplifies the test for goodwill impairment by removing the second step of the two-step impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. For nonpublic entities, the standard is effective for annual periods beginning after December 15, 2022 with early application permitted for tests performed after January 1, 2017. The Company adopted ASU 2017-04 as of January 1, 2022 on a prospective basis and the adoption resulted in no material impact on the consolidated financial statements or disclosures. The Company applied this guidance when measuring goodwill impairment in the current year, which is discussed below.

In December 2019, the FASB released ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The FASB has stated that the ASU is being issued as part of its Simplification Initiative, which is meant to reduce complexity in accounting standards by improving certain areas of GAAP without compromising information provided to users of financial statements. The standard is effective for annual periods beginning after December 15, 2021. The Company adopted the provisions of ASU 2019-12 for 2022 and the adoption resulted in no material impact on the consolidated financial statements or disclosures.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which was an update of ASU 2020-04, and was issued in response to concerns about structural risks of interbank offered rates, and particularly the risk of cessation of LIBOR. Regulators have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or are transaction based and less susceptible to manipulation. ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. ASU 2020-04 is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2021-01 clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848) – Deferral of the Sunset Date of Topic 848 which deferred the end date to December 31, 2024. The Company adopted ASU 2021-01 as of January 1, 2022 and the adoption resulted in no material impact on the consolidated financial statements or disclosures.

Principles of Consolidation and Variable Interest Entities

The accompanying consolidated financial statements as of December 31, 2022 and 2021 include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the power to direct activities of a VIE that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Neighborly Assetco LLC ("Assetco") is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly (the "Manager").

Assetco's subsidiaries are comprised of a number of franchisors and related supporting businesses operating in the US and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Neighborly Service Solutions SPV LLC, Back Office SPV LLC, G-O Manufacturing SPV LLC, Zorware SPV LLC, NBLY Co Ops CO SPV LLC, NBLY Co Ops WA SPV LLC, Trench Right SPV LLC, and Pimlico SPV Limited (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of Assetco.

Assetco holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the trademarks and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain trademarks, certain product supply agreements, certain vendor agreements and the office service agreements.

Neighborly SPV Guarantor LLC, Neighborly Issuer LLC, and Neighborly Assetco LLC (collectively with the SPV Franchisors and the Non-Franchisor SPV Entities are referred to as "Securitization Entities") were formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 and on subsequent dates thereafter (see Note 3).

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly is the primary beneficiary, having both power and benefits, of the Securitization Entities and accordingly, consolidation is concluded.

Reclassifications

Certain reclassifications have been made to conform prior year balances to the current year presentation. Collections of notes receivable have been included in operating activities in the accompanying Consolidated Statements of Cash Flow, for both the Successor and Predecessor periods. None of the reclassifications affected our net loss in the prior year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition, Accounts Receivable, Notes Receivable, and Allowances

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;

- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Sales of products and services to unrelated third parties;

- Advertising and promotional fund revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors;

- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. Our performance obligations under franchise agreements consist of providing a license of our brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement with the exception of variable or sales-based royalties, MAP fund fees and revenue allocated to goods and services which are recognized as the underlying sales occur.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners. Allowances for doubtful trade accounts receivable and trade notes receivable are provided based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Franchise service fee revenues represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.

We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported on a gross basis in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Our obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual brands. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from Contracts with Customers.

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Contract Balances

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being recognized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

During 2022, we determined that our prior year deferred revenue for MAP fund fees was overstated and the associated revenue related to prior periods was understated, resulting in immaterial errors in our previously issued financial statements. The overstatement of deferred revenue was the result of concluding, in error, that the related performance obligation had not yet been fulfilled, and that the revenue had not yet been earned. As a result, we have made certain corrections to adjust the liability and associated revenue in the consolidated balance sheet as of December 31, 2021 and the consolidated statement of operations and comprehensive income (loss) for the predecessor period from January 1, 2021 through August 31, 2021.

The cumulative effect of the adjustment to correct the misstatements in the financial statements for years prior to 2022 totaled $6.4 million, net of tax, and is reflected as an increase to retained earnings at January 1, 2022, on our Consolidated Statements of Changes in Stockholder's Equity. The correction is reflected as an $8.5 million decrease to deferred revenue – current, total current liabilities, total liabilities and stockholder's equity on our Consolidated Balance Sheets at December 31, 2021, and as increased advertising and promotional fund revenues, total revenues, and gross profit of $2.6 million, and a decrease to operating loss and net loss before income taxes of $2.6 million in our Consolidated Statements of Operations and Comprehensive Income (Loss). Additionally, there was an increase to the income tax provision of $0.6 million, and a $2 million decrease to net loss and comprehensive loss. The corrections had no impact to operating cash flows in the Consolidated Statements of Cash Flows.

We concluded that the effect of the error on prior period financial statements was immaterial but the effect of the correction is material to the current year consolidated financial statements. Prior year misstatements which, if corrected in the current year, would materially misstate the current year's financial statements, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior year financial statements. Correcting prior year financial statements for such immaterial misstatements does not require previously issued reports to be amended as they continue to be materially accurate. Users of our financial statements can continue to rely on the prior financial statements and the auditor's opinion thereon is not modified.

($000's)

The components of the change in deferred revenue are as follows:

For the period		**For the Year ended December 31, 2022**		September 1, 2021 through December 31, 2021		January 1, 2021 through August 31, 2021
				(Successor)		(Predecessor)
Balance at beginning of period	**$**	**72,091**	$	64,590	$	54,243
MAP fund fees received from franchise owners		**50,870**		12,579		23,724
MAP fund revenue recognized		**(50,870)**		(13,040)		(23,263)
Fees received from franchise owners		**26,170**		9,425		19,559
Franchise sales fee revenue recognized		**(20,655)**		(4,185)		(9,664)
Deferred revenue from acquisitions		**3,497**		-		-
Other changes in deferred revenue		**(739)**		2,722		(9)
Balance at end of period		**80,364**		72,091		64,590
Less: current portion		**15,688**		14,500		11,162
Deferred revenue noncurrent	**$**	**64,676**	$	57,591	$	53,428

Revenue deferred as of December 31, 2021 and recognized in the period from January 1, 2022 through December 31, 2022 was $12,893. Revenue deferred as of August 31, 2021 and recognized in the period from September 1, 2021 through December 31, 2021 (Successor) was $14,443. Revenue deferred as of December 31, 2020 (Predecessor) and recognized in the period from January 1, 2021 through August 31, 2021(Predecessor) was $17,126.

As of December 31, 2022, the deferred revenue expected to be recognized for each of the next five years and in the aggregate is as follows:

Years ending December 31,		
2023	$	15,688
2024		10,371
2025		9,888
2026		9,574
2027		9,095
Thereafter		25,748
	$	80,364

Direct, incremental selling expenses incurred when the franchise agreement is executed are recorded as a contract asset and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Consolidated Balance Sheets. For the year ended December 31, 2022, $6,843 of costs were paid and expense of $5,584 was recognized. For the period from September 1, 2021 through December 31, 2021 (Successor), $2,593 of costs were paid and expense of $1,068 was recognized. For the period from January 1, 2021 through August 31,2021 (Predecessor), $5,141 of costs were paid and expense of $2,337 was recognized. The ending asset for deferred contract costs as of December 31, 2022 was $20,025, of which $3,143 was current. The ending asset for deferred contract costs as of December 31, 2021 (Successor) was $17,514, of which $2,352 was current.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $22,669 for the year ended December 31, 2022. Advertising expense was $2,821 for the period from September 1, 2021 through December 31, 2021 (Successor) was $4,863 for the period from January 1, 2021 through August 31, 2021 (Predecessor). Advertising expense is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

Inventories

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: buildings (30 years) and building improvements (5-10 years), capped at the lease life for leasehold improvements; machinery, equipment, and vehicles (5-10 years); furniture and fixtures (5 years); and hardware and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the year ended December 31, 2022, the periods from September 1, 2021 through December 31, 2021 (Successor) or from January 1, 2021 through August 31, 2021 (Predecessor).

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance resulted from the acquisition of the Company as of September 1, 2021, and from the Company's acquisitions in the successor period, as discussed in Note 1

The Company performed a qualitative assessment of its goodwill as of October 1, 2022 and concluded that indicators of impairment existed for certain of its international brands, based on trends in financial performance. Additionally, upon measurement using present value techniques, the Company's weighted average cost of capital increased, due to increasing interest rates, combined with operating performance, unfavorably impacting the calculated fair value of those reporting units. Accordingly, a goodwill impairment charge of $51,454 was recorded in 2022.

Intangible Assets

Intangible assets consist of trademarks, franchise relationships, national accounts, insurance company relationships, customer relationships, re-acquired franchise rights, developed technology, copyrights, and domain name, and are stated at their estimated fair value as of the date of acquisition, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. No indicators of impairment were present for definite lived intangible assets in either the Successor or Predecessor periods.

Successor Period

Trademarks are amortized over their estimated useful life, which ranges from three years to 20 years, using the straight-line method. Franchise relationships, national accounts relationships, and insurance company relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Customer relationships are amortized over their estimated useful life of three to 10 years, using the straight-line method. Copyrights are amortized over their estimated useful life of five years, using the straight-line method. Developed technology is amortized over their estimated useful life of 3 years, using the straight-line method.

Domain names are stated at their estimated fair value at the date of acquisition, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1 in each of 2022 and 2021 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

Predecessor Period

Franchise relationships, insurance company relationships, national accounts, and developed technology are stated at their estimated fair value at the date of acquisition, less subsequent amortization. National accounts relationships and insurance company relationships were amortized over their estimated useful lives of 15 years using the straight-line method. Franchise relationships were amortized over their estimated useful life of 10-15 years using the straight-line method. Developed technology was amortized over the estimated useful life of 3 years.

Trademarks, systems-in-place, and domain names were each stated at their estimated fair value at the date of acquisition, less any recognized impairment losses, and trademarks acquired subsequent thereto, and were not amortized, as their useful lives were considered indefinite, but were subject to annual impairment testing. No impairment expense was recorded in the period from January 1, 2021 through August 31, 2021 (Predecessor).

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in tax expense in the period that includes the enactment date.

The Company establishes valuation allowances in accordance with the provisions of FASB ASC Topic 740, Income Taxes. The Company reviews the adequacy of any valuation allowance and recognizes tax benefits only when it is more likely than not that the benefits will be realized.

The Company measures, classifies, and discloses uncertain tax benefits in accordance with FASB ASC Topic 740-10, Income Taxes-Overall. The Company has elected to classify interest and penalties related to uncertain tax benefits as a component of income tax expense.

Equity-based Compensation

The Company accounts for equity-based compensation under FASB ASC Topic 718, Compensation-Stock Compensation. This pronouncement requires the measurement of all equity-based payments to employees using a fair-value-based method and the recording of such expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). The Company participates in an equity-based employee compensation plan, which is described more fully in Note 5.

Foreign Currency Translation

Consolidated entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in Canada, the United Kingdom (the "UK"), Germany and Austria. Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), primarily in general and administrative expense, and was immaterial in all periods presented.

Cash and Restricted Cash

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

Cash consists primarily of cash on hand and cash on deposit. Restricted cash includes funds held for the MAP funds and securitized cash held for principal and interest payments on deposit related to the Securitization Transaction.

($000's)

Cash and restricted cash as of December 31, consists of the following:

		2022		2021
Cash	$	**55,741**	$	49,317
Restricted Cash:				
Whole business securitization		**17,422**		13,405
MAP funds		**8,941**		10,063
Total cash and restricted cash	$	**82,104**	$	72,785

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

Fair Value of Financial Instruments and Non-financial Assets

In accordance with FASB ASC 820, Fair Value Measurements, certain assets and liabilities carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

Level 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company believes the carrying amounts of financial instruments as of December 31, 2022 and 2021, including cash, restricted cash, accounts receivable and accounts payable, approximate their fair values due to their short maturities. The Company's long-term debt and trade notes receivable bear interest at market rates. Thus, management believes their carrying amounts approximate fair value (Level 3).

The trade names, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships, customer relationships, national account relationships, and insurance company relationships were valued using the multi-period excess earnings method. Rollover equity was valued using a combination of Level 2 observable inputs including EBITDA multiples and public company comparables as well as discounted cash flow analysis of future projections. The future projections and estimates used to fair value the assets acquired in acquisitions are considered Level 3 inputs.

3. Debt Agreements

Through its wholly owned subsidiary, Neighborly Issuer LLC (the "Issuer"), the Company entered into the Securitization Transaction which was completed on March 25, 2021. In conjunction with the Securitization Transaction, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior

Secured Notes (the "Series 2022-1 Senior Notes"). The Series 2021-1 Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2 million and interest are paid quarterly. As of December 31, 2022, $788 million was outstanding on the Series 2021-1 Senior Notes. As of December 31, 2021 (Successor), $796 million was outstanding on the Series 2021-1 Senior Notes.

Additionally, the Securitization Transaction provided for a $10 million variable rate Delayed Draw Class A-1-LR Senior Note ("Series 2021-1 Class A-1 Notes"), with a final maturity date of April 30, 2051, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. As of December 31, 2022, no borrowings had been made on the Series 2021-1 Class A-1 Notes.

The Securitization Transaction also provided for a $30 million variable rate Class A-1-VFN Senior Note (the "VFN facility"), with a maturity date of April 30, 2026, and two one-year extension options. Interest on borrowings is paid quarterly at a rate of LIBOR, plus 266 basis points. For the year ended December 31, 2022, the Company had no borrowings on the facility. For the period from September 1, 2021 through December 31, 2021 (Successor), the Company, through the Issuer, borrowed and repaid $5 million on the facility during September 2021 (Successor), at an interest rate of 2.74%. There were no other borrowings under the VFN facility in either the Successor or Predecessor periods. As of December 31, 2022, issued and undrawn letters of credit under the VFN facility were $11.47 million. Undrawn letters of credit under the VFN facility incur interest at a rate of 2.66%, which is payable quarterly. As of December 31, 2022, availability on the VFN facility was $18.53 million, and no borrowings were outstanding. As of December 31, 2021, issued and undrawn letters of credit under the VFN facility were $7.75 million. Undrawn letters of credit under the VFN facility incur interest at a rate of 2.66%, which is payable quarterly. As of December 31, 2021, availability on the VFN facility was $22.25 million, and no borrowings were outstanding.

In conjunction with the Securitization Transaction, $20,283 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the effective interest method. For the period March 25, 2021 through August 31, 2021 (Predecessor) a total of $1,315 of previously capitalized deferred financing costs were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss). Upon the acquisition of the Company, and the application of ASC 805, the remaining deferred financing costs related to the Securitization Transaction had no fair value, and accordingly no costs were capitalized in the Successor period ended December 31, 2021.

On January 19, 2022, the Company, through the Issuer, issued $410 million Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction (the "Second Securitization Transaction"). The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1.03 million and interest are paid quarterly. As of December 31, 2022, $406.93 million was outstanding on the Series 2022-1 Senior Notes.

Additionally, the Second Securitization Transaction provided for a $4 million variable rate Delayed Draw Class A-1-LR Senior Note(the "Series 2022-1 Class A-1 Notes"), with a final maturity date of January 30, 2052, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. As of December 31, 2022, no draws had been made on the Series 2022-1 Class A-1 Notes.

In connection with the Second Securitization Transaction, issued and undrawn letters of credit on the VFN facility increased to $11.47 million.

In conjunction with the Second Securitization Transaction, $10,353 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the effective interest method. For the year ended December 31, 2022 a total of $1,447 of previously capitalized deferred financing costs related to the Second Securitization Transaction were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

The net proceeds from the Second Securitization Transaction, after transaction expenses, were distributed to Neighborly's parent company to extinguish debt incurred by the parent to fund the Company's acquisitions.

The Series 2021-1 Senior Notes, Series 2022-1 Senior Notes, the Series 2021-1 Class A-1 Notes, Series 2022-1 Class A-1 Notes, and VFN facility described above issued in conjunction with the Securitization Transaction and Second Securitization Transaction (together, the "Securitization Transactions") are secured by substantially all assets of Neighborly Issuer LLC and the other Securitization Entities, and guaranteed by the Issuer and such Securitization Entities, each of which is a bankruptcy remote entity and which owned substantially all of the Company's US intellectual property including trademarks, franchise agreements, national account relationships and systems-in-place, as well as the UK trademarks as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Series 2021-1 Senior Notes, Series 2022-1 Senior Notes, the Series 2021-1 Class A-1 Notes, and the Series 2022-1 Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transactions require, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2022 and 2021, the Issuer was in compliance with all debt-service coverage covenants.

On May 31, 2018, Harvest Partners VII, L.P. ("Harvest Partners"), and associated affiliates and co-investors, formed TDG Investments Holdings, LLC which, through other wholly owned subsidiaries acquired 100% of the shares of the Company. On that same date, the Company entered into a privately-placed uni-tranched lending facility (the "Previous Credit Agreement") to facilitate the acquisition of the Company by Harvest Partners.

As of March 25, 2021, subsequent to the Securitization Transaction, the Previous Credit Agreement was terminated and all outstanding amounts were repaid. A total of $8,488 of previously capitalized deferred financing costs were recognized in interest expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor), upon termination of the Previous Credit Agreement.

($000's)

Debt as of December 31, consists of the following:

	2022	2021
Series 2021-1 Senior Notes	**$ 788,000**	$ 796,000
Series 2022-1 Senior Notes	**406,925**	-
Vehicle notes acquired	**131**	-
Deferred financing costs – net	**(8,906)**	-
Total debt	**1,186,150**	796,000
Less current portion	**10,627**	8,000
Long-term debt	**$ 1,175,523**	$ 788,000

Future maturities of long-term debt as of December 31, 2022, are as follows:

Years ending December 31,	
2023	$ 10,627
2024	10,057
2025	10,461
2026	10,472
2027	10,468
Thereafter	1,134,065
	$ 1,186,150

4. Intangible Assets and Goodwill

Intangible assets as of December 31, 2022, consisted of the following:

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradenames	3-20 years	$ 995,347	$ 60,525	$ 934,822
Franchise relationships	15 years	610,292	53,481	556,811
National accounts	15 years	3,121	213	2,908
Insurance company relationships	15 years	2,300	204	2,096
Customer relationships	3-10 years	17,583	1,512	16,071
Franchise rights	1-7 years	12,200	1,777	10,423
Developed Technology	3 years	720	196	524
Copyrights	5 years	135	31	104
Total definite-lived intangibles		$ 1,641,698	117,939	$ 1,523,759

	Useful Life	Gross Amount	Accumulated Impairment	Net Amount
Domain name	Indefinite	1,314	-	1,314
Total indefinite-lived intangibles		$ 1,314	$ -	$ 1,314

($000's)

Intangible assets as of December 31, 2021, consisted of the following:

	Useful Life		Gross Amount		Accumulated Amortization		Net Amount
Tradenames	3-20 years	$	932,035	$	15,241	$	916,793
Franchise relationships	15 years		607,159		13,538		593,621
National accounts	15 years		2,327		118		2,209
Insurance company relationships	15 years		2,300		51		2,249
Customer relationships	3-10 years		5,785		160		5,625
Franchise rights	1-7 years		6,800		-		6,800
Developed Technology	3 years		400		44		356
Copyrights	5 years		151		7		144
Total definite-lived intangibles		$	1,556,957		29,159	$	1,527,798

	Useful Life		Gross Amount		Accumulated Impairment		Net Amount
Domain name	Indefinite		1,314		-		1,314
Total indefinite-lived intangibles		$	1,314	$	-	$	1,314

Amortization expense was $90,997 for the year ended December 31, 2022. Amortization expense was $29,107 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $10,536 for the period from January 1, 2021 through August 31, 2021 (Predecessor). Estimated amortization expense for the subsequent five years is as follows:

Years ending December 31,		
2023	$	96,418
2024		96,295
2025		95,473
2026		95,375
2027		94,529
Thereafter		1,045,669
	$	1,523,759

Goodwill

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the parent by KKR and from the Company's acquisitions in the successor period, as discussed in Note 1.

($000's)

The changes in the carrying amount of goodwill are as follows:

For the period	**Year ended December 31, 2022**	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)
Balance at beginning of period	**$ 2,069,311**	$ **-**	$ 385,109
Goodwill recorded from acquisitions	**168,868**	236,978	-
Net goodwill adjustments from prior year acquisitions	**(5,432)**	-	1,640
Successor goodwill recorded related to acquisition of the Company	-	1,833,258	-
Adjustment to goodwill for unrealized gain/loss on foreign currency	**(27,178)**	(925)	44
Goodwill impairment	**(51,454)**	-	-
Balance at end of period	**$ 2,154,115**	$ 2,069,311	$ 386,793

5. Equity-based Compensation

In September 2021, Nest Management LP, a co-investor with KKR, created a profits interest plan which provides for profits interest award grants of Nest Holdings LP and its subsidiaries. A total of 202,843,686 profits interests units were approved to be granted under the plan.

On October 27, 2021, and certain dates thereafter, Nest Management LP granted awards under the plan. The profits interests are exercisable only to the extent they are vested, and do not expire. Generally, vesting of a portion of the profits interests (50%) is subject to the passage of time; the remaining (50%) vest based on achievement of defined financial criteria upon a liquidity event of the Company. Based on continuous employment, time-based profits interest units vest 20% annually, for each of five years.

In May 2018, TDG Management Holdings, LP ("TDGMH"), a co-investor with Harvest Partners, created a profits interest program ("Previous Profits Interests Program") which provides for profits interest awards to be granted to officers, employees, or consultants of TDGMH or its subsidiaries. As of August 31, 2021, the plan terminated as a result of the change of control, and no units remained available for grant.

Commencing in May 2018, TDGMH granted certain employees common stock units under the Previous Profits Interest Program. Units granted under the Previous Profits Interest Program were exercisable only to the extent they were vested, and did not expire. Generally, vesting of a portion of the profits interests (25%) were subject to the passage of time; the balance (75%) vest based on TDG Investment Holdings, LP achieving defined financial goals upon a sale of the Company. The sale of the Company triggered accelerated vesting of all issued and outstanding grants in accordance with the terms of the Previous Profits Interest Program in the Predecessor period.

The Company accounts for equity-based compensation in accordance with ASC 718, Compensation-Stock Compensation, which requires the fair value of equity-based payments to be recognized in the consolidated statements as compensation expense over the requisite service period. For time-based awards, compensation expense is recognized on a straight-line basis, net of forfeitures which are recognized as they occur, over the requisite service period for awards that actually vest. For performance-based awards, compensation expense is estimated based on achievement of performance conditions and is recognized over the requisite service period for awards that actually vest. Equity-based compensation expense is recorded in the equity-based compensation line in the consolidated statements of operations.

($000's)

The average grant date fair value of awards under the Nest Management LP profits interest plan was determined using Monte-Carlo simulation, and was $0.33 per unit for awards in the year ended December 31, 2022, $0.22 per unit for awards in the period from September 1, 2021 through December 31, 2021 (Successor) and was $0.22 per unit for awards in the period from September 1, 2021 through December 31, 2021 (Successor). As of December 31, 2022 and 2021 no units were vested and exercisable. The average grant date fair value of awards under the Previous Profits Interest Plan was determined using a Black-Scholes methodology, and was $39.13 per unit for units awarded in the period from January 1, 2021 through August 31, 2021 (Predecessor). As of August 31, 2021 (Predecessor), all outstanding units vested as accelerated by the acquisition of the Company, and had an average grant date fair value of $24.05 per unit.

As of December 31, 2022, the weighted average remaining contractual life of outstanding time-based awards is 4.0 years. As of December 31, 2021 (Successor), the weighted average remaining contractual life of outstanding time-based awards is 4.7 years. Equity-based compensation expense recorded for the year ended December 31, 2022 was $3,414. Equity-based compensation expense recorded for the period from September 1, 2021 through December 31, 2021 (Successor) was $509 and for the period from January 1, 2021 through August 31, 2021 (Predecessor) was $22,376. As of December 31, 2022, unamortized stock compensation expense to be recognized in future years was $15,442.

	Number of Underlying Units
Outstanding –September 1, 2021 (Successor)	-
Granted	122,334,397
Forfeited	(304,266)
Redeemed	-
Outstanding – December 31, 2021 (Successor)	122,030,131
Granted	22,750,879
Forfeited	(6,535,051)
Redeemed	-
Outstanding – December 31, 2022	138,245,959
Vested and Exercisable – December 31, 2022	–

6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2022 and 2021, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years.

($000's)

A summary of trade notes receivable as of December 31 is as follows:

		2022		2021
Amounts due within one year, net of allowance for doubtful accounts of $230 as of December 31, 2022 and $144 as of December 31, 2021	**$**	**8,461**	$	**8,382**
Amounts due after one year, net of allowance for doubtful accounts of $466 as of December 31, 2022 and $297 as of December 31, 2021		**19,893**		**20,388**
Total trade notes receivable, net	**$**	**28,354**	$	**28,770**

An analysis of the changes in trade notes receivable is as follows:

For the period		**Year ended December 31, 2022**		September 1, 2021 through December 31, 2021		January 1, 2021 through August 31, 2021
				(Successor)		(Predecessor)
Gross trade notes receivable, beginning of period	**$**	**29,211**	$	-	$	34,577
Trade notes receivable from acquisitions		**1,982**		30,221		-
Principal payments received		**(13,965)**		(5,699)		(10,992)
Notes issued		**13,059**		4,737		10,546
Net write-offs		**(1,178)**		-		(864)
Foreign currency translation		**(59)**		(48)		37
Gross trade notes receivable, end of period		**29,050**		29,211		33,304
Allowance for doubtful accounts		**(696)**		(441)		(3,083)
Net trade notes receivable, end of period	**$**	**28,354**	$	28,770	$	30,221

($000's)

An analysis of the changes in the trade notes receivable allowance for doubtful accounts is as follows:

For the period		**Year ended December 31, 2022**		September 1, 2021 through December 31, 2021		January 1, 2021 through August 31, 2021
				(Successor)		(Predecessor)
Allowance, beginning of period	**$**	**441**	$	-	$	3,561
Provisions for bad debts		**1,413**		440		355
Net write-offs		**(1,178)**		-		(864)
Foreign currency translation		**20**		1		31
Allowance, end of period	**$**	**696**	$	441	$	3,083

Scheduled future maturities of trade notes receivable are as follows:

Years ending December 31,		
2023	$	8,691
2024		5,806
2025		4,995
2026		3,992
2027		2,716
Thereafter		2,850
	$	29,050

7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

		2022		2021
Land	**$**	**1,720**	$	1,237
Building and improvements		**32,536**		22,219
Machinery and equipment		**1,186**		4,951
Hardware		**4,616**		2,897
Software		**20,253**		12,675
Furniture and fixtures		**7,531**		991
Vehicles		**11,288**		6,686
Vehicles under financing lease		**7,940**		4,699
Total property and equipment		**87,070**		56,355
Less accumulated depreciation		**15,628**		2,809
Property and equipment – net	**$**	**71,442**	$	53,546

Depreciation expense was $13,946 for the year ended December 31, 2022. Depreciation expense was $2,959 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $4,440 for the period from January 1, 2021 through August 31, 2021 (Predecessor).

