

FRANCHISE DISCLOSURE DOCUMENT



CABINET IQ

Cabinet IQ Franchising, LLC
A Texas limited liability company
2419 S. Bell Blvd.
Cedar Park, Texas 78613
Tel: (512) 994-7113
Email: Franchising@CabinetIQ.com

The franchise described in this Disclosure Document is for the operation of a professional kitchen remodeling services business (both residential and commercial) under the name “Cabinet IQ”. The total investment necessary to begin operation of a Cabinet IQ business is \$189,450 to \$288,800. This includes an initial fee of \$47,600 to \$59,500 per franchise that must be paid to franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michael Hartel at 2419 S. Bell Blvd., Cedar Park, Texas, 78613, telephone: (512) 994-7113.

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 30, 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 Exhibit F . |
| How much will I need to invest? | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| Does the franchisor have the financial ability to provide support to my business? | Exhibit D 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 Cabinet IQ 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 Cabinet IQ franchisee? | Exhibit 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 clients, what you sell, how you market, and your hours of operation.

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

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

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

Some States Require Registration

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

Certain states 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.

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.

INFORMATION FOR RESIDENTS OF THE STATE OF MICHIGAN

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE BEFORE THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS 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 FRANCHISED 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.

* * * * *

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.

* * * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

* * * *

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
670 LAW BUILDING
LANSING, MICHIGAN 48913

| | | |
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EXHIBITS

- A. List of State Administrators and Agents for Service of Process
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- D. Financial Statements
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- F. List of Current and Former Franchisees
- G. State Specific Addenda to Disclosure Document
- H. State Specific Addenda to Franchise Agreement and Development Agreement

Item 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “**Cabinet IQ Franchising**” or “**we**”, “**our**” or “**us**” means Cabinet IQ Franchising, LLC, the franchisor of the Cabinet IQ concept. This Disclosure Document refers to the person or entity that buys the franchise from us as “**you**” or “**your**”, and the term includes your partners if you are a partnership, your members if you are a limited liability company or your shareholders if you are a corporation. If you are an entity, your owners will have to guarantee your obligations and be obligated to comply with the terms of the Franchise Agreement and ancillary documents described in this Disclosure Document.

Franchisor, Parent, Predecessors and Affiliates

We were formed as a Texas limited liability company on June 17, 2021. We have been offering franchises for Businesses (as defined below) since January 3, 2022. We do business under the names “Cabinet IQ” and our corporate name. Our principal business address is 2419 S. Bell Blvd., Cedar Park, Texas 78613.

Our parent company is Cabinet IQ Holdings, LLC, a Texas limited liability company formed on July 9, 2021 (“**Cabinet IQ Holdings**”). Its principal business address is 2419 S. Bell Blvd., Cedar Park, Texas 78613.

We have no predecessors.

As of the date of this Disclosure Document, we do not own or operate any Businesses.

Our affiliate, Cabinet Plus, LLC (our “**Affiliate**”) has operated a Business in Cedar Park, Texas since its inception in July 2018. Its principal business address is 2419 S. Bell Blvd., Cedar Park, Texas 78613. Our Affiliate originally operated under the names “Cabinets Plus USA” and “Cabinets Plus”. In August 2021, our Affiliate rebranded and began using the Marks. Our Affiliate opened a second Business in Austin, Texas in February 2022.

Before the formation of our Affiliate, our founder operated a sole proprietorship that operated a business similar to the Business under the names Cabinets Plus USA and Cabinets Plus.

We have not offered franchises in any other line of business, nor do we engage in any other business activities. We have no affiliates that offer franchises in any line of business or that offer products or services to our franchisees. Our parent company, Cabinet IQ Holdings, does not offer franchises in any line of business or offer products or services to our franchisees.

Our agents for service of process are listed in **Exhibit A**.

The Business

We offer franchises under which you can establish and operate a professional kitchen remodeling services business that includes design and installation of cabinets and counter tops (a “**Business**”) under a Franchise Agreement between you and us (the “**Franchise Agreement**”). Our current form of Franchise Agreement is attached as **Exhibit B**.

You will operate the business at a location selected by you that has been accepted by us (the “**Accepted Site**”) and which will generally consist of a showroom, office space, and a warehouse. The Accepted Site will range from 3,300 to 5,500 square feet and will typically be located in a light industrial or strip shopping center. Your clients will visit the showroom to view samples and work with a designer to design their dream kitchen, and certified installers will handle the installation.

The Business must utilize our business format, procedures, standards, specifications and methods of operation as further developed and improved. You must use the Cabinet IQ franchise system (the “**System**”) in the operation of your Business, which includes the use of the mark “Cabinet IQ”, and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and commercial symbols we or our affiliates may designate from time to time for the operation of Business (collectively, the “**Marks**”); our training programs and methods; expertise; know-how; confidential information; trade secrets; and methods of operating; our standards and specifications; our procedures and methods; and our advertising and promotional materials; our Confidential Operations Manuals (the “**Manuals**”). We may from time to time add or delete products and/or services and change specifications, standards, procedures and methods of operation, and you will be expected to comply with any changes.

The Franchise Agreement requires that you operate from the Accepted Location in your protected area (your “**Assigned Territory**”). See **Item 12** for more information regarding your Assigned Territory.

We offer qualified parties who have entered into a Franchise Agreement and wish to have the right to develop additional Businesses in a specified geographic area (a “**Development Area**”) the possibility of entering into a Development Agreement with us. The form of Development Agreement is attached to this Disclosure Document as **Exhibit C**. If you sign a Development Agreement, you must agree to open more than one Business in the Development Area according to the schedule described in the Development Agreement (the “**Development Schedule**”). For each additional Business that you establish you will be required to enter into our then-current form of Franchise Agreement which could be materially different from the Franchise Agreement attached to this Disclosure Document. The Development Schedule will be mutually determined by you and us, based on a variety of factors, including demographics and economic factors related to the Development Area, expected demand for the Business, your desire and ability to develop and operate Businesses, and other factors.

Market and Competition

The products and services offered by a Business are intended primarily for members of the general public who are also homeowners as well as interior designers, contractors and architects. The kitchen remodeling services business is established but is still developing. Your competitors will include regional and local chains, which provide similar services, and independent remodeling and/or construction businesses.

Regulatory Matters

It is your obligation to comply with all laws and regulations which are currently in existence and which may later be adopted. Franchisees will be subject to local, city, county and state regulations and local, city, county and state licensing regulations for the operation of businesses generally. There may also be local, city, county, and state business, construction and/or

contractor licenses that you need to obtain to operate your Business. You should research the required licenses that apply to your Business and consult with your legal counsel to determine the applicability of licensing and other laws and regulations applicable to the operation of your Business.

You must comply with all zoning or other laws or regulations regarding the parking of commercial vehicles in residential areas and operating businesses from residences. If you plan to use independent contractors instead of employees, you will need to consult with legal counsel on independent contractor classification issues. You are also required to consult with your own legal counsel or accountant regarding your obligations to collect sales or use tax and the practices or systems you must have in place for this purpose.

Item 2. BUSINESS EXPERIENCE

Michael Hartel – Chief Executive Officer and Founder

Michael Hartel is our Chief Executive Officer and Founder, positions he has held since June 2021. He has also been the Chief Executive Officer and Founder of our Affiliate from July 2018 to present, and prior to that, he operated our Affiliate's predecessor, a sole proprietorship, from June 2016 to July 2018. He is also the Owner and Founder of Hartel Homes, a position he has held since July 2016. All positions are in the Austin, Texas metro area.

Jacob Collums – Chief Operating Officer and Vice President of Franchise Development

Jacob Collums has served as our Chief Operating Officer and Vice President of Franchise Development since May 2021 in Austin, Texas. Prior to that, Mr. Collums was a Performance Excellence System Practitioner – Corrugated and Performance Excellence Black Belt for WestRock from December 2017 to May 2021, in Houston, Texas. From June 2012 to August 2017, he was Title Procurement Specialist, Operations Integrity Development Specialist, Enterprise Excellence Business Leader – Black Belt III, and Global Rotational Development Trainee - Operations for Cameron, a Schlumberger Company. These positions were held in Houston, Texas, Calgary, Alberta, Canada and Berwick, Louisiana.

Item 3. LITIGATION

No litigation is required to be disclosed in this Item.

Item 4. BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

Item 5. INITIAL FEES

Initial Franchise Fee

The initial franchise fee (the “**Initial Franchise Fee**”) for a Business is \$59,500 and is payable when you sign the Franchise Agreement. If you purchase rights to develop two or more Businesses under a Development Agreement, the Initial Franchise Fee will be reduced by 20% (i.e., to \$47,600) for each Business after the first Business that you are required to develop under

the Development Agreement. The Initial Franchise Fee is not refundable under any circumstance. The Initial Franchise Fee is uniformly charged to all our franchisees.

Development Fee

If you sign a Development Agreement, you must agree to open more than one Business and pay us the Initial Franchise Fees for the first Business and for each additional Business to be established under the Development Agreement (the “**Development Fee**”) in full at the time you sign the Development Agreement. All developers will have entered into a Franchise Agreement for the first Business concurrently with the signing of the Development Agreement.

The formula used to calculate Development Fees is uniformly applied to all developers, and the Development Fee is not refundable.

Veteran’s Program

We offer a reduced Initial Franchise Fee to current members of the United States Military and veterans who received an honorable discharge from a branch of the United States Military. If you qualify for this discount, we will reduce the Initial Franchise Fee for your first Business by 20%.

Item 6. OTHER FEES

| Name of Fee | Amount | Due Date | Remarks |
|-------------------------------|--|--|--|
| Royalty Fee | 6% of Gross Revenues ⁽¹⁾ | Due the 5 th day of each month for Gross Revenues earned during the prior month | We will debit your bank account for the Royalty Fee due. |
| Advertising Fund Contribution | 2% of Gross Revenues ⁽²⁾ | Due the 5 th day of each month for Gross Revenues earned during the prior month | We will debit your bank account for the contributions to the Cabinet IQ Franchising, LLC Advertising Fund (the “ Advertising Fund ”). <i>Advertising Fund contributions are payable only after your Business’ second year of operations.</i> |
| Local Advertising | The greater of \$4,500 or 4% of your monthly average Gross Revenues in the prior 3-month period ⁽³⁾ | As arranged | This amount must be spent on local advertising during each month. |

| Name of Fee | Amount | Due Date | Remarks |
|----------------------------|---|--|--|
| Marketing Cooperative Fees | A fee as determined by the Marketing Cooperative ⁽⁴⁾ | As directed by the Marketing Cooperative | The required marketing cooperative contribution (the “ Marketing Cooperative Contribution ”) is a percentage of Gross Revenues of each Business in the marketing cooperative (“ Market Cooperative ”) as established by the vote of its members. If we request, you will submit your Marketing Cooperative Contributions directly to us for transmittal to the Marketing Cooperative. <i>There are currently no Marketing Cooperatives and therefore no Marketing Cooperative Contributions are charged.</i> |
| Successor Term Fee | 10% of our then-current initial franchise fee | By the expiration of the initial term | |
| Transfer Fee | \$1,500 to 75% of our then-current initial franchise fee, plus any broker fees payable to third parties | Prior to transfer | The transfer fee is reduced to \$1,500 for a partial equity transfer or a transfer to an entity having identical ownership. The transfer fee is 50% of the then-current initial franchise fee if the transfer is to a current franchisee. For all other transfers, the transfer fee is 75% of the the-current initial franchise fee. |
| Initial Training Fees | \$2,000 per person | Prior to initial training | We will provide initial training for up to three individuals at no charge. You must pay us a fee of \$2,000 for each additional individual (beyond three) who attends initial training on your behalf. |

| Name of Fee | Amount | Due Date | Remarks |
|-------------------------------------|---|-------------|--|
| Additional Training Fees | A reasonable fee, plus out-of-pocket costs (currently, \$500 per day per trainer) | On demand | We may charge a reasonable fee for training persons who are repeating the initial training course or replacing a person who did not successfully complete the initial training course, for any replacement Operating Principal or manager attending the initial training course and for additional/refresher training. You are responsible for any travel and living expenses incurred by our personnel in connection with such training if it is provided at your Business' premises. |
| Technology Fee | A reasonable fee for software or other maintenance and support we provide (currently, \$350 per month) | Monthly | You must pay us a reasonable Technology Fee for the use of our Intranet, software and other technology products and services we provide. The Technology Fee currently covers costs associated with our Intranet, the Cabinet IQ Smart CRM, Cabinet IQ Learning Center, and Qvinci financial reporting software. |
| Third Party Technology Expenditures | As required (currently approximately \$2,095 per year for Design 20/20 Software; \$85 per month for Quickbooks online and \$75 per month for Quickbooks online payroll) | Varies | We may designate computer software programs and accounting system software that you must use as part of your technology system. See Item 11 for more information on required third party technology expenses. |
| Technology Leasing Fees | Actual costs and expenses | As arranged | You must use our designated vendor to lease laptops at a cost of \$145 per month, which includes laptop lease, security software, online backup, MS Exchange Email, Office 365, and unlimited remote support. You must purchase or lease other equipment associated with your Technology System. See Item 11 for more information. |