8. Leases

The Company's primary operating lease commitments consist of leases for office and retail space for its company-owned stores and for certain various corporate employees. The Company leases vehicles under financing lease agreements expiring at various dates through 2027.

As discussed in Note 1, we adopted ASC 842 effective January 1, 2022 using the modified retrospective adoption method, which resulted in no adjustment to opening retained earnings.

We utilized the modified retrospective option available in ASC 842, which allowed the continued application of the legacy guidance in ASC 840, including disclosure requirements, in the comparative periods presented in the year of adoption.

We determine whether an agreement contains a lease at inception based on our right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. Lease liabilities represent the present value of future lease payments and the right-of-use (ROU) assets represent our right to use the underlying assets for the respective lease terms.

The operating lease liability is measured as the present value of the unpaid lease payments and the ROU asset is derived from the calculation of the operating lease liability. Other than for leased vehicles, our leases do not generally provide an implicit rate and we use our incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow over a similar term, on a collateralized basis in a similar economic environment.

Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses allocated on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as lease expense in the period incurred. The ROU asset is adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities.

The components of lease cost are as follows (in thousands):

		For the Year ended December 31, 2022
Operating lease cost	$	7,406
Variable lease cost		365
Finance lease cost:		
Amortization of right-of-use assets		2,635
Interest on lease obligations		290
Total lease cost	$	10,696

The table below presents additional information related to the Company's leases as of December 31, 2022:

	As of December 31, 2022
Weighted average remaining lease term (in years):	
Operating leases	5.6
Finance leases	2.7
Weighted average discount rate:	
Operating leases	3.1%
Finance leases	6.0%

Other information related to leases, including supplemental disclosures of cash flow information, is as follows (in thousands):

		For the year ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	6,567
Operating cash flows from finance leases		184
Financing cash flows from finance leases		1,773
Right-of-use assets obtained in exchange for operating lease liabilities		8,507

Maturities of lease liabilities are as follows as of December 31, 2022 (in thousands):

Years ending December 31,	**Operating leases**	**Finance leases**	**Total**
2023	$ 7,444	$ 2,938	$ 10,382
2024	6,751	2,195	8,946
2025	5,661	1,072	6,733
2026	3,570	1,061	4,631
2027	2,047	129	2,176
Thereafter	6,276	-	6,276
Total lease payments	$ 31,749	$ 7,395	$ 39,144
Less: Interest	2,927	683	3,610
Total lease liabilities	$ 28,822	$ 6,712	$ 35,534
Less: Current lease liabilities	6,681	2,659	9,340
Non-current lease liabilities	$ 22,141	$ 4,053	$ 26,194

Rent expense for operating leases was $7,406 for the year ended December 31, 2022. Total lease cost was $10,696 for the year ended December 31, 2022, including finance lease costs and variable lease costs. Rent expense was $1,536 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $2,221 for the period from January 1, 2021 through August 31, 2021 (Predecessor), which amount was net of sublease rental income of $54 and $32, respectively.

Obligations under capital lease as of December 31, 2021 were as follows:	
Future minimum payments due under capital leases	**$ 5,502**
Less amounts representing interest	**423**
Present value of obligations under capital leases	**$ 5,079**
Current portion of obligations under capital leases	**1,696**
Long-term portion of obligations under capital leases	**$ 3,383**

($000's)

9. Income Taxes

The provision for income taxes is as follows:

	For the Year ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)
Current:			
Federal	$ 5,208	$ 573	$ 1,827
State	1,121	137	2,128
Foreign	4,191	1,072	5,521
Total current	10,520	1,782	9,476
Deferred:			
Federal	(30,205)	(3,202)	(10,172)
State	(5,763)	(398)	(2,006)
Foreign	(8,930)	(1,944)	(2,022)
Total deferred	(44,898)	(5,544)	(14,200)
Total tax benefit	$ (34,378)	$ (3,762)	$ (4,724)

A reconciliation of the provision for income taxes at statutory rates to the provision for income taxes at effective is as follows:

	For the Year ended December 31, 2022	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)
Federal income taxes at statutory rate	$ (14,726)	$ (3,906)	$ (19,898)
State taxes	(3,758)	(375)	(1,970)
Permanent differences	10,304	1,318	13,309
Foreign currency adjustment	(2,473)	-	-
Foreign taxes	-	92	115
Tax rate change	(1,098)	-	-
Foreign tax rate change	-	-	1,734
Deferred balance true-up	(435)	(1,224)	(987)
Trademark sale to SPV	(22,187)	-	-
Payables true-up	(40)	248	3,176
Other	35	85	(203)
Total tax benefit	$ (34,378)	$ (3,762)	$ (4,724)

($000's)

The Company's effective income tax rate is 49.03% for the year-ended December 31, 2022. The Company's effective income tax rate is 20.22% for the period from September 1, 2021 through December 31, 2021 (Successor) and 4.99% for the period from January 1, 2021 through August 31, 2021 (Predecessor). The Company's overall global effective income tax rate differs from the statutory US Federal income tax rate of 21.00% due to state income taxes and the state income tax rate change applied to the Company's net US deferred tax liabilities, impairments of GAAP goodwill for which no deferred income tax assets or liabilities are provided, as well as the US deferred income tax impact of the purchase of the Pimlico tradename by a Non-Franchisor SPV Entity within the Securitization Entities from a non-securitization entity, and true-ups to the beginning of the tax period accounts.

The components of deferred income tax assets and liabilities as of December 31 are as follows:

	2022	2021
Deferred tax assets:		
Accounts receivable allowance	**$ 355**	$ 322
Accrued expenses	**1,765**	3,453
Notes receivable allowance	**855**	904
Net operating loss carryforwards	**1,234**	2,897
Interest expense limitation	**18,462**	12,426
Deferred revenue	**13,084**	14,631
Operating lease liability	**7,912**	-
Other	**2,363**	2,284
Total deferred tax assets	**46,030**	36,917
Deferred tax liabilities:		
Prepaid expenses	**(901)**	(890)
Property and equipment	**(5,284)**	(6,202)
Intangible assets and goodwill	**(293,005)**	(340,396)
Interest rate swap	**(6)**	(6)
Operating lease right-of use assets	**(7,696)**	
Other	**(236)**	(128)
Total deferred tax liabilities	**(307,128)**	(347,622)
Net deferred tax liabilities	**$ (261,098)**	$ (310,705)

For the period ended December 31, 2022, no change was recorded for uncertain tax provisions, and the balance is $0. For the period from September 1, 2021 through December 31, 2021 (Successor), no change was recorded for uncertain tax provisions, and the balance recorded remains at $0. For the period from January 1, 2021 through August 31, 2021 (Predecessor), no change was recorded for uncertain tax provisions, and the balance recorded remained at $0. As of December 31, 2022, no interest or penalty has been accrued or recognized by the Company related to ASC 740 Income Taxes.

($000's)

The Company reported net operating losses in the following jurisdictions as of December 31:

Jurisdiction	2022	2021	Expiration
US Federal	$ -	$ 13,462	Indefinite
US State	15,371	45,764	Various
United Kingdom	-	112	Indefinite
Germany	1,462	-	Indefinite
Austria	12	46	Indefinite
Canada	-	2	20 Years
Total	$ 16,845	$ 59,386	

The Company files a US consolidated federal income tax return for Nest Holdings, Inc. and Subsidiaries which includes Neighborly Company. State returns are filed on either a separate company or consolidated return basis. The company also files separate returns where required for the various LLC entities. The Company's subsidiaries file income tax returns in Canada, Germany, the UK and Austria.

The Company files US state income tax returns in nearly every state in the US. Many of the state return filings reflect net operating loss carryovers computed on a post-apportionment basis, while several states compute operating loss carryovers on a pre-apportionment basis. The US state income tax effect of the net operating loss carryforwards, net of federal income tax, amounted to $810 and $1,963 at December 31, 2022 and 2021, respectively. The state net operating losses have varying carryover periods. The Company expects to fully utilize all net operating loss carryovers prior to expiration.

The Company has no current or pending US income tax examinations. US Federal income tax returns for years ended December 31, 2019, December 31, 2020, August 31, 2021 and December 31, 2021 remain open for examination. State income tax returns remain open for similar years, and several states having a longer statute remain open for examination. The Company has timely filed all federal and state income tax returns. The Company underwent a federal income tax audit for the year ended December 31, 2014. The audit was closed during June 2018 with no adjustments reported.

The UK entities have no prior or pending income tax examinations with Her (now, His) Majesty's Revenue and Customs ("HMRC"), the UK's tax, payments and customs authority. The UK corporation income tax process is one of self-assessment. Following filing of the tax return, HMRC has a period of (usually) 12 months in which to raise formal inquiries. These can range from simple information requests to detailed technical challenges over treatments adopted in the tax return. HMRC has made no requests. The UK December 31, 2021 corporate tax returns remain open for examination. The UK entities have timely filed all corporate income tax returns.

The German entities have no prior or pending income tax examinations with Bundeszentralamt für Steuern ("BZSt"), Germany's federal tax office. The statute of limitations in Germany for examination is four years from the end of the year in which the return was filed. The Germany entities' tax returns for years ended December 31, 2018 and forward remain open for examination. The German entities have timely filed all corporate income tax returns.

As of December 31, 2019 (Predecessor), the Company maintained a valuation allowance of $2,009. The valuation allowance represented a reserve against certain UK net deferred tax assets for which the Company believed the "more likely than not" criterion for recognition purposes could not be met. For the year ended December 31, 2020 (Predecessor), the Company recorded a valuation allowance release with respect to these UK net deferred tax assets, on the basis of the Company's reassessment of the "more likely than not" criterion. As of each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. In the period from January 1, 2021 through August 31, 2021 (Predecessor) the Company began utilizing net operating losses in the UK tax jurisdiction and continued to do so in the period from September 1, 2021 through December 31, 2021 (Successor). The Company fully utilized all remaining net operating losses in the year ended December 31, 2022. The net operating losses comprised the majority of the UK net deferred tax asset balance.

The Company included in its 2020 (Predecessor) tax calculations the provision of the CARES Act which allowed the five-year carryback provision for net operating losses. The CARES Act, signed into law on March 23, 2020, permitted a five year carryback of certain net operating losses. The Company maintained an approximate $30,000 net operating loss which was carried back in full. The net operating loss was carried to years prior to 2018, when the federal statutory rate was 35%. As a result, the Company realized a tax windfall of approximately $3,900 as reflected in the reconciliation of income tax expense. As of December 31, 2020 (Predecessor), approximately $5,200 of the refund claim was received and as of December 31, 2021 (Successor) the remaining $4,900 was received.

The US and foreign entities operate under transfer pricing agreements that control the pricing of intercompany management services, interest and royalties.

The Company has both the intent and ability to reinvest foreign earnings, therefore deferred tax liabilities have not been recorded on either unremitted earnings, components of other comprehensive income, or applicable foreign withholding taxes.

10. Related Party Transactions

On September 1, 2021, a Monitoring Agreement was entered into with Kohlberg Kravis Roberts & Co and Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Monitoring Agreement. For the period ending December 31, 2022, the Company recognized fees and expenses of $5,747 of which $4,517 is included in board fees and expenses and $1,230 in in deferred debt issuance costs, which is a reduction to long-term debt, in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). During the period from September 1, 2021 through December 31, 2021 (Successor), the Company recognized fees and expenses of $6,708, of which $6,323 is included in transaction costs and $385 is included in management and board fees and expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

On May 31, 2018, a Management Agreement was entered into with Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Management Agreement. During the period from January 1, 2021 through August 31, 2021 (Predecessor), the Company paid fees and expenses of $69,176, of which $60,326 is included in transaction costs in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) due to the acquisition of the Company; $6,172 is included in management and board fees and expenses and $2,678 was included in deferred financing costs, and is no longer capitalized.

A subsidiary of the Company is a party to a property lease agreement with an officer of the Company. Lease payments associated with this agreement totaled $217 for the year-ended December 31, 2022 and $70 for the period from September 1, 2021 through December 31, 2021 (Successor), and $141 for the period from January 1, 2021 through August 31, 2021 (Predecessor).

11. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2022 (Successor) and 2021 (Successor). Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

12. Employee Benefit Plan

The Company sponsors a 401(k) plan covering the majority of its employees. Plan participants may contribute up to 70% (subject to Internal Revenue Service limitations) of their annual compensation before taxes for investment in several specified alternatives. Employees are fully vested with respect to their contributions. The Company may match a percentage of employee contributions as determined at the discretion of the Board of Directors. Company contributions recognized totaled $2,261 for the year ended December 31, 2022, $2,549 for the period from September 1, 2021 through December 31, 2021 (Successor),$987 for the period from January 1, 2021 through August 31, 2021 (Predecessor).

13. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through March 31, 2023, which was the date the Company's financial statements were available to be issued.

Subsequent to the date of the financial statements, on February 3, 2023, the Company, through its indirect, wholly owned subsidiary, Neighborly Issuer LLC, issued $275 million Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction. The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687.5 and interest are paid quarterly.

Additionally, that securitization transaction provided for a $125 million variable rate facility with a maturity date of January 30, 2026 with two one-year extension options. Interest is paid quarterly at the Secured Overnight Financing Rate (SOFR), plus 350 basis points. The securitization transaction also provided for a $5.03 million variable rate Delayed Draw Class A-1-LR Senior Note, with a final maturity date of January 30, 2053, which is only available for limited purposes and cannot be drawn by Neighborly Issuer LLC. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. In connection with that securitization transaction, issued and undrawn letters of credit increased to $16.95 million.

Also on January 1, 2023, and certain dates thereafter, the Manager contributed to the Securitization Entities through a series of asset transfers to the SPV Guarantor, the Issuer, Assetco and its subsidiaries, substantially all of the intellectual property, as well as certain other assets and rights, acquired in 2022 in the business combinations with Lawn Pride and Junk King. The Manager, certain Securitization Entities and Non-Franchisor SPV Entities entered into a license agreement pursuant to which they granted a non-exclusive license to use Securitization intellectual property in connection with owning and operating company-owned locations in relation to Lawn Pride, Junk King, and Greensleeves.

The Series 2023-1 Senior Notes issued in conjunction with the securitization transaction are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities. Proceeds were distributed to Neighborly's parent company to extinguish debt incurred by the parent to fund the Company's acquisitions.

Neighborly Company and Subsidiaries

Consolidated Financial Statements

As of December 31, 2021 (Successor) and December 31, 2020 (Predecessor) and for the period from September 1, 2021 through December 31, 2021 (Successor), the period from January 1, 2021 through August 31, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor)

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Neighborly Company and Subsidiaries

Consolidated Financial Statements
As of December 31, 2021 (Successor) and December 31, 2020 (Predecessor) and for the period from September 1, 2021 through December 31, 2021 (Successor), the period from January 1, 2021 through August 31, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor)

Neighborly Company and Subsidiaries

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Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, TX 75201

Independent Auditor's Report

To the Board of Directors and Stockholder of
Neighborly Company and Subsidiaries
Waco, Texas

Opinion

We have audited the consolidated financial statements of Neighborly Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 (Successor) and 2020 (Predecessor), and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity, and cash flows for the period from September 1, 2021 through December 31, 2021 (Successor), the period from January 1, 2021 through August 31, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), 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 (Successor) and 2020 (Predecessor), and the results of its operations and its cash flows for the period from September 1, 2021 to December 31, 2021 (Successor), the period from January 1, 2021 to August 31, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor) 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, on September 1, 2021, certain investors acquired 100% of the shares of the parent of the Company. The financial information for the period subsequent to the change in control is presented on a different cost basis than that of the periods before the change and, therefore, is not comparable. Our report is not modified in respect to this matter.

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 issued or available to be issued.

Auditor's 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 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.

BDO USA LLP

Dallas, Texas
March 31, 2022

Consolidated Financial Statements

Neighborly Company and Subsidiaries

Consolidated Balance Sheets
($000's)

As of December 31,		2021 (Successor)		2020 (Predecessor)
Assets				
Current assets				
Cash	$	**49,317**	$	15,171
Restricted cash		**23,468**		5,258
Trade accounts receivable - net		**32,423**		24,895
Trade notes receivable - current portion - net		**8,382**		8,529
Inventories		**2,985**		1,175
Income tax receivable		**-**		8,088
Prepaid selling expenses - current		**2,352**		1,524
Other current assets		**6,576**		3,357
Total current assets		**125,503**		67,997
Property and equipment - net		**53,546**		22,401
Prepaid selling expenses - less current portion		**15,162**		11,273
Trade notes receivable - less current portion - net		**20,388**		22,487
Intangible assets - net		**1,529,112**		850,348
Goodwill		**2,075,705**		385,109
Deferred tax assets		**-**		7
Other non-current assets		**3,657**		1,399
Total assets	$	**3,823,073**	$	1,361,021

Neighborly Company and Subsidiaries

Consolidated Balance Sheets (continued)
($000's, except share and per share amounts)

As of December 31,	2021 (Successor)	2020 (Predecessor)
Liabilities and Stockholder's Equity		
Current liabilities		
Trade accounts payable	**$ 17,466**	$ 12,105
Accrued liabilities	**50,905**	35,753
Deferred revenue - current	**22,981**	14,685
Income Tax Payable	**496**	-
Current portion of long-term debt	**8,000**	3,014
Current portion of capital lease obligations	**1,696**	565
Total current liabilities	**101,544**	66,122
Long-term debt - less current portion	**788,000**	595,711
Capital lease obligations - less current portion	**3,383**	1,223
Deferred tax liabilities	**310,064**	154,943
Deferred revenue - less current portion	**57,591**	45,432
Other non-current liabilities	**7,236**	-
Commitments and Contingencies (Notes 9, 10 and 13)		
Stockholder's equity		
Common stock-par value $0.01 per share; 100 shares authorized, issued and outstanding	**-**	-
Additional paid-in capital	**2,576,318**	533,065
Accumulated deficit	**(14,841)**	(39,950)
Accumulated other comprehensive income (loss)	**(6,222)**	4,475
Total stockholder's equity	**2,555,255**	497,590
Total liabilities and stockholder's equity	**$ 3,823,073**	$ 1,361,021

See accompanying notes to consolidated financial statements

Neighborly Company and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss)
($000's)

	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)	Year Ended December 31, 2020 (Predecessor)
Revenues and income			
Franchise service fees	**$ 53,686**	$ 104,184	$ 119,527
Franchise sales fees	**4,185**	9,664	9,371
Sales of products and services	**53,714**	72,438	84,146
Advertising and promotional fund revenue	**15,172**	25,233	32,202
Interest and other	**12,652**	18,954	24,728
Total revenues and income	**139,409**	230,473	269,974
Cost of products and services	**38,416**	51,709	59,096
Gross Profit	**100,993**	178,764	210,878
Selling expense	**4,947**	11,894	15,516
General and administrative expense	**45,928**	63,756	82,770
Advertising and promotional fund expense	**14,805**	25,114	32,062
Equity-based compensation expense	**509**	22,376	971
Depreciation and amortization	**32,066**	14,976	19,429
Management and board fees and expenses	**571**	6,541	4,156
Transaction costs	**10,591**	99,886	5,367
Loss on impairment	**-**	-	18,293
Bad debt expense	**301**	783	2,263
Operating income (loss)	**(8,725)**	(66,562)	30,051
Other expenses			
Interest	**9,878**	30,797	39,628
Total other expenses	**9,878**	30,797	39,628
Net loss before income taxes	**(18,603)**	(97,359)	(9,577)
Income tax benefit	**(3,762)**	(5,365)	(4,236)
Net loss	**(14,841)**	(91,994)	(5,341)
Other comprehensive income (loss)			
Foreign currency translation adjustment	**(6,222)**	(3,456)	4,828
Comprehensive loss	**$ (21,063)**	$ (95,450)	$ (513)

See accompanying notes to consolidated financial statements.

Neighborly Company and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity
($000's, except share amounts)

	Common Stock		*Additional Paid - In*	*Accumulated*	*Accumulated Other Comprehensive*	
	Shares	*Amount*	*Capital*	*Deficit*	*Income (Loss)*	*Total*
Balance - December 31, 2019 (Predecessor)	100	$ -	$ 521,350	$ (34,609)	$ (353)	$ 486,388
Equity rollover	-	-	10,443	-	-	10,443
Equity contribution	-	-	301	-	-	301
Equity-based compensation	-	-	971	-	-	971
Foreign currency translation adjustment	-	-	-	-	4,828	4,828
Net loss	-	-	-	(5,341)	-	(5,341)
Balance - December 31, 2020 (Predecessor)	100	$ -	$ 533,065	$ (39,950)	$ 4,475	$ 497,590
Distribution	-	-	(163,771)	-	-	(163,771)
Equity-based compensation	-	-	22,376	-	-	22,376
Foreign currency translation adjustment	-	-	-	-	(3,456)	(3,456)
Net loss	-	-	-	(91,994)	-	(91,994)
Balance - August 31, 2021 (Predecessor)	100	$ -	$ 391,670	$ (131,944)	$ 1,019	$ 260,745
Balance - September 1, 2021 (Successor)	-	-	-	-	-	-
Equity contribution for acquisition of the Company	100	-	2,141,993	-	-	2,141,993
Distribution to parent	-	-	(29,197)	-	-	(29,197)
Equity contribution	-	-	429,733	-	-	429,733
Equity contribution for acquisitions	-	-	33,280	-	-	33,280
Equity-based compensation	-	-	509	-	-	509
Foreign currency translation adjustment	-	-	-	-	(6,222)	(6,222)
Net loss	-	-	-	(14,841)	$ -	(14,841)
Balance - December 31, 2021 (Successor)	100	$ -	$ 2,576,318	$ (14,841)	$ (6,222)	$ 2,555,255

See accompanying notes to consolidated financial statements.

Neighborly Company and Subsidiaries

Consolidated Statements of Cash Flows
($000's)

	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)	Year Ended December 31, 2020 (Predecessor)
Operating activities			
Net loss	$ **(14,841)**	$ (91,994)	$ (5,341)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	**32,066**	14,976	19,429
Amortization of deferred financing costs	**-**	1,756	2,512
Loss on impairment	**-**	-	18,293
Debt issuance costs written off	**-**	8,488	-
Bad debt expense	**301**	783	2,263
Notes received	**(4,737)**	(10,546)	(15,910)
Deferred income taxes	**(5,544)**	(14,200)	1,533
(Gain) loss on disposal of equipment	**(9)**	98	-
Equity-based compensation	**509**	22,376	971
Changes in assets and liabilities, net of business acquisitions:			
Trade accounts receivable	**137**	(5,297)	(227)
Inventories	**(845)**	(333)	(8)
Prepaid selling expenses and other assets	**(1,703)**	(4,661)	(5,863)
Trade accounts payable	**(444)**	491	4,511
Accrued liabilities	**(101,718)**	106,211	70
Other non-current liabilities	**(1,543)**	4,496	-
Income tax receivable	**5,796**	3,272	(6,829)
Deferred revenue	**6,854**	12,902	19,552
Net cash provided by (used in) operating activities	**(85,721)**	48,818	34,956
Investing activities			
Acquisitions, net of cash received	**(316,018)**	-	(118,711)
Purchase of property, equipment and other assets	**(3,980)**	(7,994)	(7,652)
Acquisitions of intangible assets	**-**	67	(1,357)
Collections of notes receivable	**5,699**	10,992	14,739
Net cash provided by (used in) investing activities	**(314,299)**	3,065	(112,981)
Financing activities			
Equity contribution	**429,733**	-	301
Distributions paid	**(29,197)**	(163,771)	-
Deferred financing costs paid	**(1,282)**	(19,017)	(996)
Payments on revolver	**(5,000)**	(39,550)	(39,550)
Proceeds from revolver	**5,000**	24,550	54,550
Payments on long-term borrowings	**(2,595)**	(595,137)	(6,337)
Proceeds from long-term borrowings	**-**	800,686	71,062
Net cash provided by financing activities	**396,659**	7,761	79,030
Effect of foreign currency translation on cash	**(1,152)**	(2,775)	741
Net increase (decrease) in cash and restricted cash	**(4,513)**	56,869	1,746
Cash and restricted cash - Beginning of period	**77,298**	20,429	18,683
Cash and restricted cash - End of period	$ **72,785**	$ 77,298	$ 20,429
Supplemental cash flow disclosures:			
Cash paid (refunds received) for income taxes	$ **(5,089)**	$ 3,101	$ (362)
Cash paid for interest	$ **7,384**	$ 18,106	$ 37,084
Non-cash equity contribution for acquisition of the Company	$ **2,141,993**	$ -	$ -
Non-cash equity contribution for acquisitions	$ **33,280**	$ -	$ 10,443
Contingency retained on cash paid for acquisitions	$ **-**	$ -	$ 2,375

See accompanying notes to consolidated financial statements.

($000's)

1. Organization and Description of Business

Organization and Description of Business

Neighborly Company and Subsidiaries ("we", "our", "Neighborly" and the "Company") is a Delaware corporation and is the parent company of a number of franchisors and related supporting businesses operating in the United States and internationally which include the following companies: Mr. Rooter, Rainbow International, Mr. Electric, Aire Serv, Mr. Appliance, Glass Doctor, Grounds Guys, Molly Maid, Mr. Handyman, Five Star Painting, Mosquito Joe, Real Property Management, Window Genie, HouseMaster, Dryer Vent Wizard, ShelfGenie, Precision Door Service, Restoration 1, ZorWare, Drain Doctor, Locatec, Countrywide, Bright and Beautiful, Dream Doors, and ProTradeNet.

In addition, the Company owns and operates non-franchisor entities as follows: Portland Glass, which offers auto, home, and business glass repair and replacement through company owned stores located in Maine, Vermont, and New Hampshire; Pimlico Plumbers, which offers repair and maintenance services, concentrated in central London; and Plumb Enterprises, which offers full plumbing, drain and sewer cleaning services, excavation, and repairs to customers.

Acquisition of the Company

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources. Consideration consisted of $1,914,164 of cash to the sellers and equity rollover with a fair value of $227,829. The Company elected to apply push down accounting as a result of the change in ownership of the Company. The purchase price has been allocated to the assets acquired and liabilities assumed by the Company and its subsidiaries based on independent valuation studies and management estimates of their fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations, on September 1, 2021 (the "Date of Acquisition").

The purchase price was allocated as follows:	
Working capital	$ (35,306)
Debt assumed, net	(831,861)
Notes receivable	30,222
Property and equipment	25,805
Trademarks	826,800
Franchise relationships	608,200
National account relationships	2,350
Insurance company relationships	2,300
Goodwill	1,839,652
Other assets	15,843
Other liabilities	(54,222)
Deferred income taxes, net	(287,790)
Total consideration transferred	$ 2,141,993

($000's)

Debt assumed includes a provisional amount of $6,283 for tax refund liability which is subject to change and for which accounting is incomplete, and is the estimated payable to the predecessor parent for realization of the tax benefit of net operating losses, which affects a similar amount of provisional goodwill. The Company will utilize the permitted one-year measurement period to adjust, as necessary, this estimate to the acquisition-date fair value of this provisional amount.

The goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company does not expect to deduct any of the goodwill for tax purposes.