| Name of Fee | Amount | Due Date | Remarks |
|-------------------------|--|-----------------------------------|--|
| Insurance | Cost of premium, plus a reasonable administrative fee (currently, \$300) | On demand | Should you not procure and maintain insurance coverage as required by us, we have the right procure insurance coverage and to charge the premiums to you, along with a reasonable administrative fee. |
| Inspection Fee | Costs and expenses | Upon demand | Payable only if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Franchise Agreement. |
| Supplier Evaluation Fee | Actual cost of testing/evaluation, plus a reasonable fee | Upon demand | |
| Non-Compliance Fee | \$250 per day | Upon demand | Payable if you violate an operating standard and fail to cure the violation within 10 days after notice. |
| Audit Fee | Costs and expenses | Upon demand | Payable if audit or review shows an understatement of Gross Revenues for the audited or reviewed period of at least 2%. |
| Conference Fees | A reasonable fee | Upon demand | We may require your Operating Principal to attend one or more regional or national conventions or conferences per calendar year, and we may charge a reasonable fee to fund such conventions or conferences, regardless of attendance, in an amount reasonably commensurate with our internal and out-of-pocket costs. You will be responsible for all travel and other expenses of attending any meeting, convention or conference. |
| Extension Fee | \$10,000 | Prior to development deadline | You may extend the development deadlines under a Development Agreement for a period of up to six months, upon payment of this fee and subject to certain conditions. |
| Interest | 18% per annum or maximum interest rate allowed by law (whichever is less) from due date to date of payment | When amount owed becomes past due | Required whenever a payment to us is made after its due date. |

| Name of Fee | Amount | Due Date | Remarks |
|---------------------------------|--|-----------------|---|
| Late/Insufficient Funds Fee | \$250 for each late payment or each draft payment that is dishonored | Upon demand | |
| Relocation | 20% of the then-current initial franchise fee | Upon demand | Payable if you relocate the Business |
| Franchisee Advisory Council Fee | Due as assessed by the Franchisee Advisory Council | Upon demand | We will not assess fees or dues for participation in or on the Franchisee Advisory Council, but you may be required to pay dues to the Franchisee Advisory Council if the Franchisee Advisory Council, which will be controlled by franchisees, determines that fees shall be assessed. <i>There is currently no Franchisee Advisory Council and therefore no Franchisee Advisory Council fees are assessed.</i> |
| Purchasing Association Fees | As assessed by the purchasing association | Upon demand | We may require you to become a member of any purchasing association designated by us and pay all membership dues or fees that are assessed by the purchasing association. <i>There are currently no purchasing associations and therefore no purchase association member dues or fees are charged.</i> |
| Software Licensing Fee | A reasonable licensing fee | Upon demand | We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. <i>There is currently no proprietary software that we license to you and therefore no software licensing fees are charged.</i> |

| Name of Fee | Amount | Due Date | Remarks |
|------------------------------------|-----------------------------------|-----------------|--|
| Bookkeeping/Accounting Service Fee | Actual costs and expenses | As arranged | You must use our designated vendor for all bookkeeping services, the prices of which may increase from time to time. These services are currently \$350 to \$540 per month depending on your Gross Revenues level. |
| Renovations | Actual costs and expenses | As arranged | On notice from us, but not more often than every five years, you must redesign, refurbish, and remodel the Business from time to time at our request. |
| Liquidated Damages | Will vary under circumstances | On demand | Only payable if we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement in violation of its terms. Liquidated damages are (i) the average of your monthly Royalty Fees and Advertising Fund contributions due for the last 12 months, (ii) multiplied by the lesser of 24 or the number of months remaining in the Term; (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank. |
| Costs and Expenses | Will vary under the circumstances | As incurred | Payable if we prevail in any legal dispute with you or if we incur costs in enforcing the terms of the Franchise Agreement against you |
| Indemnification | Will vary under circumstances | On demand | You agree to hold harmless, defend, and indemnify us and our affiliates, officers, directors, managers, partners, owners, employees, agents and other representatives against any claims or losses arising in connection with your Business, non-compliance with laws (including data security laws) and your breach of the Franchise Agreement. |

NOTES:

(1) **“Gross Revenues”** means the total amount received by or in connection with the Business from, connected with or related to the sale of any services, products, goods or merchandise and all business transacted by you related, directly or indirectly, to the Business, excluding only the following (a) the amount of any refunds to clients for bona fide returns of goods

sold or cancellations; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

(2) Commencing after your Business' second year of operations, you must make contributions to an Advertising Fund that will be maintained by us. We will oversee all advertising and promotional programs and have sole discretion to approve or disapprove the creative concepts, materials and media utilized.

(3) Required local advertising expenditures will be reduced by the amount of Marketing Cooperative Contributions paid by you. At least once every 12 months during the term of the Franchise Agreement, you must create a local advertising and marketing plan pursuant to which you will place local advertising in any media you desire, provided that such advertising conforms to the standards and requirements set forth in the Manuals or otherwise designated by us.

(4) You will automatically become a member at the opening of your Business of any existing Marketing Cooperative applicable to your Business, and you must become a member of any Marketing Cooperative we subsequently establish for your Business within 30 days of the date on which the Marketing Cooperative is established. You must pay your required Marketing Cooperative contribution in the manner specified by the applicable Marketing Cooperative by a vote of its members. At present, there are no Marketing Cooperatives, purchasing cooperatives, or other cooperatives; therefore, our own outlets do not have any voting power on any fees imposed by a cooperative.

All of the fees described above are payable to us or third party vendors. Payments to us are not refundable. Amounts paid to third party vendors may be refundable depending upon your arrangements with such vendors.

All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

Item 7. ESTIMATED INITIAL INVESTMENT

| Type of Expenditure | Estimated Investment | | Method of Payment | When Due | Payee |
|--|----------------------|-----------|-------------------|---|------------------------------|
| | Low | High | | | |
| Initial Franchise Fee (Note 1) | \$47,600 | \$59,500 | lump sum | upon execution of the Franchise Agreement | us |
| Lease, Utility and Security Deposits (Note 2) | \$6,300 | \$10,500 | lump sum | before opening | lessor and utility providers |
| Rent (Note 3) | \$10,000 | \$18,000 | lump sum | monthly | lessor |
| Improvements (Note 4) | \$85,000 | \$140,000 | as arranged | as invoiced | contractors |
| Exterior Signage (Note 5) | \$3,000 | \$5,000 | lump sum | as invoiced | vendors |
| Technology (Computers, Printer, Monitor) (Note 6) | \$1,800 | \$1,800 | as arranged | monthly or as arranged | vendors |
| Advertising (Digital Marketing Set-Up) (Note 7) | \$2,000 | \$3,000 | as arranged | as invoiced | vendors |

| | | | | | |
|---|-----------|-----------|-------------|---|--|
| Professional Fees (Note 8) | \$500 | \$1,500 | lump sum | as invoiced | attorneys, accountants and/or other advisors |
| Office Supplies and Promotional Items (Note 9) | \$3,500 | \$4,000 | lump sum | before opening | vendors |
| Insurance (Note 10) | \$1,000 | \$2,000 | lump sum | as invoiced | insurance agent |
| Warehouse Tools and Supplies | \$6,000 | \$8,000 | lump sum | before opening | vendors |
| Businesses Licenses and Permits (Note 11) | \$500 | \$1,000 | lump sum | before opening | government agencies |
| Training, Travel and Living Expenses (Note 12) | \$2,000 | \$4,000 | as incurred | before opening | Airlines, hotels, etc. |
| Grand Opening Advertising (Note 13) | \$10,000 | \$10,000 | as incurred | before opening and within 3 months of opening | vendors |
| Additional Funds (3 months) (Note 14) | \$10,250 | \$20,500 | as incurred | as needed during start-up period | employees, vendors, utilities, etc. |
| Total Estimated Initial Investment (Note 15) | \$189,450 | \$288,800 | | | |

Payments to use are not refundable. Payments to third parties may be refundable depending on your arrangements with the third party. We do not finance any part of the initial investment.

Note 1: See Item 5 for more information regarding the Initial Franchise Fee. This Item assumes that you develop and open a single Business. The Initial Franchise Fee is not refundable under any circumstances.

Note 2: Your landlord likely will require you to pay a security deposit equal to one month's rent or more. If you are a new customer of your local utilities, you generally must pay deposits to obtain services, including electric, telephone, gas, and water. The deposit's amount and refundability depend on the local utilities.

Note 3: A standard Business will require a showroom with offices and a small warehouse. A typical showroom will occupy 3,300 to 5,500 square feet total and will be located in a light industrial or a strip shopping center. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. The low estimate assumes that you will be able to negotiate a rent abatement for your initial months of operation. The high estimate assumes that you lease a site in a high-demand area and do not receive any rent abatement. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Business. Because of the wide variation in lease rates for retail space, you should thoroughly investigate the costs of obtaining a location.

Note 4: The cost of building improvements will vary widely depending upon the size and condition of the premises and the extent and quality of improvements desired by you over and above our minimum requirements. Also includes security cameras, speakers and a smart TV for use at the Business' showroom premises.

Note 5: The cost of your exterior sign will vary depending upon the size, color and back-lite channel letters of the sign and other specifications we may require or are otherwise specified in the Manuals.

Note 6: Includes lease costs for three computers, three docking stations, six monitors and one 11 by 17 printer for three months. You must lease laptops from our designated vendor. We may specify in the Manuals that you purchase or lease and use certain brands, types, makes and models of communications, hardware and software systems, peripherals and equipment for use in the Business. We may also designate computer software programs and accounting system software that you must use as part of your technology system. See Items 7 and 11 for information regarding our current requirements.

Note 7: This amount covers initial set-up and fees during the first three months of operation for your Business' digital advertising program which includes keyword or ad word purchasing programs and other means of digital advertising on the Internet or any electronic communications network that are intended to promote your Business.

Note 8: We recommend that you engage an attorney, an accountant, and other consultants to help you in your due diligence.

Note 9: You must obtain an initial supply of office supplies and promotional including uniforms.

Note 10: This figure is an estimate of the cost of maintaining the insurance required by the Franchise Agreement for the first three months of operation. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents,

Note 11: This estimate covers business and operating licenses and occupancy and other permits.

Note 12: We provide initial training at no charge for up to three people, but you must arrange and pay for all food, transportation, lodging and incidental expenses for the people who attend the initial training program. The estimates included in this Item assume two people attend the initial training program. Costs vary depending on the distance traveled and the type of lodging. See Item 11 of this Disclosure Document for a description of the initial training program.

Note 13: You must spend \$10,000 for the Business' initial grand opening program described in Item 11. We may require that you pay us such amount to be used to pay for the implementation of your approved grand opening plan. If, for any reason, applicable state law does not permit us to collect such amount, then you will pay our approved vendors and service providers for their products and services furnished in accordance with the approved marketing plan at the times when due based on invoices presented to you. Amounts spent by you on grand opening are separate from your other marketing and advertising requirements.

Note 14: This estimates the funds needed to cover your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses, and working capital. Your costs will vary depending on how rapidly your business grows. We cannot guarantee that you will not have additional expenses starting your franchised business. Your costs will depend on factors like how closely you follow

our methods and procedures; your management skill, experience and business knowledge; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level achieved during the initial period.

Note 15: We relied on our Affiliate's experience operating Businesses in the Cedar Park and Austin, Texas area. You should review these figures carefully with a business advisor before making any decision to purchase a Business. These figures may vary considerably in other parts of the United States. Your actual investment and expenditure may vary from the above estimates depending on many factors including where your Business is situated. We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending institution, and economic conditions in your area.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and quality of products and services throughout the System, we have the right to require that inventory, supplies, products, ingredients, equipment, and services that you purchase for resale or use in your Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from suppliers or service providers that we have expressly approved; and/or (c) be purchased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals.

The following are our current specific obligations for purchases and leases:

A. Site Selection. Your site must meet our then-current site criteria. You may not enter into a lease or binding purchase agreement for the premises for your Business until we have approved the location of the premises in writing. If you lease the site for your Business, you are required to have the landlord include certain provisions in such lease, including, among others, the right to permit us to take possession of the premises of your Business if your Franchise Agreement is terminated.

You must improve and develop the Business according to our standard plans and specifications including exterior and interior design and layout, fixtures, equipment, décor and signs. Before commencing any construction of the Business, using the plans we provide, you must work with a licensed architect or engineer to prepare specific construction plans and specifications to suit the shape and dimensions of the site and assure that such plans and specifications comply with the lease and any applicable ordinances, building codes and permit requirements. Upon our request, you must submit the specific construction plans and specifications to us for review and approval before you begin construction of the Business.