Throughout this document we refer to Successor and Predecessor. The term "Successor" refers to the Company following the Date of Acquisition, and the term "Predecessor" refers to the Company prior to the Date of Acquisition. The financial statements and footnotes include a black-line division, which appears between the columns titled Predecessor and Successor, and signifies that the amounts shown for the periods prior to and following the acquisition are not comparable.

The Company incurred acquisition costs and equity-based compensation of $78,386 and $22,376, respectively, all of which is included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor). In addition, the Company recorded expenses of $21,500 which were contingent upon the closing of the acquisition, which is included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor).

Acquisitions

During 2021, the Company acquired Pimlico Plumbers in September, Top Drawer Components in November, Plumb Enterprises in December, and repurchased two of its previously franchised Mr. Rooter territories in December, each of which operates in the home services industry. The purchase price of the acquisitions of $353,573, comprised of $320,403 of cash, consideration payable of $150, consideration receivable of $260, and $33,280 of rollover equity, has been allocated to the assets acquired and liabilities assumed by the Company based on independent valuation studies and management estimates of their fair value in accordance with FASB ASC Topic 805, Business Combinations, on the date of acquisition. The Company acquired 100% ownership of these entities, or acquired certain assets, to gain control and access to the intellectual property of each.

The total purchase price was allocated as follows:		
Working capital	$	(2,362)
Capital lease obligations		(3,727)
Other long-term assets		2,101
Property and equipment		27,042
Tradenames		108,560
Franchise rights		6,800
Copyright		155
Customer relationships		5,907
Goodwill		236,978
Deferred tax liability		(27,881)
Total consideration transferred	$	353,573

($000's)

A provisional amount is estimated for the deferred tax liability which is subject to change and for which accounting is incomplete, which affects a similar amount of provisional goodwill. The Company will utilize the permitted one-year measurement period to adjust, as necessary, this estimate to the acquisition-date fair value of this provisional amount.

The goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company expects to be able to deduct goodwill of $166,260 for tax purposes. Transaction costs totaling $10,591 were paid at closing and are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

During 2020, the predecessor Company acquired Dryer Vent Wizard in February, HouseMaster in June, Restoration 1 in August, ShelfGenie in September, and Precision Door Service in December, each of which operates in the home services industry. The purchase price of the acquisitions of $131,897, comprised of $119,079 of cash, net of $2,375 contingency holdback, and $10,443 of rollover equity, has been allocated to the assets acquired and liabilities assumed by the predecessor Company based on third-party valuation studies and management estimates of their fair value in accordance with FASB ASC Topic 805, Business Combinations, on the date of acquisition. The predecessor Company acquired 100% ownership of these entities to gain access to the intellectual property of each.

The total purchase price was allocated as follows:		
Working capital	$	180
Notes receivable		1,284
Property and equipment		935
Tradename		49,800
Systems-in-place		10,900
Developed technology		3,600
Franchise relationships		31,461
Goodwill		50,415
Deferred tax liability		(16,678)
Total consideration transferred	$	131,897

The predecessor Company expected to be able to deduct goodwill of $20,497 for tax purposes. Transaction costs totaling $5,367 were paid at closing and are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. ASU 2016-02 leaves the accounting for leases by lessors largely unchanged from previous GAAP. The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. Also, ASU 2018-20 provides certain narrow-scope improvements to Topic 842 as it relates to lessors. The ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company will adopt this standard during the year ending December 31, 2022 and is currently evaluating the impact this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other, which simplifies the test for goodwill impairment by removing the second step of the two-step impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. For nonpublic entities, the standard is effective for annual periods beginning after December 15, 2022 with early application permitted for tests performed after January 1, 2017. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In December 2019, the FASB released ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The FASB has stated that the ASU is being issued as part of its Simplification Initiative, which is meant to reduce complexity in accounting standards by improving certain areas of GAAP without compromising information provided to users of financial statements. The standard is effective for annual periods beginning after December 15, 2021 with early adoption permitted. The Company will adopt this standard during the year ending December 31, 2022 and is currently evaluating the impact this guidance will have on its consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which was an update of ASU 2020-04, and was issued in response to concerns about structural risks of interbank offered rates, and particularly the risk of cessation of LIBOR. Regulators have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or are transaction based and less susceptible to manipulation. ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. ASU 2020-04 is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2021-01 clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The amendments in this update become effective no later than December 31, 2022, for all entities. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805) which amends Topic 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and liabilities in a business combination. ASU 2021-08 is effective for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. Early adoption is permitted. The Company adopted the provisions of ASU 2021-08 for 2021.

Principles of Consolidation and Variable Interest Entities

The accompanying consolidated financial statements as of December 31, 2021 (Successor) and 2020 (Predecessor) include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, *Consolidation,* applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the power to direct activities of a VIE that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Neighborly Assetco LLC ("Assetco") is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly (the "Manager").

Assetco's subsidiaries are comprised of a number of franchisors and related supporting businesses operating in the United States and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Neighborly Service Solutions SPV LLC, Back Office SPV LLC and G-O Manufacturing SPV LLC (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of Assetco.

Assetco holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the trademarks and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain trademarks, certain product supply agreements, certain vendor agreements and the office service agreements.

Neighborly SPV Guarantor LLC, Neighborly Issuer LLC, and Neighborly Assetco LLC (collectively with the SPV Franchisors and the Non-Franchisor SPV Entities are referred to as "Securitization Entities") were formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 (see Note 3).

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly is the primary beneficiary, having both power and benefits, of the Securitization Entities and accordingly, consolidation is concluded.

Reclassifications

Certain reclassifications have been made to conform prior year balances to the current year presentation. Direct labor and related costs have been included in Cost of products and services in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), for both the Successor and Predecessor periods. None of the reclassifications affected our net loss in the prior year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition, Accounts Receivable, Notes Receivable, and Allowances

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;
- Franchise fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;
- Incentives earned from services performed for unrelated third parties;
- Sales of products and services to unrelated third parties;
- Interest generated from notes receivable;
- Marketing, advertising and promotional ("MAP") fund fees are collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. Our performance obligations under franchise agreements consist of providing a license of our brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation. Revenue related to franchise agreements is recognized evenly over the term of the agreement with the exception of variable or sales-based royalties, MAP fund fees and revenue allocated to goods and services distinct from the franchise right.

In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due. Interest on trade notes receivable is recorded as income when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners. Allowances for doubtful trade accounts receivable and trade notes receivable are provided based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Franchise service fee revenues represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.

($000's)

When we are determined to be the principal in these arrangements, advertising fund contributions and expenditures are reported on a gross basis in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Our obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual brands. In North America, any unspent fees collected must be refunded to franchise owners if the MAP fund is terminated. Therefore, MAP fees in North America are deemed earned and recorded when the expenses of the MAP fund are incurred. The impact is generally an offsetting increase to both revenue and expense with little, if any, impact on operating income (loss). The Company's European Brands do not have the same provisions on the MAP funds and these revenues are recognized in the period in which the sales occur.

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Contract Balances

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being recognized into revenue, amounts related to pending agreements, deferred MAP fees that have not yet been spent, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, excluding amounts of variable consideration related to sale-based royalties and advertising. The deferred MAP fees and other deferred revenues not related to the franchise agreements are included in current deferred revenue.

The components of the change in deferred revenue are as follows:

For the period	**September 1, 2021 through December 31, 2021**	January 1, 2021 through August 31, 2021	Year ended December 31, 2020
	(Successor)	(Predecessor)	(Predecessor)
Balance at beginning of period	**$ 73,071**	$ 60,117	$ 40,311
MAP fund fees received from franchise owners	**12,579**	23,724	33,859
MAP fund revenue recognized	**(13,040)**	(20,656)	(32,202)
Fees received from franchise owners	**9,425**	19,559	26,942
Franchise sales revenue recognized	**(4,185)**	(9,664)	(9,371)
Other changes in deferred revenue	**2,722**	(9)	578
Balance at end of period	**80,572**	73,071	60,117
Less: current portion	**22,981**	19,643	14,685
Deferred revenue noncurrent	**$ 57,591**	$ 53,428	$ 45,432

Revenue deferred as of December 31, 2020 (Predecessor) and recognized in the period from January 1, 2021 through August 31, 2021(Predecessor) was $14,519. Revenue deferred as of August 31, 2021 and recognized in the period from September 1, 2021 through December 31, 2021(Successor) was $14,443.

($000's)

As of December 31, 2021 (Successor), the deferred revenue expected to be recognized for each of the next five years and in the aggregate is as follows:

Years ending December 31,		
2022	$	22,981
2023		8,465
2024		8,334
2025		8,112
2026		7,813
Thereafter		24,867
	$	80,572

Direct, incremental selling expenses paid when the franchise agreement is executed are recorded as a contract asset and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in prepaid selling expenses in the accompanying Consolidated Balance Sheets. For the period from September 1, 2021 through December 31, 2021 (Successor), $2,593 of costs were paid and expense of $1,068 was recognized. For the period from January 1, 2021 through August 31, 2021 (Predecessor), $5,141 of costs were paid and expense of $2,337 was recognized. In 2020 (Predecessor), $7,221 of costs were paid and expense of $2,265 was recognized. The ending asset for deferred contract costs as of December 31, 2021 (Successor) was $17,514, of which $2,352 was current. The ending asset for deferred contract costs as of December 31, 2020 (Predecessor) was $12,797, of which $1,524 was current.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $2,821 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $4,863 for the period from January 1, 2021 through August 31, 2021 (Predecessor). Advertising expense was $5,435 for the year ended December 31, 2020 (Predecessor).

Inventories

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: buildings (30 years) and building improvements (5-10 years); machinery, equipment, and vehicles (5-10 years); furniture and fixtures (5 years); and hardware and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred. Management evaluates long-lived assets used in operations for impairment when indications of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses were recorded during the periods from September 1, 2021 through December 31, 2021 (Successor) or from January 1, 2021 through August 31, 2021 (Predecessor). No impairment losses were recorded for the year ended December 31, 2020 (Predecessor).

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance resulted from the acquisition of the Company as of September 1, 2021, and from the Company's acquisitions in the successor period, as discussed in Note 1. The Company performed a qualitative assessment of its goodwill as of October 1, 2021 and concluded it is not more likely than not that the fair value of its reporting units is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary. Management's annual impairment test for 2020 was performed as of October 1, 2020, and management determined that there was no impairment of goodwill in the consolidated financial statements.

Intangible Assets

Intangible assets consist of trademarks, systems-in-place, domain name, franchise relationships, customer relationships, national accounts, insurance company relationships, copyrights and developed technology, and are stated at their estimated fair value as of the date of acquisition, less subsequent amortization.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. No indicators of impairment were present for definite lived intangible assets in either the Successor or Predecessor periods.

<u>Successor Period</u>

Trademarks are amortized over their estimated useful life, which ranges from three years to 20 years, using the straight-line method. Franchise relationships, national accounts relationships, and insurance company relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Customer relationships are amortized over their estimated useful life of three to 10 years, using the straight-line method. Copyrights are amortized over their estimated useful life of five years, using the straight-line method. Developed technology is amortized over their estimated useful life of 3 years, using the straight-line method.

Domain names are stated at their estimated fair value at the date of acquisition, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1, 2021 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

Predecessor Period

Franchise relationships, insurance company relationships, national accounts, and developed technology are stated at their estimated fair value at the date of acquisition, less subsequent amortization. National accounts relationships and insurance company relationships were amortized over their estimated useful lives of 15 years using the straight-line method. Franchise relationships were amortized over their estimated useful life of 10-15 years using the straight-line method. Developed technology was amortized over the estimated useful life of 3 years.

Trademarks, systems-in-place, and domain names were each stated at their estimated fair value at the date of acquisition, less any recognized impairment losses, and trademarks acquired subsequent thereto, and were not amortized, as their useful lives were considered indefinite, but were subject to annual impairment testing. No impairment expense was recorded in the period from January 1, 2021 through August 31, 2021 (Predecessor). Impairment expense of $18,293 was recorded in 2020 (Predecessor).

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in tax expense in the period that includes the enactment date.

The Company establishes valuation allowances in accordance with the provisions of FASB ASC Topic 740, *Income Taxes*. The Company reviews the adequacy of any valuation allowance and recognizes tax benefits only when it is more likely than not that the benefits will be realized.

The Company measures, classifies, and discloses uncertain tax benefits in accordance with FASB ASC Topic 740-10, *Income Taxes-Overall*. The Company has elected to classify interest and penalties related to uncertain tax benefits as a component of income tax expense.

Equity-based Compensation

The Company accounts for equity-based compensation under FASB ASC Topic 718, *Compensation-Stock Compensation*. This pronouncement requires the measurement of all equity-based payments to employees using a fair-value-based method and the recording of such expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). The Company participates in an equity-based employee compensation plan, which is described more fully in Note 5.

Foreign Currency Translation

Consolidated entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in Canada, the U.K., Germany and Austria. Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into U.S. dollars by remittance or repayment, the realized exchange differences are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

($000's)

Cash and Restricted Cash

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

Cash consists primarily of cash on hand and cash on deposit. Restricted cash includes funds held for the MAP funds and securitized cash held on deposit for the Securitization Transaction.

Cash and restricted cash as of December 31, consists of the following:

	2021 (Successor)	2020 (Predecessor)
Cash	$ 49,317	$ 15,171
Restricted Cash:		
Whole business securitization	13,405	-
MAP funds	10,063	5,258
Total cash and restricted cash	$ 72,785	$ 20,429

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

Fair Value of Financial Instruments and Non-financial Assets

In accordance with FASB ASC 820, *Fair Value Measurements,* certain assets and liabilities carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

Level 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company believes the carrying amounts of financial instruments as of December 31, 2021 (Successor) and 2020 (Predecessor), including cash, restricted cash, accounts receivable and accounts payable, approximate their fair values due to their short maturities. The Company's long-term debt and trade notes receivable bear interest at market rates. Thus, management believes their carrying amounts approximate fair value (Level 3).

The trade names, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships, customer relationships, national account relationships, and insurance company relationships were valued using the multi-period excess earnings method. Rollover equity was valued using a combination of Level 2 observable inputs including EBITDA multiples and public company comparables as well as discounted cash flow analysis of future projections. The future projections and estimates used for the valuations are considered Level 3 inputs.

3. Debt Agreements

Through its wholly owned subsidiary, Neighborly Issuer LLC (the "Issuer"), the Company entered into a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021. In conjunction with the Securitization Transaction, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Senior Notes"). The Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2 million and interest are paid quarterly. As of December 31, 2021 (Successor), $796 million was outstanding on the Senior Notes.

Additionally, the Securitization Transaction provided for a $10 million variable rate Delayed Draw Class A-1-LR Senior Note ("Class A-1 Notes"), with a final maturity date of April 30, 2051, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. As of December 31, 2021, no draws had been made on the Class A-1-LR facility.

The Securitization Transaction also provided for a $30 million variable rate Class A-1-VFN Senior Note (the "VFN facility"), with a maturity date of April 30, 2026, and two one-year extension options. Interest on borrowings is paid quarterly at a rate of LIBOR, plus 266 basis points. For the period from September 1, 2021 through December 31, 2021 (Successor), the Company, through the Issuer, borrowed and repaid $5 million on the facility during September 2021 (Successor), at an interest rate of 2.74%. There were no other borrowings under the VFN facility in either the Successor or Predecessor periods. As of December 31, 2021, issued and undrawn letters of credit under the VFN facility were $7.75 million. Undrawn letters of credit under the VFN facility incur interest at a rate of 2.66%, which is payable quarterly. As of December 31, 2021, availability on the VFN facility was $22.25 million, and no borrowings were outstanding.

The Senior Notes, the Class A-1 Notes, and VFN facility described above issued in conjunction with the Securitization Transaction are secured by substantially all assets of Neighborly Issuer LLC and the other Securitization Entities, and guaranteed by the Issuer and such Securitization Entities, each of which is a bankruptcy remote entity and which owned substantially all of the Company's U.S. intellectual property including trademarks, franchise agreements, national account relationships and systems-in-place, as well as the U.K. trademarks as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Senior Notes and the Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transaction requires, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2021, the Issuer was in compliance with all debt-service coverage covenants.

In conjunction with the Securitization Transaction, $20,283 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the effective interest method. For the period March 25, 2021 through August 31, 2021 (Predecessor) a total of $1,315 of previously capitalized deferred financing costs were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss). Upon the acquisition of the Company, and the application of ASC 805, the remaining deferred financing costs related to the Securitization Transaction had no fair value, and accordingly no costs are capitalized in the Successor period.

The net proceeds from the Securitization Transaction, after transaction expenses, were distributed to the Company to repay substantially all of its outstanding indebtedness and to terminate all commitments thereunder as well as to pay $160,808 of equity distributions.

On May 31, 2018, Harvest Partners VII, L.P. ("Harvest Partners"), and associated affiliates and co-investors, formed TDG Investments Holdings, LLC which, through other wholly owned subsidiaries acquired 100% of the shares of the Company. On that same date, the Company entered into a privately-placed uni-tranched lending facility (the "Previous Credit Agreement") to facilitate the acquisition of the Company by Harvest Partners. The Previous Credit Agreement and its subsequent amendments provided for, among other things, (a) a term loan with a commitment of $505,822 ("Term Loan"), (b) a revolver of $40,000 ("Revolver"), and (c) a Delayed Draw Term Loan Commitment ("DDTL") of $100,000, all of which were due May 31, 2024. The Previous Credit Agreement was secured by substantially all assets of the Company and its subsidiaries. The agreement required, among other things, maintenance by the Company of minimum levels of leverage to EBITDA ratio. As of December 31, 2020 (Predecessor), the Company was in compliance with all covenants.

Interest on all borrowings under the Previous Credit Agreement were paid quarterly. The Previous Credit Agreement bore interest at a rate per annum equal to the Adjusted Eurocurrency Rate for the applicable Interest Period plus the Applicable Margin or the Alternate Base Rate ("ABR") plus the Applicable Margin, as elected by the Company. The applicable margin varied dependent upon the Total Net Leverage Ratio of the Company. The premium on the Term Loan, DDTL and Revolver was 5.25% for Eurocurrency based loans as of December 31, 2020 (Predecessor). The effective interest rate as of December 31, 2020 (Predecessor) was 5.4%, for the Term Loan and DDTL. As of December 31, 2020 (Predecessor), the outstanding balance on the revolver was $15 million, consisting of one draw at an interest rate of 5.395%. Availability on the revolver as of December 31, 2020 (Predecessor) was $24,550, and outstanding letters of credit were $450.

In 2020 (Predecessor), the Company made four draws totaling $70,000 on the Delayed Draw Term Loan Commitment. In conjunction with the new borrowings under the Previous Credit Agreement in 2020 (Predecessor), transaction fees of $788, were capitalized as deferred financing costs, to be amortized over the term of the debt agreement using the effective interest method. A total of $2,512 of capitalized costs were amortized to interest expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (loss) in 2020 (Predecessor).

As of March 25, 2021, subsequent to the Securitization Transaction, the Previous Credit Agreement was terminated and all outstanding amounts were repaid. A total of $8,488 of previously capitalized deferred financing costs were recognized in interest expense in the accompanying Consolidated

($000's)

Statements of Operations and Comprehensive Income (Loss) for the period from January 1, 2021 through August 31, 2021 (Predecessor), upon termination of the Previous Credit Agreement.

Debt as of December 31, consists of the following:

		2021 (Successor)		2020 (Predecessor)
Term Loan and DDTL	$	-	$	592,654
Revolver		-		15,000
Class A-2 Senior Notes		796,000		-
Deferred financing costs – net		-		(8,929)
Total debt		796,000		598,725
Less current portion		8,000		3,014
Long-term debt	$	788,000	$	595,711

Future maturities of long-term debt as of December 31, 2021 (Successor), are as follows:

Years ending December 31,		
2022	$	8,000
2023		8,000
2024		8,000
2025		8,000
2026		8,000
Thereafter		756,000
	$	796,000

4. Intangible Assets and Goodwill

Intangible assets as of December 31, 2021 (Successor), consisted of the following:

	Useful Life		Gross Amount		Accumulated Amortization		Net Amount
Tradenames	3-20 years	$	932,035	$	15,241	$	916,793
Franchise relationships	15 years		607,159		13,538		593,621
National accounts	15 years		2,327		118		2,209
Insurance company relationships	15 years		2,300		51		2,249
Customer relationships	3-10 years		5,785		160		5,625
Franchise rights	1-7 years		6,800		-		6,800
Developed Technology	3 years		400		44		356
Copyrights	5 years		151		7		144
Total definite-lived intangibles		$	1,556,957		29,159	$	1,527,798

	Useful Life		Gross Amount		Accumulated Impairment		Net Amount
Domain name	Indefinite		1,314		-		1,314
Total indefinite-lived intangibles		$	1,314	$	-	$	1,314

($000's)

Intangible assets as of December 31, 2020 (Predecessor), consisted of the following:

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Franchise relationships	10-15 years	$ 204,691	$ 30,307	$ 174,384
Insurance company relationships	15 years	1,890	325	1,565
National accounts	15 years	15,266	2,629	12,637
Developed technology	3 years	3,600	25	3,575
Total definite-lived intangibles		$ 225,447	$ 33,286	$ 192,161

	Useful Life	Gross Amount	Accumulated Impairment	Net Amount
Trademarks	Indefinite	$ 567,478	$ 22,919	$ 544,559
Systems-in-place	Indefinite	117,170	4,856	112,314
Domain name	Indefinite	1,314	-	1,314
Total indefinite-lived intangibles		$ 685,962	$ 27,775	$ 658,187

Amortization expense was $29,107 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $10,536 for the period from January 1, 2021 through August 31, 2021 (Predecessor). Amortization expense was $13,313 for the year ended December 31, 2020 (Predecessor). Estimated amortization expense for the subsequent five years is as follows:

Years ending December 31,	
2022	$ 89,806
2023	89,737
2024	89,614
2025	88,810
2026	88,802
Thereafter	1,081,030
	$ 1,527,798

Goodwill

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the parent by KKR.

($000's)

The changes in the carrying amount of goodwill are as follows:

For the period		**September 1, 2021 through December 31, 2021**		**January 1, 2021 through August 31, 2021**		Year ended December 31, 2020
		(Successor)		(Predecessor)		(Predecessor)
Balance at beginning of period	**$**	**-**	$	385,109	$	334,536
Goodwill adjustments recorded from prior year acquisitions		**-**		1,640		-
Adjustment recorded for unrealized gain/loss on foreign currency		**(925)**		44		158
Successor goodwill recorded related to acquisition of the Company		**1,839,652**		-		-
Goodwill recorded from acquisitions		**236,978**		-		50,415
Balance at end of period	**$**	**2,075,705**	$	386,793	$	385,109

5. Equity-based Compensation

In September 2021, Nest Management LP, a co-investor with KKR, created a profits interest plan which provides for profits interest award grants to officers, employees, and consultants of Nest Holdings LP and its subsidiaries. A total of 202,843,686 profits interests units were approved to be granted under the plan.

On October 27, 2021, and certain dates thereafter, Nest Management LP granted awards under the plan. The profits interests are exercisable only to the extent they are vested, and do not expire. Generally, vesting of a portion of the profits interests (50%) is subject to the passage of time; the remaining (50%) vest based on achievement of defined financial criteria upon a liquidity event of the Company. Based on continuous employment, time-based profits interest units vest 20% annually, for each of five years.

In May 2018, TDG Management Holdings, LP ("TDGMH"), a co-investor with Harvest Partners, created a profits interest program ("Previous Profits Interests Program") which provides for profits interest awards to be granted to officers, employees, or consultants of TDGMH or its subsidiaries. As of August 31, 2021 , the plan terminated as a result of the change of control, and no units remained available for grant.

Commencing in May 2018, TDGMH granted certain employees common stock units under the Previous Profits Interest Program. Units granted under the Previous Profits Interest Program were exercisable only to the extent they were vested, and did not expire. Generally, vesting of a portion of the profits interests (25%) were subject to the passage of time; the balance (75%) vest based on TDG Investment Holdings, LP achieving defined financial goals upon a sale of the Company. The sale of the Company triggered accelerated vesting of all issued and outstanding grants in accordance with the terms of the Previous Profits Interest Program in the Predecessor period.

($000's)

The Company accounts for equity-based compensation in accordance with ASC 718, Compensation-Stock Compensation, which requires the fair value of equity-based payments to be recognized in the consolidated statements as compensation expense over the requisite service period. For time-based awards, compensation expense is recognized on a straight-line basis, net of forfeitures, over the requisite service period for awards that actually vest. For performance-based awards, compensation expense is estimated based on achievement of performance conditions and is recognized over the requisite service period for awards that actually vest. Equity-based compensation expense is recorded in the equity-based compensation line in the consolidated statements of operations.

The average grant date fair value of awards under the Nest Management LP profits interest plan was determined using Monte-Carlo simulation, and was $0.22 per unit for awards in the period from September 1, 2021 through December 31, 2021 (Successor), all of which units are unvested as of December 31, 2021. The average grant date fair value of awards under the Previous Profits Interest Plan was determined using a Black-Scholes methodology, and was $39.13 per unit for units awarded in the period from January 1, 2021 through August 31, 2021 (Predecessor). As of August 31, 2021 (Predecessor), all outstanding units vested as accelerated by the acquisition of the Company, and had an average grant date fair value of $24.05 per unit. The average grant date fair value of unvested awards as of December 31, 2020 was $20.50 per unit.

As of December 31, 2021 (Successor), the weighted average remaining contractual life of outstanding time-based awards is 4.7 years. Equity-based compensation expense recorded for the period from September 1, 2021 through December 31, 2021 (Successor) was $509 and for the period from January 1, 2021 through August 31, 2021 (Predecessor) was $22,376. For the year ended December 31, 2020 (Predecessor), equity-based compensation expenses recorded was $971. As of December 31, 2021 (Successor), unamortized stock compensation expense to be recognized in future years was $15,965.

	Number of Underlying Units
Outstanding – December 31, 2019 (Predecessor)	850,043
Granted	102,090
Forfeited	(31,327)
Redeemed	-
Outstanding – December 31, 2020 (Predecessor)	920,806
Granted	191,334
Forfeited	(87,272)
Redeemed	(1,024,868)
Outstanding – August 31, 2021 (Predecessor)	–
Granted	122,334,397
Forfeited	(304,266)
Redeemed	-
Outstanding – December 31, 2021 (Successor)	122,030,131
Vested and Exercisable – December 31, 2021 (Successor)	–

($000's)

6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2021 (Successor) and 2020 (Predecessor), bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years.

A summary of trade notes receivable as of December 31 is as follows:

	2021	2020
	(Successor)	(Predecessor)
Amounts due within one year, net of allowance for doubtful accounts of $144 as of December 31, 2021 (Successor) and $1,079 as of December 31, 2020 (Predecessor)	**$ 8,382**	$ **8,529**
Amounts due after one year, net of allowance for doubtful accounts of $297 as of December 31, 2021 (Successor) and $2,482 as of December 31, 2020 (Predecessor)	**20,388**	**22,487**
Total trade notes receivable, net	**$ 28,770**	$ **31,016**

An analysis of the changes in trade notes receivable is as follows:

For the period	**September 1, 2021 through December 31, 2021**	January 1, 2021 through August 31, 2021	Year ended December 31, 2020
	(Successor)	(Predecessor)	(Predecessor)
Gross trade notes receivable, beginning of period	**$ -**	$ 34,577	$ 32,943
Trade notes receivable from acquisitions	**30,221**	-	1,284
Principal payments received	**(5,699)**	(10,992)	(14,739)
Notes issued	**4,737**	10,546	15,910
Net write-offs	**-**	(864)	(893)
Foreign currency translation	**(48)**	37	72
Gross trade notes receivable, end of period	**29,211**	33,304	34,577
Allowance for doubtful accounts	**(441)**	(3,083)	(3,561)
Net trade notes receivable, end of period	**$ 28,770**	$ 30,221	$ 31,016

($000's)

An analysis of the changes in the trade notes receivable allowance for doubtful accounts is as follows:

For the period	**September 1, 2021 through December 31, 2021**	January 1, 2021 through August 31, 2021	Year ended December 31, 2020
	(Successor)	(Predecessor)	(Predecessor)
Allowance, beginning of period	**$ -**	$ 3,561	$ 3,276
Provisions for bad debts	**440**	355	1,151
Net write-offs	**-**	(864)	(893)
Foreign currency translation	**1**	31	27
Allowance, end of period	**$ 441**	$ 3,083	$ 3,561

Scheduled future maturities of trade notes receivable are as follows:

Years ending December 31,	
2022	$ 8,526
2023	5,624
2024	5,088
2025	4,245
2026	3,011
Thereafter	2,717
	$ 29,211

7. Trade Accounts Receivable

An analysis of the changes in the trade accounts receivable allowance for doubtful accounts is as follows:

For the period	**September 1, 2021 through December 31, 2021**	January 1, 2021 through August 31, 2021	Year ended December 31, 2020
	(Successor)	(Predecessor)	(Predecessor)
Allowance, beginning of period	$ -	$ 1,920	$ 2,081
Allowance from acquisitions	-	-	102
Provision for bad debts	-	428	1,112
Net write-offs	-	(439)	(1,408)
Foreign currency translation	-	(12)	33
Allowance, end of period	$ -	$ 1,897	$ 1,920

($000's)

Changes in the trade accounts receivable allowance for doubtful accounts in the period from September 1, 2021 through December 31, 2021 (Successor) were immaterial.

8. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

	2021 (Successor)	2020 (Predecessor)
Land	$ 1,237	$ 1,237
Building and improvements	22,219	10,840
Machinery and equipment	4,951	1,080
Hardware	2,897	6,370
Software	12,675	12,155
Furniture and fixtures	991	1,406
Vehicles	6,686	62
Vehicles under capital lease	4,699	3,732
Total property and equipment	56,355	36,882
Less accumulated depreciation	2,809	14,481
Property and equipment – net	$ 53,546	$ 22,401

Depreciation expense was $2,959 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $4,440 for the period from January 1, 2021 through August 31, 2021 (Predecessor). Depreciation expense was $6,116 for the year ended December 31, 2020 (Predecessor).

9. Operating Lease Commitments

The Company's primary operating lease commitments consist of leases for office and retail space for its company-owned stores and office space for certain various corporate employees. The Company also subleases certain properties. Rent expense is recognized on a straight-line basis over the terms of the leases.

Future minimum rental payments under all operating leases, net of subleases, with initial or remaining non-cancelable terms in excess of one year as of December 31, 2021 (Successor), are as follows:

Years ending December 31,	Lease Obligations	Sublease Rentals	Net Obligation
2022	$ 6,179	$ (47)	$ 6,132
2023	5,463	(32)	5,431
2024	4,666	-	4,666
2025	4,476	-	4,476
2026	3,007	-	3,007
Thereafter	6,305	-	6,305
Total	$ 30,096	$ (79)	$ 30,017

($000's)

Rent expense was $1,536 for the period from September 1, 2021 through December 31, 2021 (Successor) and was $2,221 for the period from January 1, 2021 through August 31, 2021 (Predecessor), which amount was net of sublease rental income of $54 and $32, respectively. Rent expense was $2,947 for the year ended December 31, 2020 (Predecessor), which amount was net of sublease rental income of $62.

10. Capital Lease Commitments

The Company leases vehicles under capital lease agreements expiring at various dates through 2026. The Company had $4,174 and $1,787 in leased property at net book value under capital leases as of December 31, 2021 (Successor) and 2020 (Predecessor), respectively.

As of December 31, 2021 (Successor), the future minimum rental payments under capital leases are as follows:

Years ending December 31,		
2022	$	1,924
2023		2,087
2024		1,288
2025		198
2026		5
Thereafter		-
	$	5,502

Obligations under capital leases are recorded at the present value of future lease payments of the leased property and reflect imputed interest rates generally ranging from 2.81% to 14.31% as of December 31, 2021 (Successor), and from 2.81% to 3.25% as of December 31, 2020 (Predecessor). Capital lease obligations of $3,727 were assumed through business combinations in 2021. Obligations under capital lease as of December 31 are as follows:

		2021		2020
		(Successor)		(Predecessor)
Future minimum payments due under capital leases	**$**	**5,502**	$	2,000
Less amounts representing interest		**423**		212
Present value of obligations under capital leases	**$**	**5,079**		1,788
Current portion of obligations under capital leases		**1,696**		565
Long-term portion of obligations under capital leases	**$**	**3,383**	$	1,223

($000's)

11. Income Taxes

The provision for income taxes is as follows:

	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)	Year Ended December 31, 2020 (Predecessor)
Current:			
Federal	$ **573**	$ 1,280	$ (8,336)
State	**137**	2,034	515
Foreign	**1,072**	5,521	2,052
Total current	**1,782**	8,835	(5,769)
Deferred:			
Federal	**(3,202)**	(10,172)	5,067
State	**(398)**	(2,006)	194
Foreign	**(1,944)**	(2,022)	(3,728)
Total deferred	**(5,544)**	(14,200)	1,533
Total tax benefit	$ **(3,762)**	$ (5,365)	$ (4,236)

A reconciliation of the provision for income taxes at statutory rates to the provision for income taxes at effective is as follows:

	September 1, 2021 through December 31, 2021 (Successor)	January 1, 2021 through August 31, 2021 (Predecessor)	Year Ended December 31, 2020 (Predecessor)
Federal income taxes at statutory rate	$ **(3,906)**	$ (20,445)	$ (2,011)
State taxes	**(375)**	(2,064)	658
Permanent differences	**1,318**	13,309	886
Foreign taxes	**92**	115	(201)
Valuation allowance	**-**	-	(2,009)
Foreign tax rate change	**-**	1,734	-
Deferred balance true-up	**(1,224)**	(987)	2,365
NOL carryback	**-**	-	(3,866)
Payables true-up	**248**	3,176	-
Other	**85**	(203)	(58)
Total tax benefit	$ **(3,762)**	$ (5,365)	$ (4,236)

($000's)

The Company's effective income tax rate is 20.22% for the period from September 1, 2021 through December 31, 2021 (Successor) and 5.45% for the period from January 1, 2021 through August 31, 2021 (Predecessor). The Company's effective income tax rate was 44.23% for the year ended December 31, 2020 (Predecessor). The effective income tax rate differs from the statutory U.S. Federal income tax rate of 21.00% due to state income taxes, additions related to ASC 740-10, and true ups to the beginning of the tax period accounts.

The components of deferred income tax assets and liabilities as of December 31 are as follows:

	2021 (Successor)	2020 (Predecessor)
Deferred tax assets:		
Accounts receivable allowance	$ 322	$ 336
Accrued expenses	3,453	2,599
Notes receivable allowance	904	974
Net operating loss carryforwards	3,346	3,710
Interest expense limitation	12,618	8,438
Deferred revenue	14,631	5,021
Other	2,284	620
Total deferred tax assets	37,558	21,698
Deferred tax liabilities:		
Prepaid expenses	(890)	(649)
Property and equipment	(6,202)	(1,680)
Intangible assets and goodwill	(340,396)	(174,305)
Interest rate swap	(6)	-
Other	(128)	-
Total deferred tax liabilities	(347,622)	(176,634)
Net deferred tax liabilities	$ (310,064)	$ (154,936)

For the period from September 1, 2021 through December 31, 2021 (Successor), no change was recorded for uncertain tax provisions, and the balance recorded remains at $0. For the period from January 1, 2021 through August 31, 2021 (Predecessor), no change was recorded for uncertain tax provisions, and the balance recorded remained at $0. As of December 31, 2021 (Successor), no interest or penalty has been accrued or recognized by the Company related to ASC 740 Income Taxes.

The statute of limitations for Federal purposes is open for the 2018, 2019, and 2020 fiscal years and for state income tax purposes the open statutes range from the 2016 through 2020 fiscal years. The Company underwent a federal income tax audit for the year ended December 31, 2014. The audit was closed during June 2018 with no adjustments reported. Neither the Company nor any of its foreign subsidiaries are presently under an income tax examination.

($000's)

The Company reported net operating losses in the following jurisdictions as of December 31:

Jurisdiction		2021		2020	Expiration
		(Successor)		(Predecessor)	
US Federal	$	**13,462**	$	-	Indefinite
US State		**45,764**		29,212	Various
United Kingdom		**112**		13,260	Indefinite
Austria		**46**		30	20 Years
Canada		**2**		-	20 Years
Total	$	**59,386**	$	42,502	

As of December 31, 2019 (Predecessor), the Company maintained a valuation allowance of $2,009. The valuation allowance represented a reserve against certain United Kingdom net deferred tax assets for which the Company believed the "more likely than not" criterion for recognition purposes could not be met. For the year ended December 31, 2020 (Predecessor), the Company recorded a valuation allowance release with respect to these United Kingdom net deferred tax assets, on the basis of the Company's reassessment of the "more likely than not" criterion. As of each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. In the period from January 1, 2021 through August 31, 2021 (Predecessor) the Company began utilizing net operating losses in the United Kingdom tax jurisdiction and continued to do so in the period from September 1, 2021 through December 31, 2021 (Successor). In addition, the Company expects to fully utilize all remaining net operating losses in the next tax year, based upon the Company's forecasts. The net operating losses comprise the majority of the United Kingdom net deferred tax asset balance.

The Company included in its 2020 (Predecessor) tax calculations the provision of the CARES Act which allowed the five-year carryback provision for net operating losses. The CARES Act, signed into law on March 23, 2020, permitted a five year carryback of certain net operating losses. The Company maintained an approximate $30,000 net operating loss which was carried back in full. The net operating loss was carried to years prior to 2018, when the federal statutory rate was 35%. As a result, the Company realized a tax windfall of approximately $3,900 as reflected in the reconciliation of income tax expense. As of December 31, 2020 (Predecessor), approximately $5,200 of the refund claim was received and as of December 31, 2021 (Successor) the remaining $4,900 was received.

The Company has both the intent and ability to reinvest foreign earnings, therefore deferred tax liabilities have not been recorded on either unremitted earnings or applicable foreign withholding taxes.

12. Related Party Transactions

On September 1, 2021, a Monitoring Agreement was entered into with Kohlberg Kravis Roberts & Co and Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Monitoring Agreement. During the period from September 1, 2021 through December 31, 2021 (Successor), the Company recognized fees and expenses of $6,708, of which $6,323 is included in transaction costs and $385 is included in management and board fees and expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

On May 31, 2018, a Management Agreement was entered into with Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Management Agreement. During the period from January 1, 2021 through August 31, 2021 (Predecessor), the Company paid fees and expenses of $69,176, of which $60,326 is included in transaction costs in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) due to the acquisition of the Company; $6,172 is included in management and board fees and expenses and $2,678 was included in deferred financing costs, and is no longer capitalized. During 2020 (Predecessor), the Company paid fees and reimbursed expenses of $5,680, primarily included in management and board fees and expenses along with a portion included in transaction costs, in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

A subsidiary of the Company is a party to a property lease agreement with an officer of the Company. Lease payments associated with this agreement totaled $70 for the period from September 1, 2021 through December 31, 2021 (Successor), $141 for the period from January 1, 2021 through August 31, 2021 (Predecessor), and $211 in 2020 (Predecessor).

13. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, *Contingencies*. Accordingly, no liabilities have been accrued for these matters as of December 31, 2021 (Successor) and 2020 (Predecessor). Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

14. Employee Benefit Plan

The Company sponsors a 401(k) plan covering the majority of its employees. Plan participants may contribute up to 70% (subject to Internal Revenue Service limitations) of their annual compensation before taxes for investment in several specified alternatives. Employees are fully vested with respect to their contributions. The Company may match a percentage of employee contributions as determined at the discretion of the Board of Directors. Company contributions recognized totaled $2,549 for the period from September 1, 2021 through December 31, 2021 (Successor), $987 for the period from January 1, 2021 through August 31, 2021 (Predecessor), and $1,613 in 2020 (Predecessor).

15. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through March 31, 2022, which was the date the Company's financial statements were available to be issued.

Subsequent to the date of the financial statements, on January 19, 2022, the Company, through its indirect, wholly owned subsidiary, Neighborly Issuer LLC, issued $410 million Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction. The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1.025 million and interest are paid quarterly.

Additionally, that securitization transaction provided for a $4 million variable rate Delayed Draw Class A-1-LR Senior Note, with a final maturity date of January 30, 2052, which is only available for limited purposes and cannot be drawn by Neighborly Issuer LLC. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. In connection with that securitization transaction, issued and undrawn letters of credit increased to $11.02 million.

Also on January 19, 2022, and certain dates thereafter, the Manager contributed to the Securitization Entities through a series of asset transfers to the SPV Guarantor, the Issuer, Assetco and its subsidiaries, substantially all of the intellectual property, as well as certain other assets and rights, acquired in 2021 in the business combinations with Pimlico Plumbers, Plumb Enterprises, Top Drawer Components, and certain Mr. Rooter territories repurchased from franchise owners in 2021 and 2022. The Manager, certain Securitization Entities and Non-Franchisor SPV Entities entered into a license agreement pursuant to which they granted a non-exclusive license to use Securitization intellectual property in connection with owning and operating company-owned U.K. locations in relation to Pimlico Plumbers.

The Series 2022-1 Senior Notes issued in conjunction with the securitization transaction are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities. Proceeds were distributed to Neighborly's parent company to extinguish debt incurred by the parent to fund the Company's acquisitions.

EXHIBIT D

PARENT GUARANTEE

GUARANTEE OF PERFORMANCE

For value received, NEIGHBORLY ASSETCO LLC, a Delaware limited liability company (the "Guarantor"), located at 1010 North University Parks Drive, Waco, Texas 76707, absolutely and unconditionally guarantees to assume the duties and obligations of **JUNK KING SPV LLC**, a Delaware limited liability company, located at 1616 Gilbreth Road, Burlingame, California 94010 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Waco, Texas on the 1st day of April, 2023.

Guarantor: NEIGHBORLY ASSETCO LLC

By: ______________________

Jon Shell, Chief Financial Officer

EXHIBIT E

CURRENT FRANCHISEES
IN THE UNITED STATES AS OF DECEMBER 31, 2022

Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
AL	Junk King Alabaster	Jeff McPeters	64 Highway 265, Suite 505	Alabaster, AL 35007	(205) 754-7695
AL	Junk King Birmingham	Jeff McPeters	2217 Finley Boulevard	Birmingham, AL 35234	(205) 686-4599
AR	Junk King Northwest Arkansas	Mike Needham	3307 S.W. 14th Street, Suite A	Bentonville, AR 72712	(479) 345-5061
AZ	Junk King Gilbert	Michael Sanford	2270 S. Airport Boulevard, Suite 3	Chandler, AZ 85286	(480) 841-8001
AZ	Junk King Mesa	Marnie Prince	2105 S. Hardy Drive, Suite 2	Tempe, AZ 85282	(480) 681-6515
AZ	Junk King Phoenix	Marnie Prince	2115 W. Shangri-La Road, Suite 6	Phoenix, AZ 85029	(480) 719-4471
AZ	Junk King Surprise	Marnie Prince	9543 W. Sahuaro Drive	Peoria, AZ 85345	(623) 404-8586
AZ	Junk King Tucson	Marnie Prince	1870 W. Prince Road #64	Tucson, AZ 85705	(520) 873-9622
CA	Junk King Alameda	Krishna Vepa	15010 Wicks Boulevard, Unit B	San Leandro, CA 94577	(510) 371-0075
CA	Junk King Bakersfield	Wes Burgess	6000 Schirra Court, Suite A	Bakersfield, CA 93313	(661) 228-8399
CA	Junk King Contra Costa	Krishna Vepa	4049 First Street, Suite 241	Livermore, CA 94551	(925) 289-8511
CA	Junk King Fresno	Wes Burgess	2890 N. Larkin Ave #101	Fresno, CA 93727	(559) 205-7118
CA	Junk King Gold Country	Greg Lymath	124 Clydesdale Court, Suite B	Grass Valley, CA 95945	(530) 924-0412
CA	Junk King Inland Empire	Ed Young	10022 6th Street, Unit K	Rancho Cucamonga, CA 91730	(909) 343-5865
CA	Junk King LA South Bay	Jeff Wong	2908 Oregon Court, Suite I-1	Torrance, CA 90503	(310) 929-1771
CA	Junk King Long Beach	Ed Young	17121 S. Central Avenue, Unit 2J	Carson, CA 90746	(562) 352-1457
CA	Junk King Los Angeles	Ed Young	2660 Pacific Park Drive	Whittier, CA 90601	(909) 332-3964

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
CA	Junk King Marin	Matt Verga	851 Irwin Street #214	San Rafael, CA 94901	(707) 744-4254
CA	Junk King Monterey	Mario Guzman	455 Reservation Road, Suite A	Marina, CA 93933	(831) 233-3531
CA	Junk King Orange County	Lee Turrini	9272 Jeronimo Road, #108	Irvine, CA 92618	(949) 485-5547
CA	Junk King Orange County North	Lee Turrini	9272 Jeronimo Road, #108	Irvine, CA 92618	(949) 485-5547
CA	Junk King Peninsula	Michael Andreacchi	555 Price Avenue, Suite 250	Redwood City, CA 94063	(650) 394-7484
CA	Junk King Riverside	Ed Young	1710 Palmyrita Avenue, Unit #9	Riverside, CA 92507	(951) 383-3757
CA	Junk King Sacramento	John McCue	12181 Folsom Boulevard, Suite A	Rancho Cordova, CA 95742	(916) 378-4344
CA	Junk King San Diego	Bruce Stone	2735 Via Orange Way, Suite 104	Spring Valley, CA 91978	(619) 376-2477
CA	Junk King San Diego North	John Bonavita	2794 Loker Avenue W., Suite 107	Carlsbad, CA 92010	(760) 444-4704
CA	Junk King San Fernando Valley	Art Adi	10041 Canoga Avenue, Unit B	Chatsworth, CA 91311	(818) 275-5851
CA	Junk King San Francisco	Michael Andreacchi	1485 Bayshore Boulevard, #225	San Francisco, CA 94124	(415) 335-7970
CA	Junk King San Jose	Kevin Zouzounis	2842 S Bascom Avenue	San Jose, CA 95124	(408) 912-1063
CA	Junk King Santa Clarita	Roland Lopez	29435 The Old Road	Castaic, CA 91384	(661) 689-5093
CA	Junk King South San Francisco	Michael Andreacchi	171 Industrial Way	Brisbane, CA 94005	(650) 382-4489
CA	Junk King Stockton	Carlos Duenas	3448 S. Highway 99 Frontage Road, Suite 14	Stockton, CA 95215	(209) 227-6501
CA	Junk King Temecula	Justin Oakley	26048 Wickerd Road	Menifee, CA 92584	(951) 330-3623
CO	Junk King Boulder	Paul Durant	5485 Conestoga Court, Suite 110K	Boulder, CO 80301	(720) 702-9332
CO	Junk King Colorado Springs	John Busby	8680 Shoup Road	Colorado Springs, CO 80908	(719) 694-5250
CO	Junk King Denver	David Donovan	190 E. 9th Avenue, Suite 540	Denver, CO 80203	(720) 458-1398

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
CO	Junk King Denver South	David Donovan	2401 S. Raritan	Englewood, CO 80110	(720) 571-8229
CO	Junk King Fort Collins	Paul Durant	1719 E. Mulberry Street, #9	Fort Collins, CO 80524	(970) 808-0073
CT	Junk King Connecticut	Jeff Schwartz	132 Pepes Farm Road, Unit 1	Milford, CT 06460	(203) 349-6326
DC	Junk King Washington DC	Daniel Graham	7361 Lockport Place, Suite M	Lorton, VA 22079	(703) 348-8214
FL	Junk King Boca Raton	Keith Rafferty	1140 Holland Drive, Suite 8	Boca Raton, FL 33487	(561) 944-2650
FL	Junk King Fort Lauderdale	Melissa Michel	881 NE 30th Street	Oakland Park, FL 33334	(954) 514-9333
FL	Junk King Jacksonville	Bryan Anderson	2727 Clydo Road, Unit 6	Jacksonville, FL 32207	(904) 474-5767
FL	Junk King Jupiter	Sharon Konieczko	1559 S. Cypress Drive, Unit 3	Jupiter, FL 33469	(561) 944-8212
FL	Junk King Miami North	Eduardo Morales	10760 N.W. 138th Street, Unit 4	Hialeah Gardens, FL 33018	(786) 837-9775
FL	Junk King Miami South	Jordi Martinez	10715 S.W. 190th Street, Suite 7	Cutler Bay, FL 33157	(786) 350-3000
FL	Junk King Naples	Shauna Posca	3945 Tollhouse Drive, Unit 908	Naples, FL 34114	(239) 351-1419
FL	Junk King Ocala	Michelle Bryant	7175 S Pine Avenue, Suite D	Ocala, FL 34480	(352) 770-7503
FL	Junk King Orlando	Jason Anderson	3038 N. John Young Parkway, Unit 32	Orlando, FL 32804	(407) 284-4899
FL	Junk King Palm Beach	Sharon Konieczko	1650 Latham Road, Unit 2	West Palm Beach, FL 33409	(561) 537-5799
FL	Junk King Sarasota	Tomas Jasek	6260 Colan Place, Unit A	Sarasota, FL 34240	(941) 256-0044
FL	Junk King St. Petersburg	David Eby	8596 Seminole Boulevard	Seminole, FL 33772	(727) 888-5676
FL	Junk King Tallahassee	Kelly Miller	225 E. Pershing Street	Tallahassee, FL 32301	(850) 391-6214
FL	Junk King Tampa	David Eby	5432 56th Commerce Park Boulevard	Tampa, FL 33610	(813) 377-2988
GA	Junk King Atlanta North	Harry Van Buren	1712 Lumpkin Campground Road South	Dawsonville, GA 30542	(706) 247-7513

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
GA	Junk King Atlanta South	Robb Wallace	75 Mendel Drive S.W., Suite C	Atlanta, GA 30336	(404) 445-4534
GA	Junk King Atlanta Southeast	Robb Wallace	6611 Tribble Street	Lithonia, GA 30058	(678) 325-6755
GA	Junk King Cobb County	Harry Van Buren	3015 Canton Road, Suite 7	Marietta, GA 30066	(706) 705-5320
GA	Junk King Gwinnett	Harry Van Buren	4229 Steve Reynolds Boulevard, Suite 180	Norcross, GA 30093	(706) 350-6270
GA	Junk King Savannah	Dominic Scaperotti	121 Busch Road	Rincon, GA 31326	(912) 378-3545
IA	Junk King Des Moines	Evan Fesenmeyer	1710 Guthrie Avenue, Suite J	Des Moines, IA 50316	(515) 393-6818
IA	Junk King Eastern Iowa	Evan Fesenmeyer	18 Fay Street	Waterloo, IA 50703	(319) 250-2225
ID	Junk King Boise	George Gebran	5107 Alworth Street	Boise, ID 83714	(208) 495-5865
IL	Junk King Barrington	Armen Kholamian	28039 W. Commercial Avenue, Unit 5	Lake Barrington, IL 60010	(847) 649-4966
IL	Junk King Chicago Downtown	Sarah Homrok	3333 West Harrison Street	Chicago, IL 60624	(312) 827-2717
IL	Junk King Chicago North	Armen Kholamian	667 Academy Drive	Northbrook, IL 60062	(847) 807-3449
IL	Junk King Chicago South	Dan Nemec	17406 Burnham Avenue	Lansing, IL 60438	(708) 866-2327
IL	Junk King Chicago West	Matt Schmit	323 Village Drive	Carol Stream, IL 60188	(847) 852-4222
IL	Junk King Joliet	Dan Nemec	1333 S. Schoolhouse Road, Suite 300	New Lenox, IL 60451	(815) 908-5729
IL	Junk King Oak Park	Sarah Homrok	101 N. Marion Street, Suite 200	Oak Park, IL 60301	(708) 367-3262
IN	Junk King Greenwood	Elgin Martin	200 E. Main Street, Suite B	Greenwood, IN 46143	(317) 922-1816
IN	Junk King Indianapolis	Elgin Martin	7525 E. 39th Street, Suite 800	Indianapolis, IN 46226	(317) 427-5155
IN	Junk King Northwest Indiana	Dan Nemec	1575 E. 89th Avenue	Merrillville, IN 46410	(219) 247-7388

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
IN	Junk King South Bend	Marc Shudnow	401 E. Colfax Avenue, Suite 180-09	South Bend, IN 46617	(574) 893-5860
KS	Junk King Overland Park	Jeff Crowe	8100 Marty Street	Overland Park, KS 66204	(913) 871-1263
KY	Junk King Louisville	Jack Brendamour	4400 Bishop Lane, Suite 106	Louisville, KY 40218	(502) 586-2793
KY	Junk King Northern Kentucky	Jack Brendamour	609 Union Street	Covington, KY 41015	(859) 350-2091
LA	Junk King Baton Rouge	Miller Gunn	3185 Balis Drive, Suite 103	Baton Rouge, LA 70808	(225) 209-9270
LA	Junk King Jefferson Parish	Miller Gunn	2002 20th Street, B101	Kenner, LA 70062	(504) 285-9177
LA	Junk King New Orleans	Miller Gunn	2828 Elysian Fields Avenue, Suite A	New Orleans, LA 70122	(504) 608-4147
LA	Junk King North Shore	Miller Gunn	22161 Marshall Road, Suite E	Mandeville, LA 70471	(985) 239-5394
MA	Junk King Boston	Jose Martinez	1 Westinghouse Plaza, Suite D117	Hyde Park, MA 02136	(617) 318-6888
MA	Junk King Massachusetts North Shore	Scott Pozerski	155 New Boston Street, Suite 137	Woburn, MA 01801	(781) 805-3310
MA	Junk King Massachusetts South Shore	Jonathan Hughes	285 Circuit Street, Building C, Unit 2	Hanover, MA 02339	(781) 262-3242
MA	Junk King Middlesex	Scott Pozerski	216 Tyngsboro Road	Chelmsford, MA 01863	(978) 212-3973
MA	Junk King Worcester	Tom Indge	245 Crawford Street, Suite 1	Fitchburg, MA 01420	(978) 212-3973
MD	Junk King Baltimore	Eric Jones	1520 Caton Center Drive #S	Baltimore, MD 21227	(410) 892-1883
MD	Junk King Columbia	Eric Jones	5570 Sterrett Place, Suite 201	Columbia, MD 21044	(443) 960-7068
MD	Junk King Rockville	Eric Jones	609 Lofstrand Lane, Suite A	Rockville, MD 20850	(301) 686-5324
MI	Junk King Detroit Metro	Matt Ulbrich	1260 Rankin Drive, Suite A	Troy, MI 48083	(248) 216-0655
MI	Junk King Grand Rapids	Kevin Schultz	7624 Clyde Park Avenue S.W., Suite A	Byron Center, MI 49315	(616) 710-4007