You must engage a qualified licensed general contractor (whom we may disapprove if we have a reasonable objection) to construct or renovate the Business and to complete all improvements.

All signage, both interior and exterior, related to the Business, must conform to such standards and specifications as we may prescribe as to type, color, size, design, and location. You must obtain our prior written approval before you install or display any such signage.

B. Advertising (General). All advertising and promotional activities conducted by you in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the Business. You agree to refrain from any advertising or promotional practice which is unethical or may be injurious to our business and/or other franchisees or the goodwill associated with the Marks. You must obtain our prior approval of all unapproved advertising and promotional materials that you desire to use in advance. You shall promptly discontinue use of any advertising or promotional plans or materials upon our request. Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt by us, is deemed disapproved.

C. Internet/Digital Marketing. You may not establish a web site on the Internet/World Wide Web or on any other electronic communication network using a domain name containing "Cabinet IQ" or any other of the Marks or any word similar to any of the Marks. We have the exclusive right to advertise on the Internet/World Wide Web and create a web site using any of the foregoing or similar or related domain names. We may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or ad word purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "**Digital Marketing**") that are intended to promote the Marks, your Business, and the entire network of Businesses. We have the sole right to control all aspects of any Digital Marketing, including those related to your Business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to your Business. If we do permit you to conduct any Digital Marketing, you must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

D. Technology System and Required Software. We have the right to specify in the Manuals or otherwise require in writing that you acquire and use in the operation of the Business your Technology System (as defined in Item 11). We have the right, but not the obligation, to develop or have developed for us, or to designate Required Software (as defined in Item 11). See Item 11 for more details. We currently require that you lease laptops from a designated vendor.

E. Insurance. You must obtain and maintain in force, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. See Section 8.L of the Franchise Agreement for more details.

F. Cabinetry and Countertops. You must purchase the cabinetry and countertops from specified manufacturers and distributors.

G. Bookkeeping Services. You must use our designated vendor for all bookkeeping services.

Neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve the right to be a supplier (or the sole supplier) of a good or service in the future.

None of our officers owns an interest in any supplier to our franchisees.

If you would like to offer products or use any supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We are not responsible for any suppliers or service providers that we designate or otherwise refer to you. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you in writing of our decision as soon as practicable following our evaluation. We will use commercially reasonable efforts to evaluate any supplier you propose within six months after your request. If you do not receive our approval within six months after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We reserve the right to revoke approval of any product, supply, ingredient, equipment, service, supplier, or service provider for any reason, in our sole discretion., equipment, service, supplier, or service provider for any reason, in our sole discretion.

We did not derive revenue in connection with required purchases by our franchisees in our last fiscal year. However, we have the right to collect any rebates or refunds provided by a supplier or vendor in connection with your purchase of any items or services. We anticipate we will receive rebates based on franchisee purchases in 2023. In addition, we and our affiliates have the right to profit from items that you purchase from us or our affiliates.

We estimate that purchases and leases made by you from approved or designated suppliers, or according to our standards and specifications, represents 75% to 85% of your total cost of establishing your Business and approximately 60% of your total cost of operating your Business.

There are currently no franchisee purchasing or distribution cooperatives within the System. In the future, we may require you to (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) designated by us and/or established by us for the System, (ii) remain a member in good standing of the purchasing and/or distribution cooperative(s)/association(s)/program(s), and (iii) pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative(s)/association(s)/program(s).

As of the date of this Disclosure Document, we have negotiated pricing arrangements and discounts with certain suppliers on behalf of our franchisees in an attempt to ensure that our franchisees receive pricing that is at least as favorable as that of our Affiliate. Other than that, as

of the date of this Disclosure Document, we do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

Item 9. FRANCHISEE’S OBLIGATIONS

THIS TABLE LISTS PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND OTHER RELATED AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

| Obligation | Section in Franchise Agreement and Development Agreement | Item in Disclosure Document |
|---|---|------------------------------------|
| (a) Site selection and acquisition/lease | §§ 4 and 5 of the FA | Items 7, 8, 11 and 12 |
| (b) Pre-opening purchases/leases | §§ 4.B., 5, 6.A., 7.A., 7.E, 8.G., 8.B., 8.K., and 8.L. of the FA | Items 5, 6, 7, 8 and 11 |
| (c) Site development and other pre-opening requirements | §§ 4, 5, 6.A., 7.A., 8.A.- 8.D., 8.G., and 8.K of the FA; § 1 of the DA | Items 7, 8 and 11 |
| (d) Initial and ongoing training | §§ 7.A. and 8.B. of the FA | Items 6, 7 and 11 |
| (e) Opening | § 8.D. of the FA; §1 of the DA | Items 7 and 11 |
| (f) Fees | §§ 2.B(vi), 3, 4.D., 6.A., 6.C.- 6.E., 7.A., 8.G, 8.K., 8.L., 8.M., 8.P, 8.T., 8.U, 8.V., 11.B., 13.C.(vii), 13.G., and 15.Q. of the FA; §§ 2 and 12(o) of the DA | Items 5 ,6, 7 and 11 |
| (g) Compliance with standards and policies/Manual | §§ 5, 6.F-6.G., and 8 of the FA | Items 8, 11, 13,14 and 16 |
| (h) Trademarks and proprietary information | §§ 8.N. and 9 of the FA | Items 13 and 14 |

| Obligation | Section in Franchise Agreement and Development Agreement | Item in Disclosure Document |
|---|---|------------------------------------|
| (i) Restrictions on products/services offered | § 8.G. of the FA | Items 8 and 16 |
| (j) Warranty and client service requirements | None | |
| (k) Territorial development and sales quotas | § 8.W. of the FA; § 1 of the DA | |
| (l) Ongoing products/service purchases | §§ 8.E.-8.G., 8.I., 8.J., 8.O. and 8.S. of the FA | Items 8 and 16 |
| (m) Maintenance, appearance and remodeling requirements | §§ 8.E. and 8.F. of the FA | Items 7, 8 and 11 |
| (n) Insurance | § 8.L. of the FA | Items 6, 7 and 8 |
| (o) Advertising | § 6 of the FA | Items 6, 7, 8 and 11 |
| (p) Indemnification | § 8.M. of the FA | Item 6 |
| (q) Owner's participation/management /staffing | §§ 8.A.,8.B.,8.H. and 8.V. of the FA | Items 11 and 15 |
| (r) Records and reports | § 8.P. of the FA | Item 6 |
| (s) Inspections and audits | § 8.P. of the FA | Item 6 |
| (t) Transfer | § 13 of the FA; § 10 of the DA | Items 6 and 17 |
| (u) Renewal | § 2.B. of the FA | Items 6 and 17 |
| (v) Post-termination obligations | §§ 11 of the FA | Item 17 |

| Obligation | Section in Franchise Agreement and Development Agreement | Item in Disclosure Document |
|-------------------------------|---|-----------------------------|
| (w) Non-competition covenants | § 12 of the FA | Items 15 and 17 |
| (x) Dispute resolution | § § 14 and 15.D.-E. of the FA; § § 11 and 12(b)-(c) of the DA | Item 17 |
| (y) Personal Guaranty | § 8.R. of the FA | Item 15 |

Item 10. FINANCING

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

Item 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

All references below relate to relevant sections of the Franchise Agreement, the form of which is attached as **Exhibit B**.

Pre-Opening Assistance

Before you open your Business:

A. Your Site. We will review your proposed site and the lease for your proposed site. If we determine that an in-person visit to a proposed site is necessary or appropriate, you must coordinate and arrange for the visit by our representative and reimburse us for our reasonable out-of-pocket expenses incurred in connection with the site visit. (Section 4.A.) We will provide our standard plans and specifications including exterior and interior design and layout, fixtures, equipment, décor and signs. (Section 5.A.) Except as described above, we do not assist you in (i) locating your site and negotiating the purchase or lease of the site, (ii) conforming the premises to local ordinances and building codes and obtaining any required permits, or (iii) constructing, remodeling, or decorating the premises. We will not own your site or lease your site to you.

You have the sole responsibility in tentatively selecting a site. We will review and approve or disapprove your proposed site selection and lease agreement, if applicable, based on an analysis of local competing facilities, demographics, visibility and accessibility, suitability of the premises to be leased and other factors more fully described in the Manuals.

Your site must be identified and agreed upon within 120 days after the date of the Franchise Agreement. The failure to have agreed upon a site for the Business within that timeframe is a default under the Franchise Agreement that would entitle us to terminate the Franchise Agreement.

B. Hiring and Training Employees. We provide initial training for you, or if you are an entity, your Operating Principal (as defined in Item 15), and your manager, and other approved individuals (up to three individuals total). See the description of the initial training program below. We will also provide initial training for any replacement Operating Principal or manager, and provide refresher or additional training programs or seminars from time to time. (Section 7.A.) Otherwise, you are responsible for training your employees.

C. Necessary Equipment, Signs, Fixtures, Opening Inventory, and Supplies. We will provide you a written list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 7.E.) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

D. Operating Manuals. We will loan to you one copy of the Manuals which may cover such topics as pre-opening procedures, systems and procedures, marketing, personnel and accounting and bookkeeping. Additional topics may be incorporated in such Manuals from time to time, as we deem necessary. (Section 7.B.)

E. Initial Training Program. We will conduct our initial training program. (Section 7.A.) The current initial training program is described below.

Length of Time To Open

The typical length of time between signing the Franchise Agreement and the opening of your Business is three to six months. Factors affecting this length of time include, among other things: ability to select a site and negotiate a satisfactory lease, necessary improvements and construction; financing arrangements; the completion of required training; improvements and signage installation timing; and licensing requirements.

Our Post-Opening Obligations

After you open your Business:

A. Developing products or services you will offer to your clients. Although it is our intent and practice to refine and develop services that you will offer to your clients, the Franchise Agreement does not obligate us to do so.

B. Hiring and Training Employees. We may provide you with our suggested staffing levels. (Section 8.C.) We may develop and make available training tools and recommendations for you to use in training the Business' employees to comply with System Standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in System Standards. (Section 7.C.) All hiring decisions and conditions of employment are your sole responsibility.

C. Periodic business review; improving and developing your business; resolving operating problems you encounter. In addition to the assistance rendered to you prior to opening, we will, if so requested, provide continuing consultation and advice regarding business, financial, operational, technical, pricing, legal, sales and advertising matters, type of products offered, operation of the Business and development of personnel policies. We will provide such assistance by telephone or electronic communication or, if the situation warrants, through on-site assistance subject to the availability of the appropriate Cabinet IQ Franchising personnel. We may charge a reasonable fee for any on-site assistance rendered by Cabinet IQ Franchising personnel. (Section 7.C.)

D. Administrative. We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control. We may make any such procedures part of required (and not merely recommended) procedures for our System. (Section 7.F.)

E. Advertising Fund. We will administer the Advertising Fund. (Section 6.D.) We will review advertising materials submitted by you. We may provide specific guidelines for advertising initiated by individual franchisees. Immediately upon notification to do so, you shall discontinue any advertising that would, in our opinion, be detrimental, even if previously approved. (Section 6.F.) Additional information regarding the Advertising Fund is below.

F. Website. We will maintain a website for the Cabinet IQ brand, which will include your business information and telephone number. (Section 7.G.)

G. Pricing. We will provide guidance with respect to suggested retail prices. We and you agree that any list or schedule of prices furnished to you by us is a recommendation only and is not to be construed as mandatory. (Section 7.D.)

H. Consultation. We will, if so requested, provide continuing consultation and advice regarding business, financial, operational, technical, pricing, legal, sales and advertising matters, type of products offered, operation of the Business and development of personnel policies. We will provide such assistance by telephone or electronic communication, or, if the situation warrants, through on-site assistance, subject to the availability of the appropriate Cabinet IQ Franchising personnel. We may charge a reasonable fee for any on-site assistance rendered by our personnel along with any travel and living expenses incurred by our personnel in providing on-site assistance. (Section 7.C.)

Advertising Approval

You must obtain our prior approval of all advertising and promotional materials that you intend to use in advance unless we have provided such materials. You shall promptly discontinue use of any advertising or promotional materials upon our request. Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt thereof by us, is deemed disapproved.

Local Advertising Requirements

You must spend, as a minimum, for local advertising on a monthly basis an amount that is the greater of \$4,500 or 4% of your monthly average Gross Revenues in the prior 3-month

period. Required local advertising expenditures shall be reduced by the amount of Marketing Cooperative Contributions contributed by you.

Marketing Cooperatives

We may organize, on our own volition or at the request of franchisees a “**Marketing Cooperative**” for your designated marketing area (as determined by Nielson) or other area we specify (the “**Coop Area**”). You will automatically become a member at the opening of your Business of any existing Marketing Cooperative in the Coop Area of your Business, and you must become a member of any Marketing Cooperative we subsequently establish in the Coop Area of your Business within 30 days of the date on which the Marketing Cooperative is established.

Marketing Cooperatives must be governed in a form and manner approved by us in advance, and subject to our ongoing approval. Marketing Cooperatives will have written governing documents that are available to members for review. We supply or approve the bylaws and charter of each Marketing Cooperative, which shall operate on the governance principles of: (i) each Business with its franchise agreement in good standing (i.e., not in default) and each Business operated by us and our affiliates has one vote on any action proposed to be taken by the Marketing Cooperative; (ii) a meeting may be called by us or at least 20% of the members; (iii) a meeting quorum is at least 50% of the members in good standing and a majority of those members present and eligible to vote is required for any action or resolution; and (iv) we may veto any action proposed by the Marketing Cooperative. No advertising or promotional plans or materials may be used by a Marketing Cooperative or furnished to its members without our prior approval. Each Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs. You must pay your required Marketing Cooperative contribution in the manner specified by the applicable Marketing Cooperative.

Marketing Cooperatives will prepare annual or periodic financial statements that are available for review by the members.

The required Marketing Cooperative contribution is a percentage of annual Gross Revenues of each Business in the Marketing Cooperative set by the vote of its members. If we request, you will submit your Marketing Cooperative contributions directly to us for transmittal to the Marketing Cooperative.

We reserve the right to terminate any Marketing Cooperative, provided that the Marketing Cooperative shall not be terminated until all of its monies have been expended for its intended purposes.

There are currently no Marketing Cooperatives.

Advertising Fund

Commencing after your Business’ second year of operations, you must contribute 2% of the Gross Revenues of the Business to the Advertising Fund. We oversee all advertising and promotional programs and have the sole discretion to approve or disapprove any creative concept, materials, methods, and media used in such programs, and the placement and allocation of Advertising Fund contributions. You agree and acknowledge that the Advertising Fund is intended to maximize national public recognition and acceptance of the Marks for the benefit of the System and our franchisees. We undertake no obligation in administering the Advertising

Fund to make expenditures for you which are equivalent or proportionate to your Advertising Fund contribution, or to ensure that you benefit directly or pro-rata from advertising or promotion conducted under the Advertising Fund.

The Advertising Fund will be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising activities (including the costs of preparing and conducting advertising campaigns in various media); sponsorship, marketing surveys and other public relations activities; employing advertising agencies; providing promotional brochures and other marketing materials to the franchisees operating under the System, paying the reasonable compensation of our employees or other third parties providing services related to any activity in connection with the Advertising Fund and any other activities which in our opinion will contribute towards national public recognition.

Media coverage may be local, regional or national in scope. We may prepare the advertising in-house, or we may use national and/or regional advertising agencies to produce our advertising materials. We have no obligation to spend any amounts on advertising in the vicinity of your Business or in proportion to your contribution.

All funds paid by you to the Advertising Fund and any earnings are maintained in an account separate from the other Cabinet IQ Franchising monies and will not be used to defray any of our expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the Advertising Fund. We will maintain separate bookkeeping accounts for the Advertising Fund. An accounting of the Advertising Fund will be prepared annually and be made available to you, which need not be audited.

For each Cabinet IQ Franchising or affiliate-owned business operating under the System, we are not obligated to make contributions to the Advertising Fund on the same basis as the assessments required of comparable franchisee-owned Businesses.

Any year-end surplus or deficit marketing funds are carried over to the following year. None of the monies collected for the Advertising Fund will be used to solicit new System franchisees or otherwise inure to our benefit, although a portion of our website may contain information regarding the Business opportunity.

Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund at any time. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for the purposes described in the Franchise Agreement.

The Advertising Fund had no contributions or expenditures in the past fiscal year.

Advertising Council

We currently have no council composed of franchisees that advises us on advertising policies.

Computer System

We may designate computer software programs including without limitation design software, client relations management software and accounting system software that you must use in your business (“**Required Software**”). We will specify the Required Software in the Manuals. We will also specify in the Manuals that you purchase certain brands, types, makes and models of communications, hardware and software systems, peripherals and equipment for use in the Business (collectively with the Required Software, the “**Technology System**”). You must install, learn, use and integrate all updates, supplements, modifications or enhancements to the Technology System when we so require at your cost. You may purchase or lease the Technology System directly from any vendor so long as it meets our specifications.

Our current requirements include a laptop and a printer for each employee, a 11 by 17 printer, two monitors, a keyboard and mouse, a docking station, a smartphone, and a high-speed Internet connection. Wireless Internet is recommended, but not currently required. You must use our designated vendor to lease laptops at a cost of \$145 per month, which includes laptop lease, security software, online backup, MS Exchange Email, Office 365, and unlimited remote support.

Total estimated leasing costs for equipment associated with your Technology System are \$3,000 to \$3,250 annually.

You must pay us a monthly Technology Fee which covers costs associated with certain software that we provide to you including the Cabinet IQ Smart CRM, Cabinet IQ Learning Center, and Qvinci financial reporting software, which is \$350 a month or \$4,200 annually. You must directly license the Design 20/20 software, QuickBooks Online and Quickbooks payroll.

Total estimated Required Software expense, including Technology Fees, are \$6,000 to \$6,500 annually.

The types of data to be generated or stored in your Technology System and the Required Software include high quality design renderings for your client’s projects, client relationship management information including clients’ names and contact information, other sales data information regarding your sales transactions and receipts and employee payroll information.

We will have independent, unlimited access to the information and data generated by the Technology System via the Internet or otherwise (but excluding matters relating to labor relations and employment practices). There are no contractual limitations on our right to access this information and data.

You are solely responsible for the acquisition, operation, maintenance, and upgrading of the Technology System. There are no limitations on the frequency and cost of your obligation to comply with our requirements related to the Technology System. We reserve the right to change the Technology System at any time.

We may require that you purchase a maintenance contract to service the Technology System. The third parties from whom you purchase or lease the Technology System you may have no contractual rights or obligations to provide ongoing maintenance, repairs, upgrades or updates unless you obtain a service contract or a warranty covers the product. If we designate a vendor for maintenance, repair, upgrade and update services, you must use our designated vendor for these services.

In addition, we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of your Franchise Agreement.

Manuals

The Table of Contents of the Manuals is attached as **Exhibit E** to this Disclosure Document. The Manuals are 261 pages total.

Training

Before opening your Business, you and/or your Operating Principal and manager for your Business must successfully complete the initial training program.

Your and/or your Operating Principal and manager must complete our initial training program, which consists of both guidance documents and in-house hands-on training covering all aspects of Business operations. The initial training program is approximately 10 days in duration. Both in-store and classroom training are conducted quarterly, or as needed. Generally, the classroom training and in-store training must be completed before opening your Business.

Training is conducted as often as necessary after Franchise Agreement signing and before opening of the Business. As a smaller franchisor, we are able to be flexible in scheduling training to accommodate our personnel and your managers and other personnel. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. We expect training to occur after you sign the Franchise Agreement and while you develop the Business.

| Subject | Hours of Classroom Training | Hours of On-the-Job-Training | Location of Training |
|--|------------------------------------|-------------------------------------|---------------------------------------|
| The Foundations: Core Values and Company History, Marketing and QuickBooks | 17 | 2 | Virtual Classroom and Cedar Park, TX |
| Operations and Warehouse: CRM-Operations, Operations Process, Warehouse | 15 | 20 | Virtual Classroom and Cedar Park, TX |
| Employees and Administration | 10 | 5 | Virtual Classroom and Cedar Park, TX. |
| Sales and Estimating: CRM - Sales, Lead Generation, Estimating | 20 | 15 | Virtual Classroom and Cedar Park, TX. |

| Subject | Hours of Classroom Training | Hours of On-the-Job-Training | Location of Training |
|---|------------------------------------|-------------------------------------|---|
| Kitchen and Bath Design | 77 | 20 | Virtual Classroom and Cedar Park, TX. Currently, Cedar Park, TX |
| Jobsite Conduct & Installation Procedures | 20 | 8 | Virtual Classroom and Cedar Park, TX. |
| TOTAL | 159 | 70 | |

Initial training currently takes place at our affiliate location in Cedar Park, Texas. We will provide initial training for up to three individuals at no charge. You must pay us a fee of \$2,000 for each additional individual (beyond three) who attends initial training on your behalf.

As of the date of this Disclosure Document, the initial training program will be administered by Jacob Collums, our Chief Operating Officer and Vice President of Franchise Development. He has been with us since May 2021 and has over 11 years of experience in operations and the remodeling/construction industry. We may use additional instructors to conduct our training programs, who may be on our training staff or may be designated suppliers or approved suppliers of ours. Our additional instructors generally have at least 11 years of experience in the remodeling/construction industry.

The instructional materials include the Manuals, videos, and other training aids.

In addition, you, or if you are an entity, your Operating Principal, your Manager and other designated employees must attend and successfully complete refresher or additional training programs or seminars required by us from time to time.

We may charge a reasonable fee for training persons who are repeating the initial training course or replacing a person who did not successfully complete the initial training course, and for any replacement Operating Principal or manager attending the initial training course. We may also charge a reasonable fee for refresher or additional training programs or seminars.

We currently charge a fee of \$500 per day per trainer, as well as our out-of-pocket expenses. You are responsible for any travel and living expenses incurred by our personnel in connection additional training if training is provided at your Business' premises.

You are also responsible for any travel and living expenses, wages, and other expenses incurred by your trainees for any training programs that we conduct (whether initial training, replacement Operating Principal or manager training or refresher/additional training).

In addition, we may require your Operating Principal to attend one or more regional or national conventions or conferences per calendar year, and we may charge a reasonable fee to fund such conventions or conferences, regardless of attendance. You will be responsible for all travel and other expenses of attending any convention or conference.

Item 12. TERRITORY

Franchise Agreement – Assigned Territory

The Franchise Agreement grants to you the right to own and operate a Business at a specific location (i.e., the Accepted Location). You may not conduct the business of your Business at any site other than the premises, or relocate your Business without our prior written consent. You will be able to relocate the premises if the lease for the site expires or terminates and it is not your fault, or if the site is destroyed, condemned or otherwise rendered unusable, or if otherwise agreed to. Any relocation will be at your expense.

Under the Franchise Agreement, you will not receive an *exclusive* territory. You may face competition other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control.

The Franchise Agreement grants certain territorial protections in the Assigned Territory that will be designated under the Franchise Agreement. Except as noted below, provided you are in full compliance with this Agreement, neither we nor our affiliates shall operate a Business, nor grant the right to operate a Business to any other person, within your Assigned Territory.

The scope of the area will likely differ among franchisees, and will be determined by population density and demographics, and geographical and political boundaries. As a general rule, the Assigned Territory will include an area with a minimum number of households of 100,000. It may include less than 100,000 if your Business is located in an area with high non-resident traffic. The boundaries of your Assigned Territory may be described in terms of contiguous zip codes, street boundaries, and county boundaries or depicted on a map that is attached to your Franchise Agreement.

We have the right to engage in any of the following activities (directly or through an affiliate), and to grant to others the right to engage in any of the following activities, within your Assigned Territory:

A. operate or license others to operate Businesses immediately outside of the Assigned Territory regardless of their proximity to the Assigned Territory;

B. operate or license others to operate similar businesses under any trade name other than the Marks at any location within or outside of the Assigned Territory;

C. operate or license others to operate different businesses under any trade name, including the Marks, at any location within or outside of the Assigned Territory;

D. sell products or services under any trademark including the Marks at any location, including within or outside of the Assigned Territory, through other channels of distribution, including but not limited to, the Internet, through dealers, hardware stores or other retail outlets or other remodeling/construction businesses; and

E. acquire, be acquired by, or merge with competitive businesses and operate them anywhere and, at our option, convert them to businesses operating under the Marks or any other name, even if such businesses are competitive with the Business.

Development Agreement – Development Area

The Development Agreement will specify a Development Area within which you will focus your development efforts. Under the Development Agreement, you will not receive an *exclusive* territory. You may face competition other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control.

However, as long as you are in compliance with the Franchise Agreement, we and our affiliates will not operate a Business in your Development Area, nor grant a third party the right or license to operate a Business in your Development Area.

We have the right to engage in any of the activities (directly or through an affiliate) in the Development Area that are permitted in the Assigned Territory under the terms of the first Franchise Agreement that you enter into under the Development Agreement.

Market Penetration and Other Contingencies

Except as described below, there is no minimum sales quota under Franchise Agreement or Development Agreement or requirement regarding market penetration or other contingency, and there are no other circumstances that permit us to modify your territorial rights.