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
MN	Junk King Minneapolis	Ed Fogarty	7398 Washington Avenue South	Eden Prairie, MN 55344	(612) 345-9058
MN	Junk King St. Paul	Ed Fogarty	1430 County Road C West, Suite 200	Roseville, MN 55113	(651) 371-5958
MO	Junk King Kansas City	Jeff Crowe	803 Woodswether Road, Suite B	Kansas City, MO 64105	(816) 623-2823
MO	Junk King Lee's Summit	Jeff Crowe	618 SE 4th Street, Suite 9	Lee's Summit, MO 64063	(816) 296-6398
MO	Junk King St. Louis North	Tim Weatherby	3915 Dalton Industrial Drive	Bridgeton, MO 63044	(314) 582-1379
MO	Junk King St. Louis South	Tim Weatherby	2522 Gravois Road	High Ridge, MO 63049	(314) 714-4478
NC	Junk King Charlotte	Terendius David	8425 Old Statesville Road, Unit 4	Charlotte, NC 28269	(704) 469-4815
NC	Junk King Durham	Mark Patterson	4122 Bennett Memorial Road, Suite 104	Durham, NC 27705	(919) 504-5695
NC	Junk King Greensboro (Triad)	Mark Patterson	8642 W. Market Street, Suite 150	Greensboro, NC 27409	(336) 245-4499
NC	Junk King Raleigh	Mark Patterson	1117 Corporation Parkway, Suite 102	Raleigh, NC 27610	(919) 457-1063
NC	Junk King Winston-Salem	Mark Patterson	2453 Spaugh Industrial Drive, A	Winston-Salem, NC 27103	(336) 203-9768
NM	Junk King Albuquerque	Chris Young	6101 Signal Ave N.E., Suite C	Albuquerque, NM 87113	(505) 257-6437
NV	Junk King Las Vegas	Steve Lloyd	6688 W. Sunset Road, # 140	Las Vegas, NV 89118	(702) 978-8448
NV	Junk King Reno	Brian Cassidy	3445 Airway Drive, Suite C	Reno, NV 89511	(775) 624-9112
NY	Junk King Albany	Carl Breitenstein	132 Lincoln Avenue, Suite 402	Albany, NY 12205	(518) 559-1250
NY	Junk King Hudson Valley	Tom McCabe	20 Mountainview Avenue, Unit G	Orangeburg, NY 10962	(845) 834-4201
NY	Junk King Tri County	Tom McCabe	15 Great Pasture Road, #9B	Danbury, CT 06810	(914) 595-2956
NY	Junk King Buffalo	Dale Wittlief	1386 Lovejoy Street	Sloan, NY 14212	(716) 271-5425
NY	Junk King Rochester	Sterlyn Joseph	40 Stace Street, Suite E	Rochester, NY 14612	(585) 299-5933

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
NY	Junk King Syracuse	Henry Vercillo	136 Ball Circle	Syracuse, NY 13210	(315) 254-2047
OH	Junk King Cincinnati	Jack Brendamour	11430 Gondola Street	Cincinnati, OH 45241	(513) 206-8945
OH	Junk King Columbus	Erik Hughes	819 Phillipi Road	Columbus, OH 43228	(614) 467-4156
OH	Junk King Dayton	Jack Brendamour	5335 Springboro Pike, Suite I	West Carrolton, OH 45449	(937) 684-9441
OH	Junk King Delaware	Erik Hughes	670 Meridian Way, Suite 253	Westerville, OH 43082	(740) 875-3567
OH	Junk King Northeast Ohio	Ivan Baker	3301 E. Royalton Road	Broadview Heights, OH 44147	(216) 586-6672
OH	Junk King Toledo	Jessica Menard	515 Burbank Drive	Toledo, OH 43607	(419) 827-3806
OK	Junk King Oklahoma City	TJ Murray	2813 S.E. 44th, Suite A&B	Oklahoma City, OK 73129	(405) 400-0772
OK	Junk King Tulsa	TJ Murray	2751 East Apache	Tulsa, OK 74110	(918) 615-9386
OR	Junk King Portland	Jason Edge	8195 S.W. Hunziker Street	Tigard, OR 97223	(503) 549-4734
PA	Junk King Bucks County	Marc Shudnow	1816 Mearns Road	Warminster, PA 18974	(215) 970-2653
PA	Junk King Cranberry Township	Ed Stripay	3028 Unionville Road	Cranberry Township, PA 16066	(412) 254-8437
PA	Junk King Greater Philadelphia	Marc Shudnow	14 Crozerville Road, Suite D	Aston, PA 19014	(610) 467-2282
PA	Junk King Harrisburg	Don Onelangsy	1500 Paxton Street, Suite 500	Harrisburg, PA 17104	(717) 621-3664
PA	Junk King Pittsburgh	Ed Stripay	20 S. 8th Street	Pittsburgh, PA 15203	(412) 536-7678
PA	Junk King West Chester	Marc Shudnow	53 Darby Road, Suite Y	Paoli, PA 19301	(610) 708-0660
RI	Junk King Rhode Island	Jose Martinez	545 Atwood Avenue	Cranston, RI 02920	(401) 250-8887
SC	Junk King Charleston	Paul Hayes	5527 Woodbine Avenue, Unit 1 & 2	North Charleston, SC 29406	(843) 790-5784
SC	Junk King Columbia	Andrew Lucas	2320 Wayne Street, #111	Columbia, SC 29201	(803) 991-6722

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
SC	Junk King Greenville	Justin Harris	1200 Woodruff Road, Unit G-10	Greenville, SC 29607	(864) 732-6191
SC	Junk King Myrtle Beach	Eric Jones	1836 Lone Star Street, Unit 3	Conway, SC 29526	(843) 604-1950
TN	Junk King Chattanooga	Tiffany Bryant	4295 Cromwell Road, Suite# 514	Chattanooga, TN 37421	(423) 702-4984
TX	Junk King Austin	Mike Seeley	2217 David Ferretti Drive	Georgetown, TX 78626	(512) 994-2250
TX	Junk King Dallas	Renee Ferguson	13659 Jupiter Road, Suite 208	Dallas, TX 75238	(214) 865-6533
TX	Junk King Dallas Mid Cities	George Berry	2435 Glenda Lane, Unit 6	Dallas, TX 75229	(972) 861-1229
TX	Junk King Fort Worth	George Berry	5045 Martin Luther King Freeway	Fort Worth, TX 76119	(682) 237-6200
TX	Junk King Georgetown	Mike Seeley	2217 David Ferretti Drive	Georgetown, TX 78626	(512) 399-1210
TX	Junk King Houston	Brooke Melconian	10311 West Airport Boulevard, Suite 101	Stafford, TX 77477	(281) 674-8288
TX	Junk King Irving	Renee Ferguson	2435 Glenda Lane, Unit 6	Dallas, TX 75229	(214) 427-8829
TX	Junk King Houston North	Adam Dillaplain	7117 Belgold Drive, Suite B	Houston, TX 77066	(281) 823-7397
TX	Junk King Katy	Vik Patel	6539 Pitts Road	Katy, TX 77493	(832) 802-7353
TX	Junk King North Texas	Renee Ferguson	9920 Liberty Road	Aubrey, TX 76227	(940) 580-2757
TX	Junk King Plano	Renee Ferguson	910 10th Street, Suite 800	Plano, TX 75074	(214) 730-6965
TX	Junk King San Antonio	DeWitt Rote	10415 Perrin Beitel Road, Suite 106	San Antonio, TX 78217	(210) 305-5248
TX	Junk King San Antonio Northwest	DeWitt Rote	4700 Timco West, Suite 119	San Antonio, TX 78237	(210) 988-6346
UT	Junk King Ogden	Timothy Wren	375 S. Stewart Way, Building 3 (672), Bay 2	Ogden, UT 84404	(435) 292-3126
UT	Junk King Salt Lake City	Luke Wren	2181 W. 2200 S., Unit B	West Valley City, UT 84119	(801) 849-9609
UT	Junk King St. George	Luke Wren	291 E. 1400 S, #8-C	St. George, UT 84790	(435) 334-6993

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
UT	Junk King Utah County	Doug Wren	1349 South 500 East, Suite 223	American Fork, UT 84003	(385) 247-8939
VA	Junk King Chesterfield	Bill Taggart	555 Southlake Boulevard, Unit C3	North Chesterfield, VA 23236	(804) 294-2895
VA	Junk King Fairfax	Daniel Graham	7361 Lockport Place, Suite M	Lorton, VA 22079	(703) 348-8214
VA	Junk King Richmond	Bill Taggart	2350 Lanier Road	Rockville, VA 23146	(804) 591-0673
WA	Junk King Kent	Scott Page	308 Clay Street N.W.	Auburn, WA 98001	(253) 753-2961
WA	Junk King Seattle	Scott page	525 S. Brighton Street C11	Seattle, WA 98108	(253) 267-8793
WA	Junk King Tacoma	Jason Edge	9316 Lakeview Avenue S.W., Suite A-1	Lakewood, WA 98499	(253) 331-2916
WA	Junk King Vancouver	Jason Edge	1909 E. 5th Avenue, Suite D	Vancouver, WA 98661	(360) 295-4584
WI	Junk King Madison	Michael Wilke	6001 Femrite Drive, Unit 4	Madison, WI 53718	(608) 888-0161

FRANCHISEES IN THE UNITED STATES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT ARE NOT YET OPERATIONAL AS OF DECEMBER 31, 2022

Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
AZ	Junk King Glendale	Michael Sanford	5709 West Admiral Way	Florence, AZ 85132	(480) 841-8001
CA	Junk King Modesto	Carlos Duenas	3448 South Highway 99 Frontage Road, Suite 14	Stockton, CA 95215	(209) 227-6501
FL	Junk King Spring Hill	Kelly Piparo	1 Hickory Tree Road, Apartment 1108	Toronto ON CAN M9N 3W4	(647) 920-5080
GA	Junk King Macon	Ragan Peluso	895 Flint Road	Forsyth, GA 31029	(770) 872-8188
IL	Junk King Belleville	Tim Weatherby	3325 Highway 162, Suite 4	House Spring, MO 63051	(314) 714-4478
IN	Junk King Fort Wayne	Elgin Martin	46 North State Road 135	Bargersville, IN 46106	(317) 427-5155
MN	Junk King Maple Grove	Ed Fogarty	1155 Falls Circle	Chaska, MN 55318	(651) 371-5958
OH	Junk King Cincinnati East	Jack Brendamour	11430 Gondola Street	Cincinnati, OH 45241	(502) 586-2793
TN	Junk King Memphis	Kenny Cox	10685 Headley Cove	Cordova, TN 38016-5564	(901) 237-6873
TX	Junk King The Woodlands	Adam Dillaplain	1343 Allston Street	Houston, TX 77008	(281) 823-7397

AFFILIATE OWNED FRANCHISES
AS OF DECEMBER 31, 2022

Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.

State	DBA Name	Address	City, State, Zip Code	Phone Number
NC	Junk King Charlotte West	1700 11th Avenue NE	Hickory, NC 28601	(704) 486-9591
SC	Junk King Rock Hill	845 Fort Mill Highway, Suite 101	Indian Land, SC 29707	(803) 902-4945
TN	Junk King Nashville	125 Space Park Drive S.	Nashville, TN 37211	(615) 823-8009
TX	Junk King Houston East	15255 Gulf Freeway, Suite E-112	Houston, TX 77034	(281) 509-9212
WI	Junk King Milwaukee	6033 Monona Drive, Suite 112	Caledonia, WI 43126	(414) 375-4333

[The remainder of this page is intentionally left blank.]

EXHIBIT F

FRANCHISEES IN THE UNITED STATES WHO LEFT THE SYSTEM IN THE PAST 12 MONTHS AS OF DECEMBER 31, 2022

Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.
**Indicates franchisee left the system as a result of transferring their franchise agreement.*

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
AZ	Junk King Surprise Junk King Mesa Junk King Phoenix	*Steve Kaiser	1620 East Reunion Drive	Phoenix, AZ 85024	(602) 332-6121
CO	Junk King Fort Collins	*Allen Wasson	830 West Woodard Street	Denison, TX 75020	(719) 233-1100
IA	Junk King Des Moines Junk King Eastern Iowa	*Bret Tratchel	1322 Michael Avenue	Grinnell, IA 50112	(641) 750-8113
KS	Junk King Overland Park	*Larry Reeves	19715 100th Terrace	Lenexa, KS 66220	(913) 660-2317
MO	Junk King Kansas City	*Larry Reeves	19715 100th Terrace	Lenexa, KS 66220	(913) 660-2317
NC	Junk King West Charlotte	Stewart Penick	PO Box 1447	Boone, NC 28607	(828) 265-6189
PA	Junk King Greater Philadelphia Junk King West Chester	*Steve Blaisse	231 Valley Road	Media, PA 19063	(267) 767-3556
SC	Junk King Myrtle Beach	*Vernon Bailey	634 Summerhill Court	Myrtle Beach, SC 29579	(304) 776-9588
SC	Junk King Rock Hill	Scott Luczywo	209 Hyde Park Lane	Fort Mill, SC 29708	(803) 230-5764
TN	Junk King Nashville	Robert Hatcher	125 Space Park South	Nashville, TN 37211	(615) 972-1628

State	DBA Name	Principal Owner	Address	City, State, Zip Code	Phone Number
TX	Junk King Houston East	Mauro Di Filippo	14306 Monarch Springs Lane	Humble, TX 77396	(405) 588-3769
TX	Junk King Dallas Mid Cities	*Milan KC	1319 Pawnee Trail	Carrollton, TX 75007	(972) 400-3930
WI	Junk King Milwaukee	Tim Bauer	5224 County Road G	Caledonia, WI 53108	(414) 975-7197

EXHIBIT G

OPTION TO PURCHASE AGREEMENT

This OPTION TO PURCHASE AGREEMENT (the "Option") is entered into as of ___________ (the "Effective Date") by and between JUNK KING SPV LLC, a Delaware limited liability company having a principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor"), and _____________, a __________ having an address of ___________________________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisor granted Franchisee a license to use the Marks and the System to operate a Junk King® franchise in a specified geographical area more fully described in the Agreement (the "Territory"), and Franchisee desires and Franchisor is willing to grant Franchisee an Option to acquire the territory described on Exhibit "A" hereto (the "Additional Territory").

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Franchisor acknowledges that Franchisee has paid Franchisor the non-refundable sum of $____________(the "Deposit"), which shall be credited toward the initial franchise fee of $___________ for the Additional Territory (the "Initial Franchisee Fee") upon Franchisee's exercise of this Option.

2. Franchisee is hereby granted an Option, for a period of eighteen (18) months from the Effective Date (the "Option Period"), to acquire the rights to the Additional Territory so long as the foregoing conditions are fulfilled:

   a. Franchisee must be in compliance with the Agreement during the Option Period in order to exercise its Option hereunder. All rights created hereunder shall terminate Franchisee at any time be in material breach of the Agreement.

   b. Franchisee may exercise this Option at any time during the Option Period by notifying Franchisor in writing of Franchisee's intent to purchase the Additional Territory (if Franchisee does not notify Franchisor by the end of the Option Period, this Option will expire and the consideration paid will be forfeited).

   c. Franchisee must meet Franchisor's then-current qualifications for expansion.

   d. Franchisor will deliver to Franchisee a franchise agreement for the grant of the Additional Territory (or an amendment to the Agreement adding the Additional Territory, as determined by Franchisor) within 30 business days after receipt of Franchisee's notice.

   e. Franchisee shall sign and return the franchise agreement (or amendment, as the case may be) and pay the Initial Franchise Fee (minus the Deposit) within the time specified by Franchisor.

3. Nothing in this Option shall be construed to grant Franchisee any ownership rights to the Additional Territory. Franchisee acknowledges that until Franchisee purchases the Additional Territory (i.e., signs the then-current franchise agreement (or an amendment, as applicable) and pays for the Additional Territory), the Additional Territory shall be considered TAFS (unless the Gross Sales in the Additional Territory are derived as part of the Key Accounts or Preferred Lead Programs (each term as defined in the Agreement)). During the Option Period, if Franchisor permits Franchisee to provide services in the Additional Territory, Franchisee agrees and acknowledges that it will be subject to competition in the Additional Territory from other franchisees.

Signed this ________ day of _______________, 20__.

FRANCHISEE:

____
____________________________, individually

Accepted as of this _____ day of _________________, 20__, in __________, _______.

FRANCHISOR:

JUNK KING SPV LLC

BY:___________________________________
Lisa Merry, President

EXHIBIT A
TO THE OPTION TO PURCHASE AGREEMENT

Additional Territory Description	[*INSERT TERRITORY DESCRIPTION*] **Areas with Special Laws or Requirements:** To the extent any portion of the Territory includes an area designated as an Indian Reserve, a governmental territory or other territory that may have separate or additional laws, regulations or other requirements for performing work in such territory, Franchisee is granted such territory only to the extent and for so long as Franchisee is qualified under such separate or additional requirements to perform work in such territory; knowledge of and compliance with such requirements being the sole responsibility of Franchisee.

EXHIBIT H

RENEWAL ADDENDUM WITH TERMINATION OF ORIGINAL FRANCHISE AGREEMENT AND RELEASE

This RENEWAL ADDENDUM WITH TERMINATION OF FRANCHISE AGREEMENT AND RELEASE (this "Addendum") is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company having a principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor"), and ______________, individually, having an address of ___________________________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a franchise agreement dated as of ___ pursuant to which Franchisor has granted Franchisee a right and obligation to establish and operate a Junk King® franchise using the Marks and the System in and for the Territory (the "Original Franchise Agreement"); and

WHEREAS, on the terms set forth below, Franchisor and Franchisee desire to terminate and cancel the Original Franchise Agreement; and

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a franchise agreement pursuant to which Franchisor has granted Franchisee a renewal license, granting Franchisee the right and obligation to continue operation of the franchise using the Marks and the System in and for the Territory (the "Agreement"); and

[WHEREAS, Franchisee acknowledges and agrees that Franchisee's execution of the Agreement is pursuant to Franchisee's last renewal option under the Original Franchise Agreement and Franchisee has no further rights of renewal; and]

WHEREAS, the parties have agreed to alter the terms stated in the Agreement, as provided herein to reflect the parties' intentions and the terms of renewal stated in the Original Franchise Agreement.

NOW, THEREFORE, that for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Original Franchise Agreement is hereby terminated by mutual agreement, except for Franchisee's indemnification obligations thereunder.

2. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified specifically herein.

3. Franchisee agrees that the renewal fee will be collected via electronic ACH from Franchisee's bank account at signing of the Agreement, and Franchisee hereby represents and warrants to Franchisor that all necessary action for the execution of this Addendum has been taken.

4. If Franchisee is executing the Agreement at least 60 days prior to the expiration date of the then-current term of the Original Franchise Agreement (such expiration date, the "Original FA Expiration Date"), then Section 4.A, Term, of the Agreement is hereby amended so that the term of the Agreement is the time period from the Effective Date of the Agreement until the Original FA Expiration Date, plus 10

years. (For example, if the Agreement was signed 12 months before the Original Franchise Agreement expires, the term of the Agreement would be 11 years).

[Because Franchisee is hereby exercising its last renewal option under the Original Franchise Agreement, Section 4.B (Renewal Term and Conditions of Renewal) of the Original Franchise Agreement is hereby deleted.]

5. Section 8.A, Initial License Fee, is amended to provide that no initial franchise fee shall be due upon execution of the Agreement.

6. Franchisee, for itself and each of its past and present heirs, executors, administrators, representatives, affiliates, directors, officers, owners, successors and assigns and on behalf of any other party claiming an interest through Franchisee, in their corporate and individual capacities (collectively "Releasor"), hereby releases and forever discharges Franchisor and each of its predecessors, successors, affiliates, subsidiaries, assigns, past and present officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, actions, causes of action, suits, debts, obligations, liabilities, sums of money, costs and expenses, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, vested or contingent, which the Releasor ever had, now has or which Releasor hereinafter can, will or may have, against Releasees related to, arising from, for, upon or by reason of any matter, cause or thing whatsoever related to the Original Franchise Agreement and the business operated thereunder or any other agreement between Releasor and Releasees, or the relationship between Releasor and Releasees, through the Effective Date (collectively, the "Claims"), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Original Franchise Agreement or any other related agreement between the Releasor and Releasees or the relationship between Releasor and Releasees through and including the Effective Date. For avoidance of doubt, the Releasor does not release Releasees from any obligations arising by virtue of the Agreement and any claims arising from the Releasees' failure to comply with those obligations or the Franchise Disclosure Document furnished to Franchisee as part of entering into the Agreement and the franchise laws that apply to the specific offer, sale and signing of the Agreement.

The release of the Claims as set forth above is intended by the Releasor to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Releasees regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Releasor acknowledges that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasor acknowledges that Releasor has had adequate opportunity to gather all information necessary to enter into this Addendum and to grant the releases contained herein, and needs no further information or knowledge of any kind that would otherwise influence the decision to enter into this Addendum. The Releasor, for itself and its heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waives, relinquishes and abandons each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasor acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

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

This release is and shall be and remain a full, complete and unconditional general release. The Releasor acknowledges and agrees that this release is an essential, integral and material term of this Addendum. The Releasor further acknowledges and agrees that no violation of this Addendum shall void the release set forth herein.

7. Notwithstanding the releases contained herein, all rights and obligations created under this Addendum will specifically survive the execution of this Addendum and the releases contained herein.

8. Each person executing this Addendum on behalf of any of the parties hereto represents and warrants that he or she has been fully empowered to execute this Addendum and that all necessary action has been taken.

9. The provisions of this Addendum shall inure to the benefit of and be binding upon the heirs, successors and assigns in interest of the parties.

10. Each of the parties hereto represents and warrants to each other party that it has not heretofore assigned or transferred, or purported to assign or transfer to any person, entity or corporation whatsoever, any of the claims released hereunder. Each party agrees to indemnify and hold harmless each other party against any claim, demand, debt, obligation, liability, cost, expense, right of action or cause of action based on, arising out of, or in connection with any such transfer or assignment or purported transfer or assignment.

11. If any provision of this Addendum shall for any reason be held violative of any applicable law, governmental rule or regulation, or if said agreement is held to be unenforceable or unconscionable, then the invalidity of such specific provisions herein shall not be held to invalidate the remaining provisions of this Addendum.

< SIGNATURES APPEAR ON THE NEXT PAGE >

Signed on this ___________ day of _________________, 20__ (the "Effective Date").

FRANCHISEE:

____

_________________________, individually

Accepted as of the ________ day of __________________, 20__, in ___________, ___.

FRANCHISOR:

JUNK KING SPV LLC

BY: ________________________________
Lisa Merry, President

EXHIBIT I

GENERAL RELEASE

This GENERAL RELEASE (this "Release") is made and executed by [NAME], individually ("you"), as of _________________ ("Effective Date").

WHEREAS, you entered into a franchise agreement dated ________ with JUNK KING SPV LLC ("us"), and [describe facts].

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, affiliates, directors, officers, owners, successors and assigns and on behalf of any other party claiming an interest through you, in their corporate and individual capacities (collectively "Releasor"), hereby releases and forever discharges us and each of our predecessors, successors, affiliates, subsidiaries, assigns, past and present officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, actions, causes of action, suits, debts, obligations, liabilities, sums of money, costs and expenses, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, vested or contingent, which the Releasor ever had, now has or which Releasor hereinafter can, will or may have, against Releasees related to, arising from, for, upon or by reason of any matter, cause or thing whatsoever, through the Effective Date (collectively, the "Claims"), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of any agreement between the Releasor and Releasees or the relationship between Releasor and Releasees through and including the Effective Date.

The release of the Claims as set forth above is intended by the Releasor to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Releasees regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Releasor acknowledges that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasor acknowledges that Releasor has had adequate opportunity to gather all information necessary to enter into this Release and to grant the releases contained herein, and needs no further information or knowledge of any kind that would otherwise influence the decision to enter into this Release. The Releasor, for itself and its heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waives, relinquishes and abandons each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasor acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his favor at the time of

> executing the release, which if known by him must have materially affected his settlement with the debtor or released party."

This Release is and shall be and remain a full, complete and unconditional general release.

____
Name, individually

EXHIBIT J

PROTRADENET AGREEMENT

WHEREAS, ______________, individually, having an address of ____________________________________ ("Franchisee," sometimes referred to as "Contractor") is a Franchisee of **JUNK KING SPV LLC** , a Delaware limited liability company, having an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor," sometimes referred to as "Trading Partner"), the trading partner of **PROTRADENET SPV LLC** ("PROTRADENET") having an address of 1010 N. University Parks Drive, Waco, TX 76707 and Franchisee desires to participate in discounts, rebates, incentives and other benefits ("Programs") negotiated by PROTRADENET with selected vendors, manufacturers and distributors ("Vendors");

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is acknowledged by all parties, the parties hereto agree to the following terms and conditions:

1. **Term and Default.** The term of this Agreement shall commence on ______________________ and end on December 31 of this year and the Agreement will automatically renew for an additional one (1) calendar year period each year thereafter, commencing on January 1 of next year and each January 1st thereafter, unless earlier terminated in accordance with this Agreement. Notwithstanding the foregoing, PROTRADENET may terminate this Agreement at any time, with or without cause, for any reason whatsoever upon providing the other party written notice of intent to terminate the Agreement and this agreement will automatically terminate upon expiration or termination of the franchise agreement by and between Franchisee and Franchisor with no notice of termination required. In any case, PROTRADENET may terminate this Agreement at any time upon notice to Franchisee if Franchisee is in default of his Franchise Agreement with Franchisor or if Franchisee has failed to comply with the terms and conditions of participation in this Program as set forth in this Agreement, on the website of PROTRADENET or as specified by Franchisor. Upon any termination of this agreement neither PROTRADENET nor any of its affiliates will have any liability to Franchisee or any other party.

2. **PROTRADENET Administration.** PROTRADENET or Franchisor may, but are not required to, return a portion of the fees paid to PROTRADENET from Vendors on behalf of purchases made by Franchisee ("Rebates") directly to Franchisee if Franchisee meets certain conditions, such as Vendor terms and conditions, attendance at Franchisor annual meetings, and other criteria as established by Vendor, PROTRADENET or Franchisor. All fees or Rebates not returned to franchisees may be retained by PROTRADENET or Franchisor and used to cover administrative costs, or promote Franchisor's system and brand. The allocation of these Rebates may change at the sole discretion of PROTRADENET. Accordingly, subject to the terms and conditions set forth in this Agreement, PROTRADENET agrees to process Program Rebates when paid by Vendor within terms as agreed upon by Franchisor. PROTRADENET will pay Franchisor or Franchisee directly, at the discretion of Franchisor. Franchisor reserves the right to deny Program Rebates otherwise due to Franchisee if Franchisor deems Franchisee not qualified for a Rebate(s). PROTRADENET may also withhold or deny Program Rebates if terms of the Program are not met.