Under the Franchise Agreement, you must meet or exceed the following minimum performance criteria during each 12-month period during the term (each such 12-month period is referred to herein as a “**Performance Year**”):

A. During the first Performance Year, your Gross Revenues must equal or exceed \$1;

B. During the second Performance Year, your Gross Revenues must equal or exceed \$500,000;

C. During the third Performance Year, your Gross Revenues must equal or exceed \$750,000;

D. During the fourth Performance Year, your Gross Revenues must equal or exceed \$1,000,000; and

E. During the fifth Performance Year and for each Performance Year following the fifth Performance Year, your Gross Revenues must equal or exceed \$1,250,000.

If you fail to meet the minimum performance criteria for any Performance Year, we may terminate the Franchise Agreement or may eliminate your territorial protections.

If you default under the Development Agreement, we may terminate your Development Agreement or reduce the size of your Development Area or the number of Businesses that you may develop.

Options and Rights of First Refusal

The Franchise Agreement and Development Agreement do not contain any other provisions under which you might receive any options, rights of first refusal or similar rights to acquire additional Businesses. If you wish to establish an additional Business, you must apply for the grant of an additional franchise for a Business, which will be issued on the form Franchise Agreement then being offered by us.

Solicitations Outside of the Territory

Unless you receive our prior written approval to advertise and sell outside of the Assigned Territory, you may not solicit business from persons who reside outside the Assigned Territory.

Upon our approval, you may advertise using methods that are generally circulated or broadcast throughout your Assigned Territory, but that extend beyond your Assigned Territory, such as, but not limited to magazine or newspaper advertisements, use of mail zones, or radio or television broadcasts, so long as such generally circulated advertisements or broadcasts are not specifically targeted to reach areas or clients outside of your Assigned Territory. If we approve your use of any of these types of advertisements or broadcasts, then for any month in which you are running these types of advertisements or broadcasts, sales outside of your Assigned Territory may constitute no more than 15% of your total monthly sales. In addition, you may not make sales to individuals that reside in the territory of another Cabinet IQ franchisee. You must also follow all policies, rules and regulations in the Manuals related to operating in an unassigned territory and shall immediately cease to operate outside the Assigned Territory when directed by us.

No party is obligated to pay compensation to any other party for soliciting customers from the other franchisee's or company-owned Business's territory.

Competitive Businesses

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the Franchise Agreement does not prohibit us from doing so.

Item 13. TRADEMARKS

Under the Franchise Agreement, we grant to you the right to operate a Business under the name "Cabinet IQ" and other Marks we authorize you to use.

The following is the principal trademark that we license to you. This trademark is owned by Cabinet IQ Holdings, our parent company. It is registered on the Principal Register of the United States Patent and Trademark Office.

| Trademark | Registration Date | Registration Number |
|-------------------|--------------------------|----------------------------|
| CABINET IQ (word) | November 15, 2022 | 6902850 |

Because the federal trademark registration is less than six years old, no affidavits are required at this time, and no required affidavits have been filed. The registration has not yet been renewed.

We and Cabinet IQ Holdings entered into a license agreement effective December 28, 2021, under which we obtained the exclusive right to sublicense and franchise the Marks and the System (the “**License Agreement**”) throughout the United States. The term of the License Agreement is perpetual, and it is terminable only if we materially breach the License Agreement or we and Cabinet IQ Holdings are no longer affiliates. Upon termination, Cabinet IQ Holdings or its designee automatically assumes agreements with franchisees and developers provided that the applicable franchisee and/or developer is in good standing under the agreements.

With the exception of the License Agreement, there are no other agreements currently in effect which significantly limit our rights to use or license the use of the trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Business.

All required affidavits for the principal Marks have been filed. There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving the Mark listed above.

You must follow the Franchise Agreement, the Manuals and our specifications and directives when you use the Marks. The Marks are the only marks you may use to identify the Business. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, and you may not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks other than a license to use the Marks during the term of the Franchise Agreement.

You must not contest the validity or ownership of any of the Marks or assist another person in contesting the validity or ownership of any of the Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of a Mark. Cabinet IQ Holdings has the right to exclusively control any litigation, USPTO proceeding, or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of the Marks, and/or use one or more additional or substitute trade name, trademark, service mark or other commercial symbol, you agree to comply with our directions within a reasonable time after your receipt of notice from us, and we shall have no liability or obligation whatsoever with respect to your modification or discontinuance of the Marks.

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

Item 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own rights in, or licenses to, patents that are material to the Business. We do not have any pending patent applications.

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Manuals as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the Franchise Agreement, in a manner consistent with our ownership rights, solely for your Business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The Franchise Agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

The Manuals are proprietary and confidential that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, client data, information and know-how.

During the term of your Franchise Agreement, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information (collectively, "**Proprietary Information**") relating to the construction, management, operation or promotion of your Business. You may not, nor may you permit any person to, use or disclose any Proprietary Information (including any portion of the Manuals) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Business. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. You must obtain from your officers, directors, equity owners and managers and assistant managers confidentiality agreements in a form satisfactory to us upon our request.

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

You, or if the business is operated through an entity, a person who has authority to bind you and owns at least 10% of the equity in the entity-franchisee (the “**Operating Principal**”) must devote his/her full time and attention to the supervision and direction of the operations of the Business and must successfully complete our training program. We have the right to rely upon the Operating Principal’s communications and decisions regarding the Business’ operation.

Personal “on-premises” supervision by the Operating Principal is not required. However, the Business must at all times be under the direct, on-premises supervision of you, or if you are an entity, your Operating Principal, or your general manager. The Operating Principal and your general manager must complete our initial training program and post-opening training programs that we develop in the future.

Your Operating Principal and manager (if required by us) must attend all in-person meetings and remote meetings (such as telephone conference calls) that we require. We may require your Operating Principal to attend one or more regional or national conventions or conferences per calendar year, and we may charge a reasonable fee to fund such conventions or conferences, regardless of attendance, in an amount reasonably commensurate with our internal and out-of-pocket costs. You will be responsible for all travel and other expenses of attending any meeting, convention or conference.

If your business is owned by an entity, all owners and their spouse must sign our Payment and Performance Guaranty which is attached to the Franchise Agreement.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the Business is owned by an entity, we do not require that the general manager own any equity in the entity. You must keep us informed at all times of the identity of the manager of the Business.

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you place any other restrictions on your manager.

Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in the Business only products and services that we have approved in writing. We may designate specific products or services as optional or mandatory. You must offer all products and services that we designate as mandatory. We may change the products and services you may offer periodically, and you must comply with such changes.

You must comply with our requirements regarding inventory levels as specified in the Manuals. If we do not prescribe specific standards, you must maintain a sufficient number of products to meet reasonably anticipated client demand. We may change our inventory requirements periodically, and you must promptly comply with any such changes.

Except as described above, we do not impose any restrictions in the Franchise Agreement, or otherwise, limiting the goods or services which you may offer for sale.

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

The table below lists certain important provisions of the Franchise Agreement. You should read these provisions in the form of Franchise Agreement attached to this Disclosure Document as **Exhibit B**.

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| (a) Term of the Franchise | § 2.A. | 10 years from the date the Business is open for operations |
| (b) Renewal or extension of the term | § 2.B. | The Franchise Agreement provides for three consecutive 5-year renewal terms. |
| (c) Requirements for you to renew or extend | § 2.B. | You have the right to possess the location of the Business; you provide advance notice; you complete required renovations and modernization; you have substantially complied with the Franchise Agreement and other agreements and are in full compliance at the expiration of the term; you execute new Franchise Agreement, which may contain materially different terms; you pay successor fee; you and your staff comply with current requirements and you and your owners sign a release. |
| (d) Termination by you | § 10.C. | Breach by us and failure to cure breach or take reasonable steps to cure such breach within 60 days after written notice provided you are in full compliance with the Franchise Agreement. |
| (e) Termination by us without cause | None | None |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| (f) Termination by us with cause | § 10.A. | We can terminate only if you default or if certain events (described in (g) and (h) below) occur. |
| (g) "Cause" defined – defaults which can be cured | § 10.A. | You have 5 days to pay amounts owed to us or our affiliates and 10 days to cure the non-payment of any amount owed to any other creditor; 10 days to cure any misuse of the Proprietary Marks; 24 hours to cure non-compliance with any law, regulation or ordinance which results in a threat to the public's health or safety; 30 days to cure failure to comply with any other provision of the Franchise Agreement that is otherwise not listed. |

| | | |
|---|----------------|---|
| <p>(h) "Cause" defined – defaults which cannot be cured</p> | <p>§ 10.A.</p> | <p>You fail to pay any amount when due and have previously been given at least two notices of nonpayment within the last 24 months; you intentionally submit inaccurate financial statements or submit in any two year period two or more financial statements or other supporting records that understate by more than 2% your Gross Revenues; you make a misrepresentation or material omission in your application; we and you fail to agree upon a site before the deadline; you fail to have the Business open before the deadline; you fail to maintain possession of the premises; you, your Operating Principal or your manager fails to complete training by opening date; you voluntarily suspend operations for more than five days; your bankruptcy or insolvency; you or any of your owners is convicted of a crime or engage in other conduct likely to have an adverse effect; you impair the goodwill; you or any owner violate non-competition or confidentiality restrictions; a transfer occurs in violation of the Franchise Agreement, or does not occur in a timely manner to a qualified successor after death or disability; a default occurs under any other agreement between us (or your affiliates) and you that would permit us to terminate that agreement; and you commit three breaches of any of the provisions of the Franchise Agreement within any 24-month period. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. The termination of a Development</p> |
|---|----------------|---|

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| | | Agreement due to the failure to timely develop is not a default under any Franchise Agreement. |
| (i) Your obligations on termination/non-renewal | § 11 and 12.B. | Obligations include payment of amounts due and our costs incurred as a result of any default; return of Manuals and other materials; cancel assumed names and notify telephone and listing companies of the termination of your right to use the telephone/listing; cease using the System and the Marks; pay liquidated damages; permit us to purchase inventory and equipment; assign/transfer lease and premises to us; and comply with covenants not to compete. |
| (j) Assignment of contract by us | § 13.A. | No restriction on our right to assign. |
| (k) "Transfer" by you – definition | § 13.B. | Includes a transfer of any interest in this Agreement, the Business, substantially all the assets of the Business, or the sale, gift or pledge of an ownership interest(if you are an entity) |
| (l) Our approval of transfer by you | § 13.B. | No transfer permitted without our prior written approval |
| (m) Conditions for our approval of transfer | § 13.B. | Assignee must meet the then-applicable standards for new franchisees and attend and successfully complete any prescribed training; assignee executes our then-current form of franchise agreement for the remaining term; you and your owners sign a release; and you pay a transfer fee. |
| (n) Our right of first refusal to acquire your business | § 13.D. | We have 30 days to purchase on the same price and terms. |

| Provision | Section in Franchise Agreement | Summary |
|---|--------------------------------|--|
| (o) Our option to purchase your business | § § 11.C. and 11.D. | Upon expiration or termination of the Franchise Agreement, we have the option to purchase your assets and you must assign your lease to us if we request that you do so. |
| (p) Death or disability | § 13.E. | Upon the death or permanent mental incapacity of any person with an interest in the Business, the executor, administrator, or personal representative of that person must transfer the deceased or incompetent's interest to a third party approved by us within 9 months. |
| (q) Non-competition covenants during the term of the Business | § 12.A. | No involvement in competing business. |
| (r) Non-competition covenants after the Business is terminated or expires | § 12.B. | No involvement for 2 years in a competing business within a 25 mile radius of your site or a 25-mile radius of any other Business open or under construction at the time of expiration or termination. |
| (s) Dispute resolution by arbitration or mediation | § 14. | Except for certain claims, so long as our principal office is in Cedar Park, Texas, arbitration shall take place in metropolitan Austin, Texas. |
| (t) Modification of the agreement | § 15.K. | All amendments must be mutually agreed upon and in writing. |
| (u) Integration/merger clause | § 15.J. | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforced. |

| Provision | Section in Franchise Agreement | Summary |
|---------------------|---------------------------------------|---|
| (v) Choice of forum | § 15.E. | Claims not required to be arbitrated may be brought only in certain state or federal courts located in the state where our principal place of business is located at the time of suit (currently, metropolitan Austin, Texas) |
| (w) Choice of law | § 15.D. | Texas law applies |

The table below lists certain important provisions of the Development Agreement. You should read these provisions in the form of Development Agreement attached to this Disclosure Document as **Exhibit C**.

| Provision | Section in Development Agreement | Summary |
|---|---|---|
| (a) Term of Development | § 5 | On the last opening date specified on the Development Schedule. |
| (b) Renewal or extension of the term | None, but see § 4 | If you are in full compliance with the Development Schedule, you may extend development deadlines one time for each Business to be developed for up to 6 months upon payment of a fee and advance notice. |
| (c) Requirements for you to renew or extend | Not Applicable | Not Applicable |
| (d) Termination by you | Not Applicable | Not Applicable |
| (e) Termination by us without cause | Not Applicable | Not Applicable |
| (f) Termination by us with cause | § 7 | See subsections (g) and (h) below. |
| (g) "Cause" defined – defaults which can be cured | § 7 | Any other defaults not specified in § 7(a)-(c). |

| Provision | Section in Development Agreement | Summary |
|---|----------------------------------|---|
| (h) "Cause" defined – defaults which cannot be cured | § 8 | Bankruptcy, insolvency, and other related grounds; failure to meet Development Schedule; formal written notice of default of a franchise agreement that is not cured within stipulated cure period; or termination of a franchise agreement by us due to your or your affiliate's default. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. |
| (i) Your obligations on termination/non-renewal | Not Applicable | Not Applicable |
| (j) Assignment of contract by us | Not Applicable | Not Applicable |
| (k) "Transfer" by you – definition | § 10 | Includes a transfer of any interest in the Development Agreement, substantially all of your assets or any transfer of a controlling interest in you (if you are an entity). |
| (l) Our approval of transfer by you | § 10 | We are not required to approve a transfer. |
| (m) Conditions for our approval of transfer | Not Applicable | Not Applicable |
| (n) Our right of first refusal to acquire your business | Not Applicable | Not Applicable |
| (o) Our option to purchase your business | Not Applicable | Not Applicable |
| (p) Death or disability | Not Applicable | Not Applicable |
| (q) Non-competition covenants during the term of the Business | Not Applicable | Not Applicable |
| (r) Non-competition covenants after the Business is terminated or expires | Not Applicable | Not Applicable |

| Provision | Section in Development Agreement | Summary |
|--|----------------------------------|---|
| (s) Dispute resolution by arbitration or mediation | § 11 | Except for certain claims, so long as our principal office is in Cedar Park, Texas, arbitration shall take place in metropolitan Austin, Texas. |
| (t) Modification of the agreement | § 11(j) | All amendments must be mutually agreed upon and in writing. |
| (u) Integration/merger clause | § 11(i) | Only the terms of the Development Agreement are binding (subject to state law). Any other promises may not be enforced. |
| (v) Choice of forum | § 12(c) | Claims not required to be arbitrated may be brought only in certain state or federal courts located in the state where our principal place of business is located at the time of suit (currently, metropolitan Austin, Texas) |
| (w) Choice of law | § 12(b) | Texas law applies |

Item 18. PUBLIC FIGURES

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

Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to disclose 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 the information is included in the Franchise 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 performance at a particular location or under particular circumstances.

The following tables and accompanying footnotes are a historical financial performance representation.

Table 1 – Affiliate Gross Revenues, Profit, Expense and EBITDA for the period from January 1, 2022 to December 31, 2022

Table 1 provides Gross Revenues, Gross Profit, Expenses and EBITDA for our Affiliate’s two Businesses located in Cedar Park, Texas and Austin, Texas from January 1, 2022 to December 31, 2022. See Item 1 for more information regarding our Affiliate and these Businesses.

| 2022 (January 1 2022 - December 31 2022) | | | | | | |
|---|----|--------------------|---|-------------------------------------|--------------------|-------|
| Location - Cabinet IQ of Cedar Park Year 5 Store | | | Location - Cabinet IQ of Austin Year 1 Store | | | |
| Gross Revenue (1) | \$ | 3,744,303 | Gross Revenue (1) | \$ | 1,035,167 | |
| Materials (2) | \$ | 1,558,917 | 41.6% | Materials (2) | \$ 389,400 | 37.6% |
| Installation Labor (3) | \$ | 464,886 | 12.4% | Installation Labor (3) | \$ 112,665 | 10.9% |
| Gross Profit (4) | \$ | 1,720,500 | 45.9% | Gross Profit (4) | \$ 533,102 | 51.5% |
| Expenses | | % of Gross Revenue | Expenses | | % of Gross Revenue | |
| Payroll and Commissions | | | | | | |
| Sales Payroll and Commissions (5) | \$ | 223,053 | 6.0% | Sales Payroll and Commissions (5) | \$ 102,463 | 9.9% |
| Operations and Admin (6) | \$ | 300,919 | 8.0% | Operations and Admin (6) | \$ 68,899 | 6.7% |
| Advertising & Marketing (7) | \$ | 225,787 | 6.0% | Advertising & Marketing (7) | \$ 50,740 | 4.9% |
| Royalty (8) | \$ | 224,658 | 6.0% | Royalty (8) | \$ 62,110 | 6.0% |
| National Ad Fund (9) | \$ | - | 0.0% | National Ad Fund (9) | \$ - | 0.0% |
| Auto and Truck (10) | \$ | 22,614 | 0.6% | Auto and Truck (10) | \$ - | 0.0% |
| Bank Services (11) | \$ | 1,698 | 0.0% | Bank Services (11) | \$ - | 0.0% |
| Insurance (12) | \$ | 19,040 | 0.5% | Insurance (12) | \$ - | 0.0% |
| Office Supplies and Software (13) | \$ | 29,292 | 0.8% | Office Supplies and Software (13) | \$ 4,417 | 0.4% |
| Legal & Professional Services (14) | \$ | 12,358 | 0.3% | Legal & Professional Services (14) | \$ 1,445 | 0.1% |
| Merchant Account Fees (15) | \$ | 24,275 | 0.6% | Merchant Account Fees (15) | \$ 7,666 | 0.7% |
| Rent (16) | \$ | 56,715 | 1.5% | Rent (16) | \$ 32,646 | 3.2% |
| Utilities (17) | \$ | 26,959 | 0.7% | Utilities (17) | \$ 2,241 | 0.2% |
| Repairs and Maintenance (18) | \$ | 11,294 | 0.3% | Repairs and Maintenance (18) | \$ 2,506 | 0.2% |
| Showroom Materials (19) | \$ | 902 | 0.0% | Showroom Materials (19) | \$ 477 | 0.0% |
| Tools Supplies and Consumables (20) | \$ | 14,988 | 0.4% | Tools Supplies and Consumables (20) | \$ 3,687 | 0.4% |
| Total Expenses (21) | \$ | 1,189,046 | 31.8% | Total Expenses (21) | \$ 339,298 | 32.8% |
| EBITDA \$ (22) | \$ | 531,454 | 14.2% | EBITDA \$ (22) | \$ 193,804 | 18.7% |

Table 1 Notes:

(1) “Gross Revenues” are the total amount received by or in connection with our Affiliate’s Businesses from, connected with or related to the sale of any services, products, goods or merchandise and all business transacted related to these Businesses, excluding only the following (a) the amount of any refunds to clients for bona fide returns of goods sold or cancellations; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

(2) “Materials” are the cost of materials used in the services including cabinets, countertops, and other materials.

- (3) **"Installation Labor"** includes installation labor costs.
- (4) **"Gross Profit"** is Gross Revenues less COGS (Installation Labor and Materials).
- (5) **"Sales Payroll and Commissions"** includes sales base pay plus commissions.
- (6) **"Operations and Admin"** includes a bookkeeper, showroom manager, operations staff and warehouse employees. Note: These costs could be higher for your Business on a per location basis as operations and warehouse employees were shared between the two locations.
- (7) **"Advertising & Marketing"** includes all costs incurred for advertising.
- (8) **"Royalty"** is the sum of the Royalty Fee during the measurement period.
- (9) **"National Ad Fund"** is the amount that was contributed by our Affiliate to the Advertising Fund. See Items 6 and 11 for more information. The required Advertising Fund contribution for your Business is 2% and it applies after your Business' first two years of operation.
- (10) **"Auto and Truck"** includes all costs associated with one box truck used for pick up and delivery of materials and two installation trucks, insurance, gas, and maintenance.
- (11) **"Bank Services"** includes all banking charges.
- (12) **"Insurance"** includes auto insurance and business liability.
- (13) **"Office Supplies and Software"** includes the cost of general office supplies, design software, QuickBooks, CRM software, DocuSign software, computers, monitors, office furniture and appliances.
- (14) **"Legal and Professional Services"** includes legal advice, accounting services, and other professional services.
- (15) **"Merchant Account Fees"** includes ACH processing fees and credit card processing fees.
- (16) **"Rent"** includes showroom and warehouse space rental.
- (17) **"Utilities"** includes internet, electric, water, and bulk trash service.
- (18) **"Repairs and Maintenance"** includes cleaning service, consumer trash service, showroom lighting, warehouse and showroom maintenance.
- (19) **"Showroom Materials"** includes cabinet displays for showroom.
- (20) **"Tools Supplies and Consumables"** is defined as warehouse and installer tools, installation consumables, and warehouse supplies.
- (21) **"Total Expenses"** is the sum of all expenses.
- (22) **"EBITDA"** is defined as Gross Revenue less Cost of Goods Sold and Expenses.

(23) The results listed in Table 1 reflect the 6% Royalty Fee due under the Franchise Agreement, but do not reflect an Advertising Fund Contribution and other fees and expenses that you may incur as a Cabinet IQ franchisee under the Franchise Agreement. See Items 6 and 7 for further information.

Table 2 – Affiliate Annual Gross Revenues⁽¹⁾

The following tables provide Gross Revenues for our Affiliate’s Businesses in Cedar Park, Texas and Austin, Texas for the referenced periods.

| | 8/1/2017 – 12/31/2017 ⁽²⁾ | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Cedar Park | \$423,700 | \$1,540,000 | \$1,840,000 | \$2,080,000 | \$3,692,794 | \$3,744,303 |
| Austin ⁽³⁾ | | | | | | \$1,035,167 |

Table 2 Notes:

(1) “Gross Revenues” are the total amount received by or in connection with our Affiliate’s Businesses (segregated by location) from, connected with, or related to, the sale of any services, products, goods or merchandise and all business transacted related to the Businesses, excluding only the following (a) the amount of any refunds to clients for bona fide returns of goods sold or cancellations; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

(2) The 2017 data reflects financial results of our Affiliate’s predecessor, a sole proprietorship operated by our Founder.

(3) Our Affiliate has two Businesses located in Cedar Park, Texas and Austin, Texas. Our Affiliate opened the Cedar Park, Texas Business in 2018 (which was preceded by our Founder’s sole proprietorship opened in 2017 in Cedar Park, Texas) and the Austin, Texas Business opened in February of 2022.

You should develop your own business plan for your Business, including capital budgets, financial statements, projections and other appropriate factors. You are encouraged to consult with your own accounting, business and legal advisors in doing so. The business plan should make necessary allowances for economic downturns, periods of inflation and unemployment, and other negative economic influences.

You will incur other additional costs and expenses in operating a Business including but not limited to amounts due to us under the Franchise Agreement. See Items 6 and 7 for further information.

The financial information provided above has not been audited.

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting contact Michael Hartel at 2419 S. Bell Blvd., Cedar Park, Texas, 78613, telephone: (512) 994-7113, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20. OUTLETS AND FRANCHISEE INFORMATION

**Table 1
Systemwide Outlet Summary
For years 2020 to 2022**

| Column 1 Outlet Type | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets at the End of the Year | Column 5 Net Change |
|---------------------------------|--------------------------|--|--|--------------------------------|
| Franchised | 2020 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| Company-Owned | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 2 | +1 |
| Total Outlets | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 2 | +1 |

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

| Column 1 State | Column 2 Year | Column 3 Number of Transfers |
|-------------------|------------------|---------------------------------|
| Texas | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |
| Total | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |

Table 3
Status of Franchised Outlets
For years 2020 to 2022

| Column 1 State | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets Opened | Column 5 Termi- Nations | Column 6 Non- Renewals | Column 7 Reacquired by Franchisor | Column 8 Ceased Operations – Other Reasons | Column 9 Outlets at End of the Year |
|-------------------|------------------|--|-------------------------------|-------------------------------|------------------------------|--|--|--|
| Texas | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 4
Status of Company-Owned Outlets
For years 2020 to 2022

| Column 1 State | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets Opened | Column 5 Outlets Reacquired From Franchisee | Column 6 Outlets Closed | Column 7 Outlets Sold to Franchisee | Column 8 Outlets at End of the Year |
|-------------------|------------------|---|-------------------------------|---|-------------------------------|--|--|
| Texas | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |

| Column 1 State | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets Opened | Column 5 Outlets Reacquired From Franchisee | Column 6 Outlets Closed | Column 7 Outlets Sold to Franchisee | Column 8 Outlets at End of the Year |
|-------------------|------------------|---|-------------------------------|---|-------------------------------|--|--|
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 2 |
| Totals | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 2 |

**Table 5
Projected Openings As Of December 31, 2022**

| Column 1 State | Column 2 Franchise Agreements Signed But Outlet Not Opened | Column 3 Projected New Franchised Outlets In The Next Fiscal Year | Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year |
|-------------------|---|--|--|
| Florida | 1 | 1 | 0 |
| Texas | 0 | 5 | 1 |
| Totals | 0 | 6 | 1 |

Exhibit F contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Exhibit F contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure Document issuance date.