3. **Franchisee Exclusion from Vendor Program.** Franchisee acknowledges the Vendor's right to exclude Franchisee from the Program for failure to meet Vendor's terms or for other reasons at the Vendor's discretion.

4. **Access and Release of Information.** Franchisee authorizes PROTRADENET to provide information including, but not limited to, Franchisee's Federal Tax Identification Number "FTIN") and purchase orders, invoices, payments, purchase history or other purchasing information to its Vendors

regarding Franchisee, and Franchisee authorizes PROTRADENET to request, and Vendors to provide, information manually or electronically regarding purchase orders, invoices, payments, purchase history or other purchasing information from Vendors for the purpose of administration of the Program. Franchisee hereby releases PROTRADENET and its parent, affiliates, past and present members, officers, employees, agents, successors and assigns from any liability whatsoever with regard to PROTRADENET providing Franchisee's confidential information, including Franchisee's FTIN, to Vendors or Franchisor pursuant to this Agreement.

5. **Confidentiality.** Franchisee acknowledges the proprietary and confidential nature of PROTRADENET's, Franchisors' and Vendor's Program details and shall use this information only for the purposes of inquiry or purchasing of VENDOR's products and services from the Program. Franchisee shall not provide PROTRADENET's, Franchisors' and/or Vendor's confidential Program information to a third party. This section shall survive the expiration or termination of this Agreement.

6. **Vendors.** Vendors may be added or removed from the Program at any time. Franchisee will receive written, email, or website notification of a change in Vendor status from PROTRADENET or Franchisor. Franchisors have SOLE DISCRETION over whether or not they choose to participate in a Vendor Program and offer that Program to their franchisees.

7. **Miscellaneous**

7.1 **No Guarantee of Rebates.** PROTRADENET does not guarantee any Vendor rebates or payments by Vendors. If PROTRADENET does not receive payment from the Vendor, rebates will not be paid.

7.2 **No Guarantee of Accuracy.** PROTRADENET makes no guarantee of accuracy or uninterrupted delivery of the data exchanged using the e-commerce web solution software as a part of the Program. It is the responsibility of the Franchisee to notify PROTRADENET or Vendor if the purchasing information represented on the e-commerce website is incorrect. Franchisee must notify PROTRADENET within sixty (60) days of the transaction date if the purchasing information is missing or invalid.

7.3 **Effective Date.** This Agreement shall become effective on the date that it is signed by PROTRADENET.

8. **Electronic Invoicing.** Franchisee agrees by its signature below to receive invoices from any Vendor electronically that offers this service though the PROTRADENET e-commerce platform.

9. **Electronic Promotions.** Franchisee agrees by its signature below to receive electronic or email based promotions from PROTRADENET.

10. **Additional Terms and Conditions.** Franchisee agrees by its signature below to abide by all of the terms and conditions on the website of PROTRADENET, www.PROTRADENET.com, www.PROTRADENET.com and www.PROTRADENET.net, which include but are not limited to:

Terms of Use
Privacy Policy

These terms and conditions may be modified and additional terms and conditions added at the sole discretion of Franchisor or PROTRADENET.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives whose signatures appear below.

FRANCHISEE	**PROTRADENET SPV LLC**
By:________________________________	By:________________________________
Authorized Signature	Luke Stanton, President
________________________________	________________________________
Date	Date

EXHIBIT K

SOFTWARE SYSTEM USER AND MAINTENANCE AGREEMENT

This SOFTWARE SYSTEM USER AND MAINTENANCE AGREEMENT ("Agreement") is entered into on the Effective Date noted below in Section 6(h) by and between **JUNK KING SPV LLC**, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor"), and ______________________, a(n) ________________________________, having an address of ____________________ ("Franchisee"). Franchisor and Franchisee may be referred to herein singularly as a "Party" and jointly as the "Parties".

WHEREAS, the Parties have entered into or are entering into a franchise agreement ("Franchise Agreement") pursuant to which Franchisor has granted or is granting to Franchisee the right to operate a JUNK KING® franchise and Franchisee has agreed to or is agreeing to undertake the obligations of a JUNK KING® franchisee. One of Franchisee's obligations under the Franchisee Agreement is to install, maintain and upgrade such computer hardware, software and Internet access as Franchisor may periodically require; and

WHEREAS, Franchisor currently requires all of its franchisees to use the software and technology identified on **Exhibit "A"** hereto (the "Software System") in their respective JUNK KING® Franchised Businesses, which Software System Franchisor may revise from time to time upon notice to Franchisee; and

WHEREAS, to the extent the Software System includes third-party software, Franchisee will become licensed by such third party software provider (each, a "Third-Party Provider") to access and use the third-party software through the acceptance of the Third-Party Provider's terms and conditions as provided on the Third-Party Provider's website, as set forth on **Exhibit "A"** hereto; and

WHEREAS, each Third-Party Provider has delegated to Franchisor and/or Franchisor's designee the training, maintenance and support of such Third-Party Provider's software included in the Software System and licensed to the JUNK KING® franchisees; and

WHEREAS, the Third-Party Providers and the Parties desire to define the terms and conditions on which Franchisor will provide for the training, maintenance and support for the software included in the Software System.

NOW, THEREFORE, the Parties agree as follows:

1. **TRAINING AND SUPPORT**

(a) ***Franchisor's Designee***. Franchisor may in the future appoint an affiliate, including without limitation ZorWare SPV LLC ("ZorWare"), as Franchisor's agent and designee to provide training, maintenance and support to Franchisee with respect to the Software System. Franchisee agrees to cooperate with ZorWare or such other designee in all matters relating to the installation, maintenance and support of the Software System and the training of Franchisee's personnel with respect to the Software System.

(b) ***Training and Support***. Franchisor or its designee will provide service for training, maintenance and support to Franchisee by telephone and over the internet during its normal business hours, as provided in **Exhibit "B"**. It will provide up to ten (10) hours of such training and support within the first two months following the initialization of access to the Software System by the Franchisee, and up to two (2) hours per month during each month thereafter during the term of the license granted by the applicable Third-Party Provider to Franchisee. The amount and types of support and the fees for support may change or increase in the future.

(c) ***Maintenance, Upgrades and Fixes***. Franchisor or its designee may, in their discretion, modify, upgrade or create fixes, service releases and new versions of the Software System from time to time and provide them to Franchisee. Franchisor may from time to time add software to or remove software from the Software System upon notice to Franchisee.

(d) ***Remote Access***. Franchisee acknowledges that the proper functioning of the Software System as intended by Franchisor requires Franchisee to give Franchisor and its designee remote access to Franchisee's network. Franchisee agrees to give Franchisor and its desigee such remote access to Franchisee's network at all times to allow for the full functioning of the Software System, to allow Franchisor or its designee to install the Software System and modifications, fixes, service releases and new versions of the Software System, and to provide training and support. Franchisee understands and acknowledges that such remote access will allow both Franchisor and Franchisor's designee to have access to the data generated by Franchisee's use of the Software System, and will allow for Franchisee's submission of periodic reports to Franchisor, as required by Franchisor. Franchisor, to ensure Franchisor's access to Franchisee's data, may require Franchisee to execute an authorization form (a sample of such form is attached to this Agreement as **Exhibit "C"**), whereby Franchisee authorizes the Third-Party Provider to provide Franchisor with access to all of Franchisee's data in the possession of the Third-Party Provider via the Software System and/or otherwise.

2. **FEES**

(a) ***Annual Fees***. Franchisee will pay to Franchisor (or its desigee) an annual support and maintenance fee, in the amount set forth on **Exhibit "A"**. The fees will be paid via automatic bank draft. ZorWare may increase the support and maintenance fees, and/or modify the services that are provided for these fees, provided Franchisee is notified of any changes applicable to Franchisee. The amount of each bill will be the then-current amount charged for the support and maintenance fees by ZorWare to franchisees of Franchisor.

(c) ***Additional Fees***. If Franchisor or its affiliate develops proprietary software other than the Software System that Franchisor requires or permits Franchisee to use, Franchisor may charge Franchisee a license or maintenance fee for such software that will be reasonable in light of the fees that other companies charge for comparable software packages. Unless the Parties enter into a separate license agreement for such software, the terms and conditions for that software's maintenance and support will be the same as those set forth in this Agreement.

(d) ***Late Payments***. Any amount due hereunder that is not paid within 30 days of the invoice date will incur a late fee of $25 per month, or the maximum amount allowed under the law, whichever is lower.

3. **CONFIDENTIALITY AND LIMITED ACCESS**

(a) ***Nondisclosure***. Franchisee agrees to maintain the Software System, its documentation and the data generated by the use of the Software System in confidence by using at least the same physical and other security measures that Franchisee uses for its own confidential information. Franchisee further agrees not to allow anyone to access or use the Software System or to see its documentation or the data it generates other than Franchisee's employees, agents and representatives who have a need to have access to or to use the Software System in order to support Franchisee's authorized use thereof, provided that each such employee, agent and representative shall have signed an undertaking to Franchisee acknowledging that he or she is bound by an obligation of confidentiality.

(b) ***Notice of Loss***. Franchisee shall immediately notify Franchisor upon discovering any loss or theft of any copy of the Software System or its documentation or any data generated by its use, or any unauthorized disclosure thereof by any of Franchisee's employees, agents or representatives.

4. **REPRESENTATIONS; WARRANTIES; LIMITATION OF LIABILITY**

(a) ***Franchisor's Representations***. Franchisor hereby represents, warrants and covenants that to the best of its knowledge, information and belief its maintenance obligations under this Agreement will not infringe any U.S. patent, copyright or trade secret of any third party.

(b) ***Disclaimer of Warranty***. **EXCEPT AS SPECIFICALLY PROVIDED HEREIN, FRANCHISOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER. FRANCHISOR EXPRESSLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

(c) ***Limitation of Liability*. THE LIABILITY OF FRANCHISOR TO FRANCHISEE WILL BE LIMITED TO DIRECT DAMAGES ARISING SOLELY OUT OF FRANCHISOR'S MAINTENANCE OBLIGATIONS UNDER THIS AGREEMENT. IN NO EVENT WILL FRANCHISOR BE LIABLE FOR INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF FRANCHISOR HAS PREVIOUSLY BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

5. **TERM; TERMINATION; DISABLING OF SOFTWARE SYSTEM**

(a) ***Term***. Except as otherwise expressly set forth below, with respect to each software included in the Software System, the Parties intend that the term of the license granted by the applicable Third-Party Provider for such software will be coextensive with the term of the Franchise Agreement and all renewals and extensions thereof.

(b) ***Automatic Termination***. The license granted by each Third-Party Provider will terminate automatically upon the expiration, nonrenewal or termination of the Franchise Agreement.

(c) ***Termination by Franchisor***. Franchisor may seek to have the Third-Party Provider terminate its license granted to Franchisee upon notice to Franchisee with immediate effect in the event that (i) Franchisee materially breaches any of its obligations under this Agreement or under the Franchise Agreement, or (ii) Franchisor requires Franchisee to cease using such software (or all software) included in the Software System.

(d) ***Disabling of the Software System***. Franchisor reserves the right to request that a Third-Party Provider disable the functionality of such Third-Party Provider's software included the Software System, in whole or in part, in the event that Franchisee (i) fails in a timely manner to submit to Franchisor the reports required by Franchisor under the Franchise Agreement, (ii) fails in a timely manner to pay to Franchisor or ZorWare the required monthly Software System fees, or (iii) otherwise materially breaches this Agreement or the Franchise Agreement. Franchisor will not be liable to Franchisee for any damages whatsoever that may result directly or indirectly from a Third-Party Provider's disabling of the functionality of its software pursuant to this section.

(e) ***Disposition of Copies***. Upon termination of the license granted by a Third-Party Provider, Franchisee shall promptly return to Franchisor, or otherwise dispose of, as Franchisor may instruct, all physical copies of the applicable software included in the Software System and its associated documentation in Franchisee's possession or under Franchisee's control and shall remove all copies thereof from Franchisee's computers and other electronic storage media. Upon Franchisor's request, Franchisee shall provide Franchisor with written certification of its compliance with the foregoing.

(f) ***No Refunds***. Upon the expiration or termination of the license granted by a Third-Party Provider, or if the applicable Software System software is disabled as described above, Franchisee will not receive any refund of any payments made to ZorWare.

6. **MISCELLANEOUS**

(a) ***Remedies***. Franchisee acknowledges that any breach of the covenants set forth in Section 3 this Agreement would cause irreparable damage to Franchisor that would be incapable of precise measurement and for which no adequate remedy would exist at law. Franchisee therefore agrees that injunctive relief shall be available for any such breach in addition to all other remedies that may be available.

(b) ***Notices***. All notices, requests, consents and other communications required or permitted by this Agreement shall be in writing and shall be delivered by hand, fax, overnight delivery service, or registered or certified first class mail, to then-current address of the recipient known by the sender, to the attention of the person then holding the title of the person signing this Agreement on behalf of the recipient. Any such notice, request, consent or other communication shall be deemed given and be effective upon receipt at such address.

(c) ***Entire Agreement; Amendments***. This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof, superseding all prior agreements, arrangements and understandings between the parties relating to its subject matter. This Agreement may not be amended or changed in any way unless such changes are in writing signed by the parties hereto.

(d) ***Waiver***. No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default.

(e) ***Governing Law***. This Agreement will be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed entirely within the State of Texas, without regard to Texas's conflicts of law principles.

(f) ***Forum***. The parties hereby irrevocably consent to the non-exclusive jurisdiction of the federal and state courts located in Waco, McLennan County, Texas, in any action for temporary, interim or provisional equitable remedies. The parties hereby waive, to the full extent permitted by law, defenses based on jurisdiction, venue and forum non conveniens. The parties further consent to service of process by certified mail, return receipt requested, or by any other means permitted by law.

(g) ***Costs, Expenses and Attorneys' Fees***. If an action is commenced between the parties to enforce any provision of this Agreement, the prevailing party will be entitled to reasonable costs and expenses, including attorneys' fees.

(h) ***Effective Date.*** This Agreement shall become effective on the date it is signed by Franchisor.

< SIGNATURES APPEAR ON THE NEXT PAGE >

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____

_________________________________, individually

Accepted as of this _____ day of _________________, 20__, in ____________, ____.

FRANCHISOR:

JUNK KING SPV LLC

BY:____

Lisa Merry, President

EXHIBIT "A"
TO
SOFTWARE SYSTEM USER AND MAINTENANCE AGREEMENT

Software System: Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software license and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system, and three Junk King® email accounts.

Software included in Software System	Third-Party Provider's Terms and Conditions that Franchisee must accept in order to access sand use of software
Qvinci	http://www.qvinci.com/terms-of-use/ http://www.qvinci.com/saas-agreement/

The software included in the Software System is subject to change by Franchisor upon notice to Franchisee.

Software System Fees:

These fees are subject to change by Franchisor upon notice to Franchisee.

TYPE OF SALE	Enrollment Fee	Optional Services Fee	Annual Fees	Software Included in the Services Provided
New Franchisee	N/A		$1,800/year Any additional email accounts: $3/month/license, or $36/year. Additional access to the data warehouse (beyond the franchisee): $12/month or $144/year.	Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software license and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system, and three Junk King® email accounts.
Renewal Franchise Agreement	N/A	N/A	$1,800/year Any additional email accounts: $3/month/license, or $36/year.	Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software

TYPE OF SALE	Enrollment Fee	Optional Services Fee	Annual Fees	Software Included in the Services Provided
			Additional access to the data warehouse (beyond the franchisee): $12/month or $144/year.	license and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system, and three Junk King® email accounts.
Sale to Existing Franchisee (Contiguous Territory)	N/A	N/A	$1,800/year Any additional email accounts: $3/month/license, or $36/year. Additional access to the data warehouse (beyond the franchisee): $12/month or $144/year.	Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software license and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system, and three Junk King® email accounts.
Sale to Existing Franchisee (Non-Contiguous Territory)	N/A	N/A	$1,800/year Any additional email accounts: $3/month/license, or $36/year. Additional access to the data warehouse (beyond the franchisee): $12/month or $144/year.	Junk King Junkware, enhanced security platforms for all areas of the Franchised Business, financial reporting platform (currently Qvinci), Tableau software license and overall upgrades and maintenance of the servers, Tableau platforms and the Junk King® proprietary software system, and three Junk King® email accounts.

EXHIBIT "B"
TO
SOFTWARE SYSTEM USER AND MAINTENANCE AGREEMENT

Basic Plan: ZorWare services will include best effort or within 48 hour response.

- Live Support hours: 6 AM - 7 PM CST, Mon. - Fri.
- Limit of 2 hours of phone support per month.
- If exceeds call limit then the following would apply:
- Hourly Phone Support: $125 per hour.

EXHIBIT "C"
TO
SOFTWARE SYSTEM USER AND MAINTENANCE AGREEMENT

BY YOUR SIGNATURE BELOW, YOU AGREE AND ACKNOWLEDGE THAT JUNK KING SPV LLC ("FRANCHISOR") MAY REQUEST FROM [***THIRD-PARTY VENDOR'S NAME***] ("VENDOR") ACCESS TO INFORMATION THAT YOU INPUT INTO THE SOFTWARE SYSTEM (THE "SYSTEM") OR DEVELOP ON THE SYSTEM IN OR WITH RESPECT TO ACCOUNTS RELATED TO YOUR JUNK KING® FRANCHISED BUSINESS, INCLUDING, BUT NOT LIMITED TO CUSTOMER DATA, TRANSACTION DATA AND OPERATIONAL AND FINANCIAL DATA ABOUT YOUR JUNK KING® FRANCHISED BUSINESS(ES) (THE "DATA"). SUCH ACCESS MAY BE IN INDIVIDUAL OR AGGREGATED FORM AND MAY TAKE PLACE WITH OR WITHOUT NOTICE TO YOU. YOU CONSENT TO THIS DISCLOSURE BY VENDOR OF ANY AND ALL DATA TO FRANCHISOR AND ITS AFFILIATES AND AGREE TO INDEMNIFY AND HOLD HARMLESS VENDOR AND ITS SUBSIDIARIES, AFFILIATES, OFFICERS, AGENTS, AND EMPLOYEES, FOR ANY DAMAGES, EXPENSES, LOSSES OR LIABILITIES SUFFERED BY YOU IN CONNECTION WITH ANY SUCH DISCLOSURE WHETHER SUCH DAMAGES ARE UNDER CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY.

FURTHER, FRANCHISOR MAY REQUEST TO BE GRANTED ADMINISTRATIVE ACCESS TO YOUR VENDOR USER ACCOUNT(S) RELATED TO YOUR JUNK KING® FRANCHISED BUSINESS(ES), TO EXPORT, TRANSFER OR GRANT ACCESS TO YOUR ACCOUNT OR TO DATA ASSOCIATED WITH SUCH ACCOUNT(S) OR YOUR JUNK KING® FRANCHISED BUSINESS(ES), TO SUSPEND SUCH ACCOUNT(S) OR YOUR ACCESS TO THE SYSTEM FOR YOUR JUNK KING® FRANCHISED BUSINESS(ES) OR, IN CONNECTION WITH A TERMINATION OF YOUR JUNK KING FRANCHISE AGREEMENT(S) WITH FRANCHISOR, TO TERMINATE OR DELETE YOUR VENDOR ACCOUNT(S) RELATED TO YOUR JUNK KING® FRANCHISED BUSINESSES. YOU CONSENT TO ALL SUCH ACCESS AND ACTIONS BY FRANCHISOR AND AGREE THAT YOU WILL NOT SEEK ANY MASS EXPORT OF YOUR DATA WITH RESPECT TO YOUR JUNK KING® FRANCHISED BUSINESS WITHOUT THE WRITTEN CONSENT OF FRANCHISOR. FURTHER, YOU AGREE TO INDEMNIFY AND HOLD HARMLESS VENDOR AND ITS SUBSIDIARIES, AFFILIATES, OFFICERS, AGENTS, AND EMPLOYEES, FOR ANY DAMAGES, EXPENSES, LOSSES OR LIABILITIES SUFFERED BY YOU IN CONNECTION WITH ANY SUCH ACTIONS OF FRANCHISOR WHETHER SUCH DAMAGES ARE UNDER CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY.

YOU AGREE THAT YOU WILL AT ALL TIMES COMPLY WITH THE TERMS OF USE WITH RESPECT TO THE SYSTEM WHICH ARE ACCESSIBLE AT ________________________. FOR THE PURPOSES OF THE TERMS OF USE, YOU CONSENT TO THE DISCLOSURE AND ACCESS RIGHTS GRANTED TO FRANCHISOR HEREBY. VENDOR IS AN INTENDED THIRD PARTY BENEFICIARY TO THIS AGREEMENT.

Franchisee's Name: ___________________________________

Signature: ____

Date: ____

EXHIBIT L

ASSIGNMENT AND CONSENT AGREEMENT

ASSIGNMENT AND CONSENT AGREEMENT

This Assignment and Consent Agreement (this "Agreement") is made effective as of the date Franchisor signs below (the "Effective Date") and is entered into by and among [ ] ("Franchisee"), and [ ] (a "Franchisee Principal(s)") (Franchisee and Franchisee Principal(s) collectively referred to as "Assignor"), [ ] ("Assignee"), and JUNK KING SPV LLC, a Delaware limited liability company having a principal place of business at 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor"). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Old Franchise Agreement (as defined below).

RECITALS

A. Franchisor and Assignor are parties to a Junk King® Franchise Agreement dated [______] (the "Old Franchise Agreement"), pursuant to which Assignor was granted the right to operate a Junk King® business in the following territory: ___________________________ (the "Franchised Business").

B. Assignor desires to assign to Assignee all right, title and interest in the Franchised Business, including the franchise rights for the Franchised Business (the "Assignment"); Assignee wishes to accept the Assignment and, as of the Effective Date, assume all of the duties, obligations, and liabilities of Assignor related thereto by entering into a purchase and sale agreement with Assignor and by signing a franchise agreement with Franchisor.

C. Assignor represents that there is no dispute related to the offer and sale of the Old Franchise Agreement or Franchised Business, and further represents that Assignor has no claims against Franchisor under applicable laws.

D. In consideration of Assignor's request for the Assignment and the representations set forth in Recital C above, Franchisor is willing to consent to the Assignment as of the Effective Date, subject to the provisions stated below, and Assignor agrees to settle all known and unknown disputes it may have against Franchisor, if any, that exist as of the Effective Date.

AGREEMENTS

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment and Assumption. Assignor assigns to Assignee all right, title and interest in and to the Franchised Business, including the franchise rights for the Franchised Business. Assignee unconditionally assumes and accepts the Assignment of the Franchised Business, including the franchise rights for the Franchised Business, and agrees to be bound by all duties, obligations, and liabilities of the Assignor related thereto, including without limitation all of Assignor's customer obligations, including all warranty work and service plans obligations.

2. Signing of Current Form of Franchise Agreement. As a condition of Franchisor's consent to the Assignment, Assignee agrees to sign Franchisor's then-current form of franchise agreement (the "New Franchise Agreement"). Assignee acknowledges that the terms and conditions of the New Franchise Agreement may be different from the terms and conditions of the Old Franchise Agreement. Prior to the Effective Date, Assignee shall deliver to Franchisor two signed copies of the New Franchise Agreement, along with the executed copies of this Agreement.

3. Termination of Old Franchise Agreement. All parties agree that the Old Franchise Agreement is terminated as of the effective date of the New Franchise Agreement with no further force and effect, except for the post-termination obligations identified in Section 12 below.

4. Status of Assignor Following Assignment. Upon and after the Effective Date and subject to Section 12 below, Assignor will have no interest in and will no longer be responsible or liable for (a) the Franchised Business, (b) the franchise rights for the Franchised Business, or (c) the Old Franchise Agreement. Assignor, however, will remain liable for any responsibilities, obligations, and liabilities related to the Old Franchise Agreement and the Franchised Business up to the Effective Date, including all monetary obligations due to Franchisor, its affiliates, and other third parties under the Old Franchise Agreement that have accrued as of the Effective Date and all post-termination obligations identified in Section 12 below.

5. Assignee Principals. If Assignee is an entity, Assignee represents and warrants to Franchisor and Assignor that the following individuals and/or entities are the sole owners of Assignee (the "Assignee Principals"):

Name of Principal Owner	**Percentage of Ownership in Assignee (total must equal 100%)**
Total	**100%**

6. Payment of Transfer Fee. On or before the Effective Date, Franchisor must receive a transfer fee in the amount of $[____________], as referenced in Section 10.C. of the Old Franchise Agreement.

7. Training. On or before the Effective Date, Assignee must complete Franchisor's training requirements.

8. Payment of Fees Owed to Franchisor; Delivery of Reports. On or before the Effective Date, all fees owed by Assignor to Franchisor, its affiliates or suppliers or upon which Franchisor or its affiliates have any contingent liability, under or related to the Old Franchise Agreement (the "Fees Owed") must be paid in full. Accordingly, on or before the Effective Date, Assignor or Assignee must deliver the full amount of Fees Owed to Franchisor, its affiliate(s) and/or suppliers, along with three fully executed copies of this Agreement. In addition, on or before the Effective Date, Assignor must deliver to Franchisor any and all reports required to be delivered under the Old Franchise Agreement, including without limitation reports related to any Fees Owed and any financial and other reports relating to the Franchised Business and its operations as Franchisor may request pursuant to Section 10.D.8 of the Franchise Agreement in order for Franchisor and/or assignee to evaluate the Franchised Business and the proposed transfer.

9. Personal Guarantee. Each Assignee Principal must execute a personal guarantee in the form attached to the New Franchise Agreement.

10. Representations.

A. Assignor and Assignee represent and warrant to each other that they have the authority to execute this Agreement.

B. Assignor represents and warrants to Franchisor and Assignee that it owns all right, title and interest in and to the Franchised Business and the Old Franchise Agreement, free and clear of any mortgage, lien or claims, and has not assigned any or all of its interest in the Franchised Business or the Old Franchise Agreement to any third party.

C. Assignor and Assignee represent and warrant to Franchisor that they have consummated the asset purchase and sale transaction that is related to the Assignment contemplated hereunder as of the Effective Date.

11. Indemnification.

A. Assignor, for itself, its heirs, successors and assigns, agrees to indemnify and hold harmless Franchisor, its affiliates, successors, assigns, officers, directors, employees, agents, and each of them, against any and all liabilities, damages, actions, claims, costs (including reasonable attorneys' fees), or expenses of any nature resulting, directly or indirectly, from any of the following: (i) any misrepresentations or breach of warranty by Assignor under this Agreement; (ii) the Assignment; or (iii) any claim, suit or proceeding initiated by or for a third party(s), now or in the future, that arises out of or relates to the Old Franchise Agreement or the Franchised Business operated by Assignor prior to the Effective Date.

B. Assignee, for itself, its heirs, successors and assigns, agrees to indemnify and hold harmless Franchisor, its affiliates, successors, assigns, officers, directors, employees, agents, and each of them, against any and all liabilities, damages, actions, claims, costs (including reasonable attorneys' fees) or expenses of any nature resulting, directly or indirectly, from any of the following: (i) any misrepresentations or breach of warranty by Assignee under this Agreement; or (ii) the Assignment.

12. Assignor's Post-Termination Obligations. Assignor agrees that, upon transfer of its interest in the Franchised Business to Assignee, Assignor will comply with all post-termination obligations set forth in Section 13 of the Old Franchise Agreement, which obligations shall be incorporated herein by reference. Further, Assignor shall comply with any other provisions of the Old Franchise Agreement which, by their nature, survive termination or expiration of the Old Franchise Agreement.

13. Consent to Assignment. Franchisor consents to the Assignment subject to the terms and conditions of this Agreement. Franchisor's consent to the Assignment will not result in any waiver of any rights nor a release under the Old Franchise Agreement or New Franchise Agreement, and is not a consent to any additional or subsequent transfers or assignments.

14. Release and Settlement of Claims by Assignor. Except as may be prohibited by applicable law, Franchisee and Franchisee Principals (individually and as owners of Franchisee) and each of their respective heirs, successors, assigns, affiliates, shareholders, officers, directors, employees, and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as

the "Assignor Parties" for purposes of Sections 14, 15 and 16 hereof), release and forever discharge Franchisor, its predecessors, successors, affiliates, directors, officers, shareholders, agents, employees and assigns (collectively and individually referred to as the "Franchisor Parties" for purposes of Sections 14, 15 and 16) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action (collectively, "Claims"), whether known or unknown, vested or contingent, which Assignor Parties may now or in the future own or hold, that in any way relate to the Old Franchise Agreement, any other agreement between Assignor and Franchisor, the Franchised Business, or the relationship between Assignor and Franchisor through the Effective Date (collectively, "Assignor Claims"), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Old Franchise Agreement or any other agreement between Assignor and Franchisor through and including the Effective Date.

15. Release by Assignee. Except as noted in this Section 15, Assignee, Assignee Principals (if any), and their respective affiliates, successors, assigns, officers, directors, employees, agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the "Assignee Parties" for purposes of this Section 15 and Section 16 below), release and forever discharge the Franchisor Parties of and from any and all Claims, whether known or unknown, vested or contingent, which Assignee may now or in the future own or hold, that in any way relates to the Franchised Business or the New Franchise Agreement (collectively referred to as "Assignee Claims" for purposes of this Section 15 and Section 16).

As to the New Franchise Agreement, the Assignee Parties and Franchisor Parties acknowledge and agree that the release by the Assignee Parties does not relate to the offer and sale of the New Franchise Agreement. Further, the parties agree that the release as it relates to the New Franchise Agreement is effective as to Assignee Claims arising through the Effective Date of this Agreement, and not to any claims arising after the Effective Date.

16. Acknowledgement of Releasors. The release of Assignor Claims set forth in Section 14 and Assignee Claims in Section 15 are intended by the Assignor Parties and Assignee Parties (collectively, the "Releasors") to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Releasors against any other Releasor. In making this voluntary express waiver, the Releasors acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasors' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasors acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and release, and need no further information or knowledge of any kind that would otherwise influence the decision to enter into this Agreement. The Releasors, for themselves and their heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasors acknowledge that Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have

> materially affected his settlement with the debtor or released party."

This release is and shall be and remain a full, complete, and unconditional general release. The Releasors acknowledge and agree that this release and the foregoing waiver are an essential, integral and material term of this Agreement. The Releasors further acknowledge and agree that no violation of this Agreement shall void the releases set forth in Sections 14 and 15.

17. Confidentiality. Assignor and Assignee acknowledge and agree that this Agreement and matters discussed in relation thereto are entirely confidential. It is therefore understood and agreed by Assignor and Assignee that they will not reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, except to their respective officers, employees or professional representatives, or as required by law.

18. Miscellaneous. This Agreement, and the documents referred to herein, constitute the entire agreement among the parties with respect to the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought. All representations, warranties, agreements and all other provisions of this Agreement which by their terms or by reasonable implication are intended to survive the closing of this transaction will survive it.

19. Representation by Counsel. The parties have had adequate opportunity to consult with an attorney of their respective choice, including with respect to the release of claims set forth herein.

20. Governing Law/Venue. This Agreement will be construed and enforced in accordance with the laws of Texas, without regard to principles of conflicts of law. The parties further agree that any legal proceeding relating to this Agreement or the enforcement of any provision herein shall be brought or otherwise commenced only in the courts of Texas.

21. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall constitute an original copy.

ASSIGNOR:

[_____________]

By: ____________________________________
Name:
Title:

Date: __________________________________

ASSIGNEE:

[_____________]

By: ____________________________________
Name:
Title:

<u>FRANCHISOR</u>:

JUNK KING SPV LLC

By: ____________________________________
Name:
Title:

Effective Date: __________________________, 20__

EXHIBIT M

FINANCING DOCUMENTS

EXHIBIT M-1
FINANCING DOCUMENTS (FRANCHISOR AS GUARANTOR)

GUARANTEE AND EQUIPMENT SECURITY AGREEMENT

THIS EQUIPMENT SECURITY AGREEMENT ("**Agreement**") is made and entered as of ____________, 20___, by and between **[FRANCHISEE ENTITY NAME]**, a[n] [FRANCHISEE ENTITY TYPE] ("**Debtor**"), whose principal place of business is [FRANCHISEE ADDRESS], and **JUNK KING SPV LLC**, a Delaware limited liability company ("**Guarantor**"), whose address is 1616 Gilbreth Road, Burlingame, CA 94010.

RECITALS:

Guarantor and Debtor are parties to a Franchise Agreement dated as of ___________ ("**Franchise Agreement**") pursuant to which Debtor is authorized to own and operate a Junk King® junk removal business ("**Franchised Business**") in the Territory.

Guarantor has agreed to act as a guarantor of a loan ("**Loan**") to Debtor to provide financing for the Collateral (as defined below) in connection with the operation of the Franchised Business pursuant to that certain [INSERT LOAN AGREEMENTS] by and between Debtor and [LENDER NAME] ("**Loan Documents**"). To secure that Loan, as well as certain other obligations of the Debtor to Guarantor, Debtor has agreed to grant Guarantor a security interest in the Collateral on the terms and conditions set forth in this Agreement.

AGREEMENT:

In consideration of the mutual covenants and promises hereinafter set forth, Guarantor and Debtor agree as follows:

1. **Security Interest Created; Obligations Secured**.

(a) To secure the payment of the Obligations (as defined below), Debtor hereby grants to Guarantor a first priority security interest in the collateral identified on attached Exhibit A and all proceeds from the sale or disposition thereof (collectively, "**Collateral**").

(b) This Agreement secures the indebtedness and obligations and other sums, with interest thereon, which may be owed under, and performance of all other obligations and covenants contained in, any other Loan Document, together with any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby or thereby and Guarantor's guaranty of said obligations ("**Obligations**").

2. **Events of Default**. Each of the following shall be deemed an event of default by Debtor (each, "**Event of Default**"):

(a) If any representation or warranty of Debtor set forth in any of the Loan Documents is false in any material respect at the time it was made, or if Debtor renders any false statement or account.

(b) If any principal, interest or other monetary sum due under the Loan Documents is not paid when due.

(c) If Debtor fails to observe or perform any of the other covenants, conditions, or obligations of this Agreement; *provided, however,* if any such failure does not involve the payment of any monetary sum, is not willful or intentional, does not place any rights or property of Guarantor in immediate jeopardy, and is within the reasonable power of Debtor to promptly cure after receipt of notice thereof, all as determined by Guarantor in its reasonable discretion, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Guarantor shall have given Debtor notice thereof and a period of 30 days shall have elapsed, during which period Debtor may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required. If such failure cannot reasonably be cured within such 30-day period, as determined by Guarantor in its reasonable discretion, and Debtor is diligently pursuing a cure of such failure, then Debtor shall have a reasonable period to cure such failure beyond such 30-day period, which shall not exceed 90 days after receiving notice of the failure from Guarantor. If Debtor shall fail to correct or cure such failure within such 90-day period, an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required.

(d) If Debtor or Guarantor becomes insolvent within the meaning of the Code, files or notifies Guarantor that it intends to file a petition under the Code, initiates a proceeding under any similar law or statute relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts (collectively, "**Action**"), becomes the subject of either a petition under the Code or an Action, or is not generally paying its debts as the same become due.

(e) If there is an Event of Default or a material breach or default, after the passage of all applicable notice and cure or grace periods, under any other Loan Document or the Franchise Agreement or any Related Agreement (as defined below).

Furthermore, if Debtor, its owners, or any partnership, joint venture, or corporation in which one or more of Debtor or its owners has a controlling interest, is a franchisee under another franchise agreement with Lender respecting another JUNK KING franchised business, or if Debtor and Lender have entered into any direct or indirect financing agreement, a default under such other franchise agreement, financing agreement or addendum (each, a "**Related Agreement**" and collectively, the "**Related Agreements**") shall constitute a default under this Agreement, and should such other Related Agreement be terminated for any reason, Lender may, at its option, terminate this Agreement. For the avoidance of doubt, a breach of this Agreement shall be deemed a "Material Default" of the underlying Franchise Agreement and any Related Agreement and subject to a cure period outlined therein, and should this Agreement for any reason be terminated, Lender may, at its option, terminate the Franchise Agreement and any Related Agreement.

3. Remedies for Default. Upon the occurrence of an Event of Default, Guarantor shall have all rights and remedies of a secured party in, to and against the Collateral granted by the Uniform Commercial Code in the State of California or the state or states in which any Collateral is located in Guarantor's sole discretion ("**Uniform Commercial Code**") and otherwise available at law or in equity, including, without limitation:

(a) The right to assume Debtor's Obligations and the right to recover all fees and expenses (including reasonable attorneys' fees) in connection with the collection or enforcement thereof;

(b) The right to act as, and Debtor hereby constitutes and appoints Guarantor, Debtor's true, lawful and irrevocable attorney-in-fact (which appointment shall be deemed coupled with an interest) to demand, receive and enforce payments and to give receipts, releases, satisfaction for and to sue for moneys payable to Debtor under or with respect to any of the Collateral under this Agreement, and actions taken pursuant to this appointment may be taken either in the name of Debtor or in the name of Guarantor with the same force and effect as if this appointment had not been made;

(c) The right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose, with or without judicial process and notice to the Debtor, enter (if this can be done without breach of the peace) upon any Premises on which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Uniform Commercial Code);

(d) The right to hold, maintain, preserve and prepare the Collateral for sale, until disposed of;

(e) The right to render the Collateral unusable and dispose of the Collateral;

(f) The right to require the Debtor to make the Collateral available to Guarantor for its possession at a place to be designated by Guarantor which is reasonably convenient to the Guarantor;

(g) The right to sell, lease, hold or otherwise dispose of all or any part of the Collateral;

(h) The right to deem Debtor in default of the Franchise Agreement; and

(i) The right to sue for specific performance of any obligation under the Loan Documents or to recover damages for breach thereof.

The remedies of Guarantor hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code or other applicable law shall not be construed as a waiver of any of the other remedies of Guarantor so long as any part of the Obligations secured hereby remains unsatisfied. Guarantor shall be entitled to receive on demand, as additional Obligations hereunder, interest accruing at the lower of 18% per annum or the highest rate permitted by applicable law on all amounts not paid when due under the Note or this Agreement until the date of actual payment. Guarantor shall have no duty to mitigate any loss to the Debtor occasioned by enforcement of any remedy hereunder and shall have no duty of any kind to any subordinated creditor of Debtor.

4. **Application of Proceeds**. Should Guarantor exercise the rights and remedies specified in Section 3, any proceeds received thereby shall be first applied to pay the costs and expenses, including reasonable attorneys' fees, incurred by Guarantor as a result of the Event of Default. The remainder of any proceeds, net of Guarantor's costs and expenses, shall be applied to the satisfaction of the Obligations and any excess paid over to Debtor.

5. **Forum Selection; Jurisdiction; Venue; Choice of Law**. For purposes of any action or proceeding arising out of this Agreement, the parties hereto hereby expressly agree that the dispute resolution procedures and choice of law provision outlined in Section 23 of the Franchise Agreement shall apply and control. Nothing in this Section shall limit or restrict the right of Guarantor to commence any proceeding in the federal or state courts located in the state in which the Collateral is located to the extent Guarantor deems such proceeding necessary or advisable to exercise remedies available under this Agreement.

6. **Assignment**. Guarantor may assign in whole or in part its rights under this Agreement. Upon any unconditional assignment of Guarantor's entire right and interest hereunder, Guarantor shall automatically be relieved, from and after the date of such assignment, of liability for the performance of any obligation of Guarantor contained herein.

7. **Possession**. Until an Event of Default shall occur, Debtor may retain possession of the Collateral and may use it in any lawful manner not inconsistent with this Agreement.

8. **Waiver**. No Event of Default hereunder by Debtor shall be deemed to have been waived by Guarantor except by a writing to that effect signed by Guarantor and no waiver of any Event of Default shall operate as a waiver of any other Event of Default on a future occasion. No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement signed by Debtor and Guarantor.

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

10. **Notices**. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Agreement (collectively, "**Notices**") shall be made in accordance with the Franchise Agreement.

11. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Furthermore, the undersigned agree that transmission of this Agreement via e-mail in a ".pdf" or other electronic format shall be deemed transmission of the original Agreement for all purposes.

12. **Headings**. The headings appearing in this Agreement have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Agreement.

13. **Characterization; Interpretation**. This agreement is not intended, nor shall the same be deemed or construed, to create a partnership between Guarantor and Debtor, to make them joint venturers, to make Debtor an agent, legal representative, partner, subsidiary or employee of Guarantor, nor to make Guarantor in any way responsible for the debts, obligations or losses of Debtor except as otherwise provided in the guaranty executed by Guarantor.

Guarantor and Debtor acknowledge and warrant to each other that each has been represented by independent counsel (or has waived its right to do so) and has executed this Agreement after being fully advised by said counsel as to its effect and significance. This Agreement shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party.

14. **Time of the Essence**. Time is of the essence in the performance of each and every obligation under this Agreement.

15. **Waiver of Jury Trial and Punitive, Consequential, Special and Indirect Damages**. GUARANTOR AND DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP OF GUARANTOR AND DEBTOR, DEBTOR'S USE OF THE COLLATERAL, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND

INTENTIONALLY WAIVES THE RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM GUARANTOR AND ANY OF GUARANTOR'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY DEBTOR AGAINST GUARANTOR OR ANY OF GUARANTOR'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY DOCUMENTS CONTEMPLATED HEREIN OR RELATED HERETO. THE WAIVER BY DEBTOR OF ANY RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY DEBTOR AND GUARANTOR AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

[Remainder of page intentionally left blank; signature page(s) to follow]

IN WITNESS WHEREOF, Debtor and Guarantor have executed this Agreement effective as of the day and year first above written.

DEBTOR:

[INSERT]

By ____

Name ______________________________________

Title _______________________________________

GUARANTOR:

JUNK KING SPV LLC

By ____

Name ______________________________________

Title _______________________________________

POWER OF ATTORNEY

Guarantor may act as attorney-in-fact or otherwise on behalf of Debtor pursuant to Sections 3 and 5 of this Agreement. This power of attorney is coupled with an interest, is durable and is not affected by subsequent disability or incapacity of the principal or lapse of time.

________________________	________________________	________________________
Witness	Guarantor	Debtor

EXHIBIT A to GUARANTEE AND EQUIPMENT SECURITY AGREEMENT

COLLATERAL

[INSERT INFORMATION FOR EACH TRUCK]

EXHIBIT M-2
FINANCING DOCUMENTS (HIGH-INTEREST DEBT AND EQUIPMENT FINANCING/DUMPSTER PROGRAM)

PROMISSORY NOTE

$_______________ Date:_________________

[FRANCHISEE ENTITY NAME], a[n] [FRANCHISEE ENTITY TYPE] ("**Franchisee**"), and [INDIVIDUAL NAMES] (the "**Guarantor(s)**" and with Franchisee collectively referred to as "**Debtor**"), for value received, hereby promises to pay to **JUNK KING SPV LLC**, a Delaware limited liability company ("**Lender**"), whose address is 1616 Gilbreth Road, Burlingame, CA 94010, on or before [DATE] ("**Maturity Date**"), as herein provided, the principal sum of $_________________, and to pay interest on the unpaid principal amount of this Promissory Note ("**Note**") from the date hereof to the Maturity Date at the rate of [*]% per annum on the basis of a 365-day year, such interest to be paid in immediately available funds and in lawful money of the United States.

1. Principal and Interest. Interest on the principal amount of this Note for the period commencing with the date such principal amount is advanced by Lender through the last day in the month in which this Note is dated shall be due and payable upon delivery of this Note. Thereafter, interest shall be payable in consecutive monthly installments in the amounts and on the dates indicated on the attached Loan Amortization Schedule, commencing on the first day of [FIRST MONTH], and continuing on the first day of each month thereafter until the Maturity Date, at which time the outstanding principal and unpaid accrued interest shall be due and payable.

2. Prepayment. Debtor may prepay this Note, in whole or in part, at any time without penalty. Any prepayment shall be applied first, to accrued but unpaid interest, and the balance, if any, to principal then outstanding, and shall not postpone any monthly payment or the Maturity Date of this Note.

3. Method of Payment. Payments under this Note shall be made in the same manner as those recurring monthly fees owed by Debtor to Lender under that certain franchise agreement of even date herewith (the "**Franchise Agreement**").

4. Security.

a. This Note is secured by [(a) that certain equipment security agreement of even date herewith between Debtor and Lender (the "**Equipment Security Agreement**"); and (b)] guaranteed by Guarantor(s)' execution of this Note in his/her/their individual capacity.

b. Each Guarantor hereby irrevocably, absolutely and unconditionally, and jointly and severally guaranties the full, complete and punctual performance by Franchisee of all of the terms and conditions of the Franchise Agreement, including any amendments or renewals thereof (collectively, the **"Guaranteed Obligations"**). The Guaranteed Obligations are absolute and unconditional and, to the fullest extent permitted by applicable law.

5. Event of Default; Remedies.

a. An "**Event of Default**" shall be deemed to have occurred under this Note if: (i) any principal, interest or other monetary sum due under this Note is not paid within 120 days after the date when due; or (ii) an "Event of Default" or a breach or default, after the passage of all applicable notice and cure or grace periods, shall occur under the Security Agreement or the Franchise Agreement.

b. Upon the occurrence of an Event of Default under this Note, then, time being of the essence hereof, Lender may declare the entire unpaid principal balance of this Note, accrued interest, if any, and all other sums due under this Note or the Franchise Agreement, due and payable at once without notice to Debtor ("**Acceleration**"). Furthermore, Lender shall inform Junk King SPV LLC ("**Franchisor**") and Franchisor shall be permitted to withhold payments from Key Accounts to Debtor until such Event of Default is cured.

c. All past due principal and/or interest shall bear interest from the due date to the date of actual payment at the lesser of the highest rate for which the undersigned may legally contract or the rate of 11.25% per annum (the "**Default Rate**"), and such Default Rate shall continue to apply following a judgment in favor of Lender under this Note. If Debtor fails to make any payment or installment due under this Note within 120 days of its due date, Debtor shall pay to Lender in addition to any other sum due Lender under this Note a late charge equal to 10% of such past due payment or installment.

d. All payments of principal and interest due hereunder shall be made: (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Debtor; and (ii) without any other right of abatement, reduction, setoff, defense, counterclaim, interruption, deferment or recoupment for any reason whatsoever. Debtor will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required by this Note.

e. No delay or omission on the part of Lender in exercising any remedy, right or option under this Note shall operate as a waiver of such remedy, right or option. In any event, a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion.

f. Debtor hereby waives presentment, demand for payment, notice of dishonor, notice of protest, and protest, notice of intent to accelerate, notice of acceleration and all other notices or demands in connection with delivery, acceptance, performance, default or endorsement of this Note.

6. **Notices**. All notices, consents, approvals or other instruments required or permitted to be given by either party pursuant to this Note shall be made in accordance with the Franchise Agreement.

7. **Costs**. Should any indebtedness represented by this Note be collected at law or in equity, or in bankruptcy or other proceedings, or should this Note be placed in the hands of attorneys for collection after default, Debtor shall pay, in addition to the principal and interest due and payable hereon, all costs of collecting or attempting to collect this Note (the "Costs"), including reasonable attorneys' fees and expenses of Lender (including those fees and expenses incurred in connection with any appeal) and court costs whether or not a judicial action is commenced by Lender.

8. **Amendments**. This Note may not be amended or modified except by a written agreement duly executed by Debtor and Lender. In the event that any one or more of the provisions contained in this Note shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note, and this Note shall be construed as if such provision had never been contained herein or therein.

9. Interest Savings. The obligations of Debtor to Lender under this Note are subject to the limitation that payments of interest and late charges to Lender shall not be required to the extent that receipt of any such payment by Lender would be contrary to provisions of applicable law limiting the maximum rate of interest that may be charged or collected by Lender. The portion of any such payment received by Lender that is in excess of the maximum interest permitted by such provisions of law shall be credited to the principal balance of this Note or if such excess portion exceeds the outstanding principal balance of this Note, then such excess portion shall be refunded to Debtor. All interest paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and/or spread throughout the full term of this Note (including, without limitation, the period of any renewal or extension thereof) so that interest for such full term shall not exceed the maximum amount permitted by applicable law.

10. Relationship. It is the intent of the parties hereto that the business relationship created by this Note is solely that of creditor and debtor and has been entered into by both parties in reliance upon the economic and legal bargains contained herein. None of the agreements contained in this Note is intended, nor shall the same be deemed or construed, to create a partnership between Lender and Debtor, to make them joint venturers, to make Debtor an agent, legal representative, partner, subsidiary or employee of Lender, nor to make Lender in any way responsible for the debts, obligations or losses of Debtor.

11. Construction. Lender, by accepting this Note, and Debtor acknowledge and warrant to each other that each has been represented by independent counsel and Debtor has executed this Note after being fully advised by said counsel as to its effect and significance. This Note shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. Time is of the essence in the performance of each and every obligation under this Note.

12. Jurisdiction; Governing Law. For purposes of any action or proceeding arising out of this Note, the parties hereto hereby expressly agree that the dispute resolution procedures and choice of law provision outlined in Section 23 of the Franchise Agreement shall apply and control. Nothing in this Section shall limit or restrict the right of Lender to commence any proceeding in the federal or state courts located in the state in which the Collateral is located to the extent Lender deems such proceeding necessary or advisable to exercise remedies available under this Note.

13. Waiver of Jury Trial. LENDER, BY ACCEPTING THIS NOTE, AND DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS NOTE, THE RELATIONSHIP OF LENDER AND DEBTOR, DEBTOR'S USE OF THE EQUIPMENT CORRESPONDING TO THIS NOTE, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM LENDER AND ANY OF LENDER'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY DEBTOR AGAINST LENDER OR ANY OF LENDER'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY DOCUMENT CONTEMPLATED

HEREIN OR RELATED HERETO. THE WAIVER BY DEBTOR OF ANY RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY THE PARTIES HERETO AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

14. **Successors and Assigns**. This obligation shall bind Debtor and its successors and assigns, and the benefits hereof shall inure to Lender and its successors and assigns. Lender may assign its rights under this Note.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, Debtor has executed and delivered this Note effective as of the date first set forth above.

DEBTOR:

[INSERT]

By: ____

Name: ______________________________________

Title: _______________________________________

GUARANTORS:

[INSERT]

____

Name: ______________________________________

____

Name: ______________________________________

LOAN AMORTIZATION SCHEDULE

EQUIPMENT SECURITY AGREEMENT

THIS EQUIPMENT SECURITY AGREEMENT ("**Agreement**") is made and entered as of ____________, 20___, by and between **[FRANCHISEE ENTITY NAME]**, a[n] [FRANCHISEE ENTITY TYPE] ("**Debtor**"), whose principal place of business is [FRANCHISEE ADDRESS], and **JUNK KING SPV LLC**, a Delaware limited liability company ("**Lender**"), whose address is 1616 Gilbreth Road, Burlingame, CA 94010.

RECITALS:

Lender and Debtor are parties to a Franchise Agreement dated as of ___________ ("**Franchise Agreement**") pursuant to which Debtor is authorized to own and operate a Junk King® junk removal business ("**Franchised Business**") in the Territory.

Lender has agreed to act as a Lender of a loan ("**Loan**") to Debtor pursuant to that certain promissory note of even date herewith (the "**Note**") to provide financing thereto. To secure that Loan, as well as certain other obligations of the Debtor to Lender, Debtor has agreed to grant Lender a security interest in the Collateral on the terms and conditions set forth in this Agreement.

AGREEMENT:

In consideration of the mutual covenants and promises hereinafter set forth, Lender and Debtor agree as follows:

1. Security Interest Created; Obligations Secured.

(a) To secure the payment of the Obligations (as defined below), Debtor hereby grants to Lender a first priority security interest in the collateral identified on attached Exhibit A and all proceeds from the sale or disposition thereof (collectively, "**Collateral**").

(b) This Agreement secures the indebtedness and obligations and other sums, with interest thereon, which may be owed under, and performance of all other obligations and covenants contained in, the Note or this Agreement, together with any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby or thereby ("**Obligations**").

2. Events of Default. Each of the following shall be deemed an event of default by Debtor (each, "**Event of Default**"):

(a) If any principal, interest or other monetary sum due under the Note is not paid when due.

(b) If Debtor fails to observe or perform any of the other covenants, conditions, or obligations of this Agreement; *provided, however,* if any such failure does not involve the payment of any monetary sum, is not willful or intentional, does not place any rights or property of Lender in immediate jeopardy, and is within the reasonable power of Debtor to promptly cure after receipt of notice thereof, all as determined by Lender in its reasonable discretion, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Lender shall have given Debtor notice thereof and a period of 30 days shall have elapsed, during which period Debtor may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required. If such failure cannot reasonably be cured within such 30-day period, as determined by Lender in its reasonable discretion, and Debtor is diligently pursuing a cure of such failure, then Debtor shall have a reasonable period to cure such failure beyond such 30-day period, which shall not exceed 90 days after receiving notice of the failure from Lender. If Debtor shall fail to correct or cure such failure within such 90-day period, an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required.

(c) If Debtor becomes insolvent within the meaning of the Code, files or notifies Lender that it intends to file a petition under the Code, initiates a proceeding under any similar law or statute relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts (collectively, "**Action**"), becomes the subject of either a petition under the Code or an Action, or is not generally paying its debts as the same become due.

(d) If there is an Event of Default or a material breach or default, after the passage of all applicable notice and cure or grace periods, under the Note or the Franchise Agreement or any Related Agreement (as defined below).

Furthermore, if Debtor, its owners, or any partnership, joint venture, or corporation in which one or more of Debtor or its owners has a controlling interest, is a franchisee under another franchise agreement with Lender respecting another JUNK KING franchised business, or if Debtor and Lender have entered into any direct or indirect financing agreement, a default under such other franchise agreement, financing agreement or addendum (each, a "**Related Agreement**" and collectively, the "**Related Agreements**") shall constitute a default under this Agreement, and should such other Related Agreement be terminated for any reason, Lender may, at its option, terminate this Agreement. For the avoidance of doubt, a breach of this Agreement shall be deemed a "Material Default" of the underlying Franchise Agreement and any Related Agreement and subject to a cure period outlined therein, and should this Agreement for any reason be terminated, Lender may, at its option, terminate the Franchise Agreement and any Related Agreement.