If you buy this Business, your contact information may be disclosed to other buyers when you leave the System.

We are not selling a previously-owned franchised outlet now under our control.

We have not entered into confidentiality clauses with any franchisee restricting their ability to communicate with you as of the date of this Disclosure Document.

There are no trademark-specific franchisee organizations associated with our System.

Item 21. FINANCIAL STATEMENTS

Attached as **Exhibit D** of this Disclosure Document are our audited financial statements for December 31, 2022 and December 31, 2021. We had no operations before June 17, 2021.

Because we have not been in existence for at least 3 years, we do not have available and cannot yet include in this Disclosure Document three full years of audited financial statements.

Item 22. CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- Exhibit B. Franchise Agreement (with Payment and Performance Guaranty)
- Exhibit C. Development Agreement
- Exhibit H. State Addenda to Franchise Agreement and Development Agreement

EXHIBIT A

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|------------|--|--|
| California | <p>Department of Financial Protection and Innovation</p> <p><i>Los Angeles</i> 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> <p><i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p><i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p> | |
| Hawaii | <p>Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744</p> | <p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p> |
| Illinois | <p>Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> | |

| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|--------------|--|---|
| Indiana | Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681 | |
| Maryland | Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042 | Maryland Commissioner of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 |
| Michigan | Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117 | |
| Minnesota | Minnesota Department of Commerce Market Assurance Division 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328 | |
| New York | NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Fl. New York, New York 10005 (212) 416-8285 | New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 Attention: New York Secretary of State (518) 473-2492 |
| North Dakota | North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712 | North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712 |

| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|--------------|---|---|
| Oregon | Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140 | |
| Rhode Island | Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527 | |
| South Dakota | Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823 | |
| Virginia | State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051 | Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 |
| Washington | Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760 | |
| Wisconsin | Administrator Division of Securities Department of Financial Institutions State of Wisconsin 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 266-0448 | |

EXHIBIT B

Franchise Agreement

(Attached)



CABINET IQ

FRANCHISE AGREEMENT

Franchisee Name

Date of Agreement

SUMMARY PAGE

- 1. **Effective Date:** _____
- 2. **Franchisee's Name:** _____
- 3. **Franchisee's State of Organization (if applicable):** _____
- 4. **Franchisee's Principal Place of Business:** _____

5. Ownership of Franchisee: If the franchisee is an entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

| <u>Name</u> | <u>Percentage Ownership</u> |
|-------------|-----------------------------|
| _____ | _____ % |
| _____ | _____ % |
| _____ | _____ % |

6. Assigned Territory (Section 1.B) (attach map, if necessary): _____

7. Initial Franchise Fee (Section 3.A): \$ _____

8. Accepted Location (Section 4.A):

9. Operating Principal (Section 8.A): _____

10. Franchisee's Address for Notices (Section 15.O): _____

11. Additional Terms (if any) (Section 15.T): _____

Initials: _____ (CABINET IQ FRANCHISING, LLC) _____ (Franchisee)

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CABINET IQ FRANCHISING, LLC

FRANCHISE AGREEMENT

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date (the “**Effective Date**”) set forth on the Summary Page appearing after the cover page of this Agreement (the “**Summary Page**”) (the Summary Page and all appendices and exhibits attached to this Agreement are hereby incorporated by this reference), by and between **Cabinet IQ Franchising, LLC**, a Texas limited liability company with its principal place of business at 2419 S. Bell Blvd., Cedar Park, Texas 78613 (“**Franchisor**”, “**us**” or “**we**”), and the entity identified on the Summary Page as the franchisee (“**Franchisee**” or “**you**”) with its principal place of business as set forth on the Summary Page.

WHEREAS, we and our affiliates (as defined), through the exercise and expenditure of effort, expertise, knowledge, money, time, and other valuable resources, have developed a unique system for the opening and operation of “Cabinet IQ” businesses (each, a “**Business**”) that provide professional kitchen remodeling services, including without limitation, the design and installation of cabinets and counter tops under the name Cabinet IQ (the “**System**”);

WHEREAS, the distinguishing characteristics of the System include, but are not limited to, the following: uniform standards and procedures for business operations; training in operation and management; advertising and promotional programs; client development and service techniques; standards and specifications; procedures and methods; our confidential Operations Manuals (the “**Manuals**”) and other technical assistance, all of which may be changed, improved or otherwise developed by us from time to time;

WHEREAS, our parent company, Cabinet IQ Holdings, LLC (“**Cabinet IQ Holdings**”), owns the service mark “Cabinet IQ”, and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols we may designate for use in the System from time to time (collectively, the “**Marks**”) and has granted us the right to use and license the Marks to System franchisees;

WHEREAS, you desire to obtain a license from us for the use of the Marks and the expertise for operating a Business, and to obtain the benefits and knowledge of the System, and we desire to grant you a license to operate a Business, all subject to the terms and conditions of this Agreement; and

WHEREAS, you have read carefully and have had sufficient opportunity to be advised thoroughly of the terms and conditions of this Agreement by advisors of your own choosing and by receipt and review of our current Franchise Disclosure Document and we and you wish to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein and subject to the terms and conditions hereof, the parties agree as follows:

Section 1: GRANT

A. Grant. Subject to the terms and conditions of this Agreement, we grant you, and you accept, the right and license to open a Business in accordance with the System in the Assigned Territory (as defined in **Section 1.B**). Franchisee accepts the obligation to operate the

Business pursuant to the terms and conditions of this Agreement for the entire Term (as defined in **Section 2.A**).

B. Territorial Rights. Except as provided in **Section 1.C**, provided you are in full compliance with this Agreement, neither we nor our affiliates shall operate a Business, nor grant the right to operate a Business to any other person, within the geographic area that is described on the Summary Page (the “**Assigned Territory**”). “**Affiliates**” as used herein means and includes, at any time with respect to any person or entity, each person or entity that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person or entity.

C. Rights We Reserve. Except as provided in **Section 1.B** above, we retain all other rights with respect to the Business and the System and may engage in all activities this Agreement does not expressly prohibit. Without limiting the foregoing, we have the right to engage in any of the following activities (directly or through an affiliate), and to grant to others the right to engage in any of the following activities, within your Assigned Territory:

(i) operate or license others to operate Businesses immediately outside of the Assigned Territory regardless of their proximity to the Assigned Territory;

(ii) operate or license others to operate similar businesses under any trade name other than the Marks at any location within or outside of the Assigned Territory;

(iii) operate or license others to operate different businesses under any trade name, including the Marks, at any location within or outside of the Assigned Territory;

(iv) sell products or services under any trademark including the Marks at any location, including within or outside of the Assigned Territory, through other channels of distribution, including but not limited to, the Internet, through dealers, hardware stores or other retail outlets or other home improvement/construction businesses; and

(v) acquire, be acquired by, or merge with competitive businesses and operate them anywhere and, at our option, convert them to businesses operating under the Marks or any other name, even if such businesses are competitive with the Business.

You acknowledge that the activities described above are only examples, and do not limit the business activities that we and our affiliates may undertake. You also acknowledge that we have made no other representations concerning your rights in any geographic territory.

D. Solicitation of Customers. Unless you receive our prior written approval to advertise and sell outside of the Assigned Territory, you may not solicit business from persons who reside outside the Assigned Territory. Notwithstanding the foregoing, upon our approval, you may advertise using methods that are generally circulated or broadcast throughout your Assigned Territory, but that extend beyond your Assigned Territory, such as, but not limited to magazine or newspaper advertisements, use of mail zones, or radio or television broadcasts, so long as such generally circulated advertisements or broadcasts are not specifically targeted to reach areas or clients outside of your Assigned Territory. If we approve your use of any of these types of advertisements or broadcasts, then for any month in which you are running these types of advertisements or broadcasts, sales outside of your Assigned Territory may constitute no more than 15% of your total monthly Gross Revenues; provided further, that under no circumstances shall these sales be to individuals that reside in the Assigned Territory of another Cabinet IQ

franchisee. In addition, you must follow all policies, rules and regulations in the Manuals related to operating in an unassigned territory and shall immediately cease to operate outside the Assigned Territory when directed by us.

E. Best Efforts. You covenant with us to (i) at all times faithfully, honestly and diligently perform your obligations under this Agreement; and (ii) continuously exert your best efforts to promote and enhance the Business.

Section 2: TERM AND SUCCESSOR TERMS

A. Initial Term. The term of this Agreement commences as of the Effective Date, and expires at the end of ten years from the date of opening of the Business, or, if this Agreement relates to an existing Business, this Agreement expires at the end of ten years from the Effective Date (the “**Term**”) unless earlier terminated as provided herein.

B. Successor Terms. At the expiration of the Term, you have the right to obtain three five-year consecutive successor terms (each, a “**Successor Term**”) provided that all of the following conditions have been fulfilled as of the expiration of the Term:

(i) For the duration of the Successor Term, you have the right to remain in possession of the Accepted Location (as defined in **Section 4.A**);

(ii) You give us written notice of your intent to renew not less than 120 days nor more than nine months prior to the expiration of the Term or the then-current Successor Term, as the case may be;

(iii) You complete such renovation and modernization of the Business as we may reasonably require, including, without limitation, renovation of the exterior facade, signs, interior furnishings, fixtures, equipment and vehicles, as well as upgrades to bring the technology at the Business into conformity with our standards for new franchisees;

(iv) You have substantially complied with this Agreement and any other agreement between you and us or our affiliates throughout the Term and are in full compliance with this Agreement and such other agreements at the expiration of the Term;

(v) You have executed our then-current form of franchise agreement with appropriate modifications to reflect the fact that such agreement relates to the grant of a Successor Term, except with respect to the successor term provisions, which shall be carried over from this Section. The terms of our then-current form of Franchise Agreement may differ materially from this Agreement, including, without limitation, a higher percentage royalty fee and advertising contribution. All of your equity owners (your “**Owners**”) shall sign and deliver, together with the successor franchise agreement, our then-current form of guaranty;

(vi) You have paid a Successor Term fee equal to 10% of our then-current initial franchise fee;

(vii) You and your staff shall comply, by the expiration of the Term, with our then current qualification and training requirements; and

(viii) You and your Owners sign a general release of any and all claims against us and our affiliates, and our respective officers, directors, shareholders, managers, members, partners, owners, employees and agents.

Section 3: FEES

A. Initial Franchise Fee. Upon executing this Agreement, you shall pay to us the initial franchise fee (the “**Initial Franchise Fee**”) specified on the Summary Page. The Initial Franchise Fee is fully earned by us upon execution of this Agreement and is not refundable under any circumstances.

B. Royalty Fee. You must pay us a monthly continuing royalty fee (the “**Royalty Fee**”) in an amount equal to 6% of the Gross Revenues of the Business. The term “**Gross Revenues**” means the total amount received by or in connection with the Business from, connected with or related to the sale of any services, products, goods or merchandise and all business transacted by you related, directly or indirectly, to the Business, excluding only the following (i) the amount of any refunds to clients for bona fide returns of goods sold or cancellations; and (ii) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority. For avoidance of doubt, payment processing fees shall not be deducted from Gross Revenues when determining the Royalty Fee due hereunder.

C. Advertising Fund Contribution. Commencing after your Business’ second year of operations, you must contribute 2% of the weekly Gross Revenues of the Business to the Cabinet IQ Franchising, LLC Advertising Fund (the “**Advertising Fund**”).

D. Technology Fee. You must pay us a reasonable technology fee for the use of our Intranet, software and other technology products and services we provide (the “**Technology Fee**”).

E. Payment.

(i) You must pay such Royalty Fee, the Advertising Fund contribution, the Technology Fee and other amounts due to us and our affiliates hereunder by automatic debit, preauthorized bank draft, electronic funds transfer or in such other manner as we may direct (the “**Payment Method**”) so that we actually receive it no later than the fifth day of every month during the Term of the following month in which Gross Revenues were received by you. If the fifth day of the month is not a business day, the due date shall be the next business day following the fifth day of the month. We currently require that you sign and deliver to us the form of Authorization Agreement for Prearranged Payments (Direct Debits), a copy of which is attached to this Agreement as **Exhibit A**. You must promptly cooperate with us in all respects to implement the designated Payment Method (including any newly designated Payment Method) and return all required documents and other authorizations within seven days after our request in connection with the Payment Method.

(ii) The calculation of the Royalty Fee and Advertising Fund contribution shall be made by us based on Gross Revenues of the Business as reflected in your Technology System (as defined in **Section 8.K**) or based on your Gross Revenues Reports delivered under **Section 8.P**. If you fail to make information available to us regarding your Gross Revenues, including failing to timely submit required reports, or if the information provided is inadequate, we may withdraw an estimate of the amount due that is equal to 125% of the previous month’s Royalty Fee and Advertising Fund contribution. When you make information available to us regarding

your Gross Revenues or otherwise provide appropriate reports or adequate information sufficient to determine your Gross Revenues, we will calculate the Royalty Fee and the Advertising Fund contribution and provide you with a credit or you must pay us the shortfall along with any interest due under **Section 3.F**, as appropriate.