3. Remedies for Default. Upon the occurrence of an Event of Default, Lender shall have all rights and remedies of a secured party in, to and against the Collateral granted by the Uniform Commercial Code in the State of California or the state or states in which any Collateral is located in Lender's sole discretion ("**Uniform Commercial Code**") and otherwise available at law or in equity, including, without limitation:

(a) The right to act as, and Debtor hereby constitutes and appoints Lender, Debtor's true, lawful and irrevocable attorney-in-fact (which appointment shall be deemed coupled with an interest) to demand, receive and enforce payments and to give receipts, releases, satisfaction for and to sue for moneys payable to Debtor under or with respect to any of the Collateral under this Agreement, and actions taken pursuant to this appointment may be taken either in the name of Debtor or in the name of Lender with the same force and effect as if this appointment had not been made;

(b) The right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose, with or without judicial process and notice to the Debtor, enter (if this can be done without breach of the peace) upon any Premises on which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Uniform Commercial Code);

(c) The right to hold, maintain, preserve and prepare the Collateral for sale, until disposed of;

(d) The right to render the Collateral unusable and dispose of the Collateral;

(e) The right to require the Debtor to make the Collateral available to Lender for its possession at a place to be designated by Lender which is reasonably convenient to the Lender;

(f) The right to sell, lease, hold or otherwise dispose of all or any part of the Collateral;

(g) The right to put Debtor in default under the Franchise Agreement; and

(h) The right to sue for specific performance of any obligation under the Note or this Agreement or to recover damages for breach thereof.

The remedies of Lender hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Uniform Commercial Code or other applicable law shall not be construed as a waiver of any of the other remedies of Lender so long as any part of the Obligations secured hereby remains unsatisfied. Lender shall be entitled to receive on demand, as additional Obligations hereunder, interest accruing at the lower of 6.25% per annum or the highest rate permitted by applicable law on all amounts not paid when due under the Note or this Agreement until the date of actual payment. Lender shall have no duty to mitigate any loss to the Debtor occasioned by enforcement of any remedy hereunder and shall have no duty of any kind to any subordinated creditor of Debtor.

4. **Application of Proceeds**. Should Lender exercise the rights and remedies specified in Section 3, any proceeds received thereby shall be first applied to pay the costs and expenses, including reasonable attorneys' fees, incurred by Lender as a result of the Event of Default. The remainder of any proceeds, net of Lender's costs and expenses, shall be applied to the satisfaction of the Obligations and any excess paid over to Debtor.

5. **Forum Selection; Jurisdiction; Venue; Choice of Law**. For purposes of any action or proceeding arising out of this Agreement, the parties hereto hereby expressly agree that the dispute resolution procedures and choice of law provision outlined in Section 23 of the Franchise Agreement shall apply and control. Nothing in this Section shall limit or restrict the right of Lender to commence any proceeding in the federal or state courts located in the state in which the Collateral is located to the extent Lender deems such proceeding necessary or advisable to exercise remedies available under this Agreement.

6. **Assignment**. Lender may assign in whole or in part its rights under this Agreement. Upon any unconditional assignment of Lender's entire right and interest hereunder, Lender shall automatically be relieved, from and after the date of such assignment, of liability for the performance of any obligation of Lender contained herein.

7. **Possession**. Until an Event of Default shall occur, Debtor may retain possession of the Collateral and may use it in any lawful manner not inconsistent with this Agreement.

8. **Waiver**. No Event of Default hereunder by Debtor shall be deemed to have been waived by Lender except by a writing to that effect signed by Lender and no waiver of any Event of Default shall operate as a waiver of any other Event of Default on a future occasion. No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement signed by Debtor and Lender.

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

10. **Notices**. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Agreement (collectively, "**Notices**") shall be made in accordance with the Franchise Agreement.

11. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Furthermore, the undersigned agree that transmission of this Agreement via e-mail in a ".pdf" or other electronic format shall be deemed transmission of the original Agreement for all purposes.

12. **Headings**. The headings appearing in this Agreement have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Agreement.

13. **Characterization; Interpretation**. This agreement is not intended, nor shall the same be deemed or construed, to create a partnership between Lender and Debtor, to make them joint venturers, to make Debtor an agent, legal representative, partner, subsidiary or employee of Lender, nor to make Lender in any way responsible for the debts, obligations or losses of Debtor except as otherwise provided in the guaranty executed by Lender.

Lender and Debtor acknowledge and warrant to each other that each has been represented by independent counsel (or has waived its right to do so) and has executed this Agreement after being fully advised by said counsel as to its effect and significance. This Agreement shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party.

14. **Time of the Essence**. Time is of the essence in the performance of each and every obligation under this Agreement.

15. **Waiver of Jury Trial and Punitive, Consequential, Special and Indirect Damages**. LENDER AND DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP OF LENDER AND DEBTOR, DEBTOR'S USE OF THE COLLATERAL, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM LENDER AND ANY OF LENDER'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY DEBTOR AGAINST LENDER OR ANY OF LENDER'S AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY DOCUMENTS CONTEMPLATED HEREIN OR RELATED HERETO. THE WAIVER BY DEBTOR OF ANY RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY DEBTOR AND LENDER AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

[Remainder of page intentionally left blank; signature page(s) to follow]

IN WITNESS WHEREOF, Debtor and Lender have executed this Agreement effective as of the day and year first above written.

DEBTOR:

[INSERT]

By ____

Name ______________________________________

Title _______________________________________

LENDER:

JUNK KING SPV LLC

By ____

Name ______________________________________

Title _______________________________________

POWER OF ATTORNEY

Lender may act as attorney-in-fact or otherwise on behalf of Debtor pursuant to Sections 3 and 5 of this Agreement. This power of attorney is coupled with an interest, is durable and is not affected by subsequent disability or incapacity of the principal or lapse of time.

____________________________	____________________________	____________________________
Witness	Lender	Debtor

EXHIBIT A TO EQUIPMENT SECURITY AGREEMENT

COLLATERAL

[INSERT INFORMATION FOR ALL EQUIPMENT]

EXHIBIT N

STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS

RIDER TO THE STATE ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

FOR THE FOLLOWING STATES ONLY: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

This Rider to the State Addendum to the Franchise Disclosure Document and Franchise Agreement is entered into by and between ____________________, a Delaware limited liability company with an address of ____ ("Franchisor") and ________________________, individually, with an address of ____("Franchisee").

A. This Rider is being signed because (i) the franchised business that Franchisee will operate under the Agreement will be located in one of the states listed in the heading of this Rider (the "Applicable Franchise Registration State"); and/or (ii) any of the franchise offering or sales activity with respect to the Agreement occurred in the Applicable Franchise Registration State.

B. Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend the Agreement as provided herein.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. The following language is hereby added to the end of the Agreement:

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

2. Except as provided in this Rider, the Agreement remains in full force and effect in accordance with its terms. This Rider shall be effective only to the extent that the jurisdictional requirements of the franchise law of the Applicable Franchise Registration State are met independently without reference to this Rider.

[SIGNATURES APPEAR ON THE NEXT PAGE]

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____
____________________________, individually

Accepted as of the ________ day of ________________, 20__, in _______________.

FRANCHISOR:

____

BY: ___________________________________
______________________________, President

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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

2. OUR WEBSITES, www.junk-king.com, and www.neighborlybrands.com, HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at www.dfpi.ca.gov.

3. Item 3 is amended to add the following:

   Neither we, nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, §15 U.S.C.A. 578(a) et seq., suspending or expelling such persons from membership in such association or exchange.

4. Items 17(c), (d), (e), (f), (g), (h) and (i) are amended to add the following:

   California Business and Professions Code §§20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the franchise. If the franchise agreement is inconsistent with California law, California law will control.

5. Item 17 (h) is amended to add the following:

   The franchise agreement provides for termination under bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et.seq.). Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

6. Item 17(m) is amended to add the following:

   You must sign a general release of all claims if you renew or transfer the franchise to a third party. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000–31516) and Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000–20043).

7. Item 17(r) is amended to add the following:

   The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

8. Item 17(s) is amended to add the following:

California Corporations Code §31125 requires us to give you a disclosure document, in a form containing information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

9. Item 17(u) is amended to add the following:

   You 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.

10. Item 17(v) is amended to add the following:

   The franchise agreement requires any litigation to be filed in Waco, McLennan County, Texas. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

11. Item 17(w) is amended to add the following:

   The franchise agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

12. California Corporations Code Section 31125 may require us to give you a disclosure document approved by the California Department of Financial Protection & Innovation before a solicitation of a proposed modification of an existing franchise.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

State Cover Page; Risk Factors.

The following statement is added to the end of the first Risk Factor: Section 4 of the Illinois franchise disclosure act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois; provided, however, that the franchise agreement may provide for arbitration in a forum outside of Illinois.

Item 17 – Additional Disclosures.

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart:

State Law

The Illinois Franchise Disclosure Act will govern any franchise agreement if it applies to a franchise located in Illinois.

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

The franchise agreement shall become effective on its acceptance and execution by us in Texas. The franchise agreement shall be interpreted and constructed under the substantive laws of Texas, except to the extent governed by the United States Arbitration Act (9 U.S.C. § 1 et seq) and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., § 1051 et seq.). However, under 815 ILCS 705/41, any condition, stipulation or provision purporting to find any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

Any action brought by either party in any court, except for claims required to be submitted to arbitration, whether federal or state, shall be brought within the state or federal Court having jurisdiction in Texas. The parties waive all questions of personal jurisdiction or venue. However, under 815 ILCS 705/4, any provision that designates jurisdiction or venue outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois; provided, however, that the franchise agreement may provide for arbitration in a forum outside of Illinois.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act (815 ILL. COMP. STAT. §§ 705/1 through 705/44) are met independently without reference to this Addendum.

INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

Nothing in this disclosure document or the franchise agreement is intended to be contrary to the provisions of the "Deceptive Franchise Practices" law of Indiana, which is contained in Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7 as amended ("Indiana Franchise Practices Law"). In the event of any conflict between any provision of the franchise agreement and the Indiana Franchise Practices Law the Indiana law will control, but in that case, the provision of the franchise agreement affected will be limited only to the extent necessary to bring it within the requirement of the law and, to that extent, that provision shall be deemed to have been omitted from the franchise agreement as of the date of execution of the franchise agreement. This will not affect the validity of any remaining portion of the franchise agreement.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 11: To obtain an accounting of the MAP Fund, the franchisee should contact the Franchisor's President or Vice President in writing.

2. Items 17 (c) and (m) are modified to state that any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(h) is modified to state that the agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

4. Item 17(v) is modified to state that you may, subject to your obligations in the franchise agreement, bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Item 17(w) is modified to state that Texas law applies, except as otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Item 17 is modified to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

7. Franchise Agreement, Schedule D, Acknowledgement Addendum, is amended to add the following:

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.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise and Disclosure Law (MD CODE ANN., BUS. REG. §§ 14-201 through 14-233) are met independently without reference to this Addendum.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 13 is amended to add the following:

   Under Minn. Stat. §80c.1(g), we must indemnify franchisees located in Minnesota against liability to 3rd parties resulting from claims by third parties that the franchisee's use of our trademark infringes the trademark rights of the 3rd party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the franchise agreement and, as a condition to indemnification, you must provide prompt notice to us of any such claim and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17(b) is amended to add the following:

   We will comply with Minn. Stat. §80C.14, which requires that we give you 180 days' notice for non-renewal of the franchise except in specified circumstances.

3. Item 17(f) is amended to add the following:

   We will comply with Minn. Stat. §80C.14, which requires that we give you 90 days' notice of termination and you will have 60 days to cure your default.

4. Item 17(c) and (m) are modified to include the following language after "general release":

   "(except to the extent required by law for claims arising under the Minnesota Franchise Act)."

5. Item 17(v) is amended to add the following:

   Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of the State of Minnesota. Nothing in this disclosure document or the franchise agreement can abrogate or reduce any of your rights to any procedure, forum or remedies provided for by the laws of Minnesota.

6. Item 17(w) is amended to add the following:

   Texas law applies unless Minnesota state law supersedes this provision. Nothing in this disclosure document or the franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota state franchise law (MINN. STAT. §§ 80C.01 through 80C.22) are met independently without reference to this Addendum.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.
REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as 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 the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor":**

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

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

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

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York state franchise law (N.Y. GEN. BUS. LAW §§ 680 through 695) are met independently without reference to this Addendum.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17(c) is amended to add the following:

   Under §51-19-09 of the North Dakota Franchise Investment Law, you are not required to sign a general release on renewal or transfer/assignment of the franchise agreement.

2. Item 17(r) is amended to add the following:

   In accordance with North Dakota law, the restrictions of the covenant not to compete might not apply to your activities after the termination or expiration of your franchise agreement.

3. Item 17(u) is amended to add the following:

   To the extent required by law unless preempted by the Federal Arbitration Act, all disputes must be litigated or arbitrated either in North Dakota or in a mutually agreed location.

4. Item 17(v) is amended to add the following:

   To the extent required by law unless preempted by the Federal Arbitration Act, all litigation and arbitration must be in North Dakota or in a mutually agreed location.

5. Item 17(w) is amended to add the following:

   The Federal Arbitration Act and North Dakota laws apply except to the extent that the franchise agreement is governed by the United States Trademark Act of 1946 (Lanham Act, 15 USC § 1051, et seq.).

6. Item 17 is amended by the addition of the following:

   THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

   A. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to *NDCC Section 9-08-06*, without further disclosing that such covenants will be subject to the statute.

   B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

   C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

   D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

   E. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law (N.D. CENT. CODE §§ 51-19-01 through 51-9-17) are met independently without reference to this Addendum.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17(v) and (w) are amended to add the following:

   Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act (19 R.I. GEN. LAWS §§ 19-28.1-1 through 19-28.1-34) are met independently without reference to this Addendum.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

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

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

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

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

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees and ask them about their experience with the franchisor.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Addendum.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF CALIFORNIA

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _________________________ between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ________________ with an address of _______________________ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the Franchised Business will be located or operated in the State of California.

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

3. Franchisor's financing program is offered pursuant to the franchise loan exemption under Section 22063 of the California Finance Lenders Law. If Franchisee decides to finance all or a portion of the initial franchise fee using Franchisor's financing program, Franchisee hereby confirms that Franchisee intends to use the financing primarily for purposes other than personal, family, or household purposes.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

6. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Addendum as of the date first written above.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____
____________________________, individually

Accepted as of the ________ day of ________________, 20__, in ____________, ___.

FRANCHISOR:

JUNK KING SPV LLC

BY: _________________________________
______________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF ILLINOIS

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ________________________, individually, with an address of ____ (Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Agreement was made in the State of Illinois, (b) the Franchised Business, territory or a portion of the territory will be located in Illinois, and/or (c) Franchisee is a resident of Illinois.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended to add the following:

> "If any provisions of the Agreement are inconsistent with applicable Illinois state law, then Illinois state law shall apply. Any provision which designates jurisdiction or venue in a forum outside Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois. Any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void."

3. Section 13.B, **Claims**, is amended to add the following:

> "However, nothing in this Section shall shorten any period within which you may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met)."

4. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act (815 ILL. COMP. STAT. §§ 705/1 through 705/44) are met independently without reference to this Addendum.

[SIGNATURE PAGE TO FOLLOW]

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____
___________________________, individually

Accepted as of the ________ day of ________________, 20__, in __________, ___.

FRANCHISOR:

JUNK KING SPV LLC

BY: __________________________________

_____________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF MARYLAND

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ________________________, individually, with an address of ____("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) Franchisee is a resident of the State of Maryland, and/or (b) the Franchised Business will be located or operated in Maryland.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 7.A, **MAP Fund**, is amended by adding the following language:

> "To obtain an accounting of the MAP Fund, you should contact our President or Vice President in writing."

3. Section 4.B, **Renewal**, and Section 10.D.6, **Conditions of Transfer** are amended by adding the following language:

> "However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law."

4. Section 12.B.2(vi), **Immediate Termination With No Opportunity to Cure**, is amended by adding the following language:

> "(Termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.)"

5. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding the following language:

> "Subject to your arbitration obligations, a franchisee in Maryland may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

6. Section 13.B, **Claims**, is amended to add the following:

"However, the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law."

7. The Franchise Agreement is amended by adding the following language at the end of the document:

"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."

8. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise and Disclosure Law (MD CODE ANN., BUS. REG. §§ 14-201 through 14-233) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____
___________________________, individually

Accepted as of the ________ day of ________________, 20__, in _____________, ___.

FRANCHISOR:

JUNK KING SPV LLC

BY: __________________________________

_____________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF MINNESOTA

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ______________________, individually, with an address of _____________________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the Business that Franchisee will operate under the Agreement will be located in Minnesota; and/or (b) any of the franchise offering or sales activity with respect to the Agreement occurred in Minnesota.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.B, **Renewal**, is amended by adding the following language:

"Unless the failure to renew your license is for good cause as defined in Minnesota Statutes Section 80C.14, Subdivision 3, Paragraph (b), and you have failed to correct the reasons for termination as required by Subdivision 3, we may not fail to renew your license unless:

(1) You have been given written notice of the intention not to renew at least 180 days in advance of the expiration of this Agreement; and

(2) You has been given an opportunity to operate the Business over a sufficient period of time to enable you to recover the fair market value of the Business as a going concern, as determined and measured from the date of the failure to renew. We may not refuse to renew your license if our refusal is for the purpose of converting the Business premises, or the franchise, to an operation that will be owned by us for our own account.

Any release required by us as a condition of renewal of the franchise will not apply to the extent that such release is specifically prohibited by the Minnesota Franchise Law."

3. Section 3.D, **Litigation**, is amended by adding the following language

"The Minnesota Department of Commerce requires that we indemnify you against liability to third parties resulting from claims by third parties that your use of our Mark infringes the trademark rights of the third party. We do not indemnify against the consequences of your use of our Mark except in accordance with the requirements of this Agreement, and, as a condition to indemnification, you must provide notice to us of any such claim and tender defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim."

4. Section 10.D.6, **General Release**, is hereby deleted from the Agreement in accordance with Minnesota Rule 2860.4400D.

5. Section 12.B, **Termination By Us**, is hereby amended by adding the following language:

> "Pursuant to Minn. Stat. Sec. 80C.14, Subdivisions 4 & 5, no person may terminate or cancel a franchise unless (i) that person has given notice setting forth all the reasons for the termination or cancellation at least 90 days in advance of termination or cancellation, and (ii) the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice; except that the notice is effective immediately upon receipt where the alleged grounds for termination or cancellation are:
>
> (1) voluntary abandonment of the franchise relationship by you;
>
> (2) the conviction of you of an offense that is directly related to the business conducted pursuant to the franchise; or
>
> (3) failure to cure a default under this Agreement which materially impairs the goodwill associated with our trade name, trademark, service mark, logotype or other commercial symbol after you have received written notice to cure at least twenty-four (24) hours in advance thereof.

No person may terminate or cancel a franchise except for good cause. "Good cause" means failure by you to substantially comply with the material and reasonable franchise requirements imposed by us including, but not limited to:

> (1) your bankruptcy or insolvency;
>
> (2) a voluntary or involuntary assignment for the benefit of creditors or any type of similar disposition of the assets of the Business;
>
> (3) voluntary abandonment of the Business;
>
> (4) your conviction or your plea of guilty or no contest to a charge of violating any law relating to the Business; or
>
> (5) any act or conduct which materially impairs the goodwill associated with our trademark, trade name, service mark, logo or other commercial symbol."

6. Section 11.B, **Exceptions to Mediation**, is amended by adding the following language:

"Under Minnesota law, we may seek a restraining order, injunction and such other equitable relief as may be appropriate, but we are not automatically entitled to such relief and you have not automatically consented to such relief."

7. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.I., **Jury Waiver**, are amended by adding:

"Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, and subject to your arbitration obligations, this section shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota and the right to bring a cause of action within three years after the cause of action accrues. You cannot be required to consent to the waiver of a jury trial."

8. Schedule D, **Acknowledgment Addendum**, is amended by adding the following language:

"Pursuant to Minnesota Rule 2860.4400J, the foregoing acknowledgments contained in this section shall not be construed as a waiver of my rights."

9. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota state franchise law (MINN. STAT. §§ 80C.01 through 80C.22) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____

____________________________, individually

Accepted as of the ________ day of ________________, 20__, in ______________, _____.

FRANCHISOR:

JUNK KING SPV LLC

BY: ___________________________________

______________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF NEW YORK

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and _____________, individually, with an address of _________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously entered into a Franchise Agreement (the "Agreement") and wish to amend certain items of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the franchised Business that you will operate under the Agreement was made in the State of New York, and/or (b) Franchisee is a resident of New York and will operate the franchised Business in New York.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties hereby agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.B, **Renewal**, and Section 10.D.6, **General Release**, are amended by adding the following:

> "All rights enjoyed by you 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, Section 687.4 and 687.5 be satisfied."

3. Section 9.B, **Indemnification**, is amended by adding the following:

> "Notwithstanding anything contained herein to the contrary, you shall not be required to indemnify for any claims arising out of our breach of this Agreement or other civil wrongs by us."

4. Section 12.C, **Termination by You**, is amended to provide that Franchisee may terminate the Franchise Agreement on any grounds available to Franchisee pursuant to applicable law.

5. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding:

> "The foregoing choice of law shall not be considered a waiver of any right conferred upon us or you by the provisions of Article 33 of the General Business Law of the State of New York."

6. Section 13.B, **Claims**, is amended to add the following:

> "However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder

shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied."

7. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York state franchise law (N.Y. GEN. BUS. LAW §§ 680 through 695) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____
___________________________, individually

Accepted as of the ________ day of ________________, 20__, in __________, _____.

FRANCHISOR:

JUNK KING SPV LLC

BY: ___________________________________

_____________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF NORTH DAKOTA

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ______________, individually, with an address of ___________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the franchised Business that Franchisee will operate under the Agreement was made in the State of North Dakota, and/or (b) Franchisee is a resident of North Dakota and the franchised Business will be located in North Dakota.

NOW, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 9.D, **Noncompetition Covenants**, is amended by adding the following: "Covenants not to compete are generally considered unenforceable in the State of North Dakota pursuant to Section 9-08-06 of the North Dakota Century Code."

3. Section 4.B, **Renewal**, and Section 10.D.6, **General Release**, are amended by adding the following: "Franchise Agreements that require the franchisee to sign a general release upon renewal or transfer are considered unfair, unjust and inequitable and are hereby deleted in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law."

4. Section 14.G.1, **Applicable Law and Waiver** and Section 14.H., **Venue**, are amended by adding the following: "Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, this Agreement will be governed by the laws of the state of North Dakota."

5. Section 11, **Dispute Resolution**, is amended by adding the following: "Notwithstanding the foregoing, if and to the extent required by the North Dakota Franchise Investment Law (unless preempted by the Federal Arbitration Act), arbitration proceedings will be conducted at a mutually agreeable site in North Dakota."

6. Section 13.B, **Claims**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

7. Section 14.I, **Waiver of Jury**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

8. Section 14.K, **Waiver of Punitive and Consequential Damages**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with

the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

9. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law (N.D. CENT. CODE §§ 51-19-01 through 51-9-17) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____

___________________________, individually

Accepted as of the ________ day of ________________, 20__, in ___________, ___.

FRANCHISOR:

JUNK KING SPV LLC

BY: __________________________________

_____________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF RHODE ISLAND

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and ______________, individually, with an address of ___________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the State of Rhode Island, and/or (b) Franchise is a resident of Rhode Island and the Franchised Business will be located in Rhode Island.

NOW, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act (19 R.I. GEN. LAWS §§ 19-28.1-1 through 19-28.1-34) are met independently without reference to this Addendum.

[SIGNATURE PAGE TO FOLLOW]

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

____

___________________________, individually

Accepted as of the ________ day of ________________, 20__, in __________, ______.

FRANCHISOR:

JUNK KING SPV LLC

BY: __________________________________

_____________________________, President

ADDENDUM TO FRANCHISE AGREEMENT
FOR RESIDENTS OF WASHINGTON

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between JUNK KING SPV LLC, a Delaware limited liability company with an address of 1616 Gilbreth Road, Burlingame, CA 94010 ("Franchisor") and _________, individually, with an address of _______________ "Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the State of Washington, (b) Franchisee is a resident of Washington, and/or (c) the Franchised Business will be located or operated in the State of Washington.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. The following paragraphs are added to the end of the Agreement:

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

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

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

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

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

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

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

3. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Addendum.

The undersigned does hereby acknowledge receipt of this addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:
____
_________________________, individually

Accepted as of the ________ day of ________________, 20__, in ____________, ____.

FRANCHISOR:
JUNK KING SPV LLC

By: ________________________________
___________________________, President

EXHIBIT P

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

California:	[PENDING]
Illinois:	April 1, 2023
Indiana:	[PENDING]
Maryland:	[PENDING]
Michigan:	April 1, 2023
Minnesota:	[PENDING]
New York:	April 1, 2023
North Dakota:	[PENDING]
Rhode Island:	[PENDING]
South Dakota:	[PENDING]
Virginia:	[PENDING]
Washington:	[PENDING]
Wisconsin:	[PENDING]

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPTS

RECEIPT
(OUR COPY)

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

New York, if applicable, requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan, if applicable, require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If JUNK KING SPV LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agencies listed in Exhibit B.

The name, principal business address, and telephone number of the Franchise Sellers offering the franchise are:

Sellers at Junk King SPV LLC, 1616 Gilbreth Road, Burlingame, CA 94010, (800) 995-5865:			
□ Crissy Russo	□ Mike Andreacchi	□ Mike Arend	□ Lisa Merry
□ Darlene Viering	□ Bradley Stevenson		

Additional Sellers/telephone numbers:

Name/Contact Information for Broker or Additional Franchise Seller, if any (Address for additional Franchise Seller is same as above): ______________________________
____
____
____

ISSUANCE DATE: APRIL 1, 2023

I RECEIVED A DISCLOSURE DOCUMENT DATED APRIL 1, 2023, THAT INCLUDED THE FOLLOWING EXHIBITS: (A) franchise agreement and Schedules; (B) Agencies/Agents for Service of Process; (C) Financial Statements; (D) Parent Guarantee; (E) Current Franchisees in the United States as of December 31, 2022; (F) Franchisees in the United States who left the System in the past 12 months as of December 31, 2022; (G) Option to Purchase Agreement; (H) Renewal Addendum; (I) General Release [sample]; (J) PROTRADENET Agreement; (K) Software System User and Maintenance Agreement; (L) Assignment and Consent Agreement; (M) Financing Documents (N) Customer Care Center Agreement; (O) State Addenda; and (P) State Effective Dates.

______________	______________________	______________________
Date	Signature	Printed Name
______________	______________________	______________________
Date	Signature	Printed Name

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(YOUR COPY)

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____________	____________________	____________________
Date	Signature	Printed Name
____________	____________________	____________________
Date	Signature	Printed Name