F. Interest for Late Payments. If any payment is not made when due, you shall pay to us immediately upon demand the overdue amount, plus interest on the overdue amount from the date it was due until paid, which shall accrue at a rate of 18% per annum or the maximum amount permitted by Law, whichever is less. In addition, we may charge a \$250 late payment fee for all such overdue payments and a \$250 insufficient funds fee for each check, automated bank draft payment, or other Payment Method that is not honored by your financial institution. The foregoing is in addition to any other remedies we may have.

G. Our Right to Apply Payments. Notwithstanding any designation by you, we have the sole discretion to apply any payments by you to any past due indebtedness for Royalty Fee payments, Advertising Fund contributions, purchases from us or our affiliates, interest or in any other manner.

H. No Right of Set-Off. You will pay all amounts you are obligated to pay us related to your Business, this Agreement, or the System, without deduction, setoff, or abatement; and you will not, on the grounds of any alleged breach of this Agreement by us or for any other reason, withhold payment of any fees or other amounts set forth in this Agreement.

I. Taxes. In addition to all other payments set forth in this Agreement, you will pay to us, immediately on demand, the amount of all sales taxes, franchise taxes, trademark license taxes, and any other taxes or levies whatsoever, however denominated, imposed on us or our affiliates, or required to be paid by us or our affiliates, related to any fees or transactions described in this Agreement, unless the tax is imposed based on our or our affiliates' income.

Section 4: SITE SELECTION PROCEDURES

A. Site Selection.

(i) If the location for the Business has been agreed upon prior to the Effective Date (the "**Accepted Location**"), it will be set forth on the Summary Page. If the location is not determined as of the Effective Date or if control of an Accepted Location cannot be secured by you after having been accepted in writing by us, a new or alternative site must be identified and agreed upon within 120 days after the Effective Date in accordance with this Section.

(ii) To request our acceptance of a site for the Business, you must submit to us such information and materials as we reasonably require, together with a letter of intent or other evidence satisfactory to us confirming your favorable prospects for obtaining the site. We will review the site and provide you with our approval or disapproval of the site within 15 business days after your submission of all requested information. If we do not provide a response within such 15-day timeframe, then the site will be deemed disapproved. If we determine that an in-person visit to a proposed site is necessary or appropriate, you must coordinate and arrange for the visit by our representative and reimburse us for our reasonable out-of-pocket expenses incurred in connection with the site visit. Any site acceptance provided by us indicates only that we consider the site to meet our minimum site criterion as it exists at the time of the site evaluation. **YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED SITE IS**

NOT A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF THE BUSINESS.

(iii) You agree to obtain our written acceptance to the Business' location before signing any lease, sublease, or other agreement that grants you a real property interest for the location. The acceptance or rejection of any site submitted by you will be at our sole discretion. Upon receiving our acceptance of the location for your Business, you and we will execute an addendum documenting the Business' Accepted Location.

B. Lease. After receiving our written acceptance of Accepted Location, you must execute a lease (if the premises will be leased) or a binding agreement to purchase the site (if the premises will be purchased), the terms of which must be approved by us within 120 days after the Effective Date. Our approval of any lease may be conditioned upon inclusion in the lease of terms acceptable to us, including, without limitation:

(i) A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise granted hereunder;

(ii) A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants us the right (but not the obligation) to cure any deficiency under the lease should you fail to do so within 15 days after the expiration of the period in which you may cure the default;

(iii) A provision which evidences your right to display the Marks in accordance with the specifications required by us, subject only to the provisions of applicable Law; and

(iv) A provision that the premises shall be used only for the operation of the Business.

Our review and approval of a lease or purchase agreement shall not constitute our recommendation, endorsement or guarantee of the suitability of that location or the terms of the lease or purchase agreement; accordingly, you are responsible to determine for yourself whether the location you select and the terms of any lease or purchase agreement for the Accepted Location are acceptable to you.

C. Approved Use. You may not use the Accepted Location for any purpose other than for the operation of a Business in full compliance with this Agreement and the Manuals, unless approved in writing by us.

D. Relocation. You may operate the Business only at the Accepted Location. If the lease for the site of the Business expires or terminates without your fault, or if the site is destroyed, condemned or otherwise rendered unusable, or if in our judgment, there is a change in character of the location of the Business sufficiently detrimental to your Business potential to warrant its relocation, we will grant permission for relocation of the Business at a location and site acceptable to us. Any such relocation shall be at your sole expense. In addition, you must pay us a relocation fee of 20% of our then-current initial franchise fee for our services in connection with any relocation of the Business.

Section 5: SITE DEVELOPMENT

A. Development of the Accepted Location. You must improve and develop the Accepted Location according to our standard plans and specifications including exterior and interior design and layout, fixtures, equipment, décor and signs that are identified in the Operations Manual. In connection with the Business' development, you will be responsible for complying, at your expense, to our satisfaction, with all of the following requirements:

1. You must obtain all zoning classifications and clearances, permits and certifications which may be required by federal, state or local laws, ordinances or regulations (collectively, "**Laws**") or which may be necessary or advisable owing to any restrictive covenants relating to the Business site. You must comply with Laws, including the Americans with Disabilities Act, as amended, and related federal, state and local codes relating to public accommodations for people with disabilities (the "**ADA**"), governing the construction, renovation, design and operation of the Business.

2. Before commencing any construction of the Business, you must work with a licensed architect or engineer to prepare specific construction plans and specifications to suit the shape and dimensions of the site and assure that such plans and specifications comply with the lease and any applicable ordinances, building codes and permit requirements. You must ensure that the plans satisfy ADA requirements. Upon our request, you must submit the specific construction plans and specifications to us for review and approval before you begin construction of the Business. Our review is not intended to, and you should not rely on it to, detect errors or omissions in the work of your architects, engineers, contractors or the like or noncompliance with Laws. We may inspect the work while in progress at any time.

3. You must engage a qualified licensed general contractor (and notify us of such engagement, and we may disapprove if we have a reasonable objection) to construct or renovate the Business and to complete all improvements.

B. Signage. All signage, both interior and exterior, related to the Business, must conform to such standards and specifications as we may prescribe as to type, color, size, design, and location. You must obtain our prior written approval before you install or display any such signage.

Section 6: ADVERTISING AND MARKETING

A. Grand Opening Expenditures. You must submit a written budget and plan for grand opening to us for approval prior to the opening of the Business which shall include details regarding the preparation and placement of advertising and promotional items. You shall expend, prior to opening and up to the beginning of the third month of operation of your Business, a minimum of \$10,000 for advertising and promotional items in accordance with your approved grand opening plan and our System Standards. We may require that you pay us such amount to be used to pay for the implementation of your approved grand opening plan. If, for any reason, applicable state law does not permit us to collect such amount, then you will pay our approved vendors and service providers for their products and services furnished in accordance with the approved marketing plan at the times when due based on invoices presented to you. Amounts spent by you on grand opening are separate from your other marketing and advertising requirements.

B. Local Advertising. You must spend, on a monthly basis, for local advertising, an amount that is the greater of \$4,500 or 4% of your monthly average Gross Revenues for the prior three-month period; provided, however, required local advertising expenditures shall be reduced by the amount of Marketing Cooperative contributions paid by you under **Section 6.C**. At least once every 12 months during the Term of this Agreement, you must create a local advertising and marketing plan pursuant to which you will place local advertising in any media you desire, provided that such advertising conforms to the standards and requirements set forth in the Manuals or otherwise designated by us. You shall not advertise the Business in connection with any other business. We reserve the right to determine what constitutes “local advertising” and to require you to submit evidence of your expenditures including, at our request, submission of bills, statements, invoices or other documentation satisfactory to us to show the actual costs you incur for local advertising.

C. Marketing Coops. We may organize, on our own volition or at the request of franchisees a “**Marketing Cooperative**” for your designated marketing area (as determined by Nielson) or other area we specify (the “**Coop Area**”). You will automatically become a member at the opening of your Business of any existing Marketing Cooperative in the Coop Area of your Business, and you must become a member of any Marketing Cooperative we subsequently establish in the Coop Area of your Business within 30 days of the date on which the Marketing Cooperative is established.

Marketing Cooperatives must be governed in a form and manner approved by us in advance, and subject to our ongoing approval. We supply or approve the bylaws and charter of each Marketing Cooperative, which shall operate on the governance principles of: (i) each Business with its franchise agreement in good standing (i.e., not in default) and each Business operated by us and our affiliates has one vote on any action proposed to be taken by the Marketing Cooperative; (ii) a meeting may be called by us or at least 20% of the members; (iii) a meeting quorum is at least 50% of the members in good standing and a majority of those members present and eligible to vote is required for any action or resolution; and (iv) we may veto any action proposed by the Marketing Cooperative. No advertising or promotional plans or materials may be used by a Marketing Cooperative or furnished to its members without our prior approval. We reserve the right to terminate any Marketing Cooperative, provided that the Marketing Cooperative shall not be terminated until all of its monies have been expended for its intended purposes. Each Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs. You must pay your required Marketing Cooperative contribution in the manner specified by the applicable Marketing Cooperative.

The required Marketing Cooperative contribution is a percentage of annual Gross Revenues of each Business in the Marketing Cooperative set by the vote of its members. If we request, you will submit your Marketing Cooperative contributions directly to us for transmittal to the Marketing Cooperative.

D. Advertising Fund. Commencing after your Business’ second year of operations, you shall contribute to the Advertising Fund in the amount and manner specified in **Section 3.C**. The Advertising Fund will be maintained and administered by us as follows:

1. We will oversee all advertising and promotional programs and shall have the sole discretion to approve or disapprove any creative concept, materials, methods, and media used in such programs, and the placement and allocation thereof. You agree and acknowledge that the Advertising Fund is intended to maximize national public recognition and acceptance of the Marks for the benefit of the System and our franchisees. We undertake no obligation in

administering the Advertising Fund to make expenditures for you which are equivalent or proportionate to your Advertising Fund contribution, or to insure that you benefit directly or pro-rata from advertising or promotion conducted under the Advertising Fund.

2. The Advertising Fund, all contributions thereto, and earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising activities (including the costs of preparing and conducting advertising campaigns in various media); sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist therein; providing promotional brochures and other marketing materials to the franchisees operating under the System, paying the reasonable compensation of our employees or other third parties providing services related to any activity under this provision and any other activities which in reasonable discretion will contribute towards national public recognition. All funds paid by you to the Advertising Fund and any earnings thereon shall be maintained in an account separate from the other Franchisor monies and shall not be used to defray any of our expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs for the franchisees and the System. The Advertising Fund and its earnings shall not otherwise inure to our benefit. We will maintain separate bookkeeping accounts for the Advertising Fund.

3. A statement of the operations of the Advertising Fund, as shown on the books of the Advertising Fund, shall be prepared annually and shall be made available to you if requested. Such statement need not be audited.

4. Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund at any time. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for the purposes described in this Agreement.

5. Neither we nor our affiliates must contribute to the Advertising Fund on the same basis of assessments required of comparable franchisee-owned Businesses.

E. Advertising Materials and Public Relations. We or an affiliate may develop and provide creative materials for local and regional advertising and make such materials available to you and/or our franchisees for publication or distribution in your market area at your own expense. We or our affiliate may charge you a reasonable fee for any such materials. We may also require that you engage an approved supplier to develop and provide creative materials for local and regional advertising and to conduct other marketing and public relations activities in relation to the Business. You must participate in all advertising and marketing campaigns, promotions and activities that we designate. We may provide specific guidelines for advertising initiated by individual franchisees which you must follow. Immediately upon notification to do so, you shall discontinue any advertising that would, in sole discretion, be detrimental, even if previously approved.

F. Approval of Advertising. All advertising and promotional activities conducted by you in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the Business. You agree to refrain from any advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other franchisees or the goodwill associated with the Marks. You must obtain our prior approval for all advertising and promotional materials that you intend to use in advance unless we have provided such materials. You shall promptly discontinue use of any advertising or promotional

materials upon our request, including any materials provided by us or previously approved by us. Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt thereof by us, shall be deemed disapproved.

G. Digital Marketing. You may not establish a web site on the Internet/World Wide Web or on any other electronic communication network using a domain name containing “Cabinet IQ” or any other of the Marks or any word similar to any of the Marks. We have the exclusive right to advertise on the Internet/World Wide Web and create a web site using any of the foregoing or similar or related domain names. We may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or ad word purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that are intended to promote the Marks, your Business, and the entire network of Franchisees. We have the sole right to control all aspects of any Digital Marketing, including those related to your Business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to your Business. If we do permit you to conduct any Digital Marketing, you must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time.

Section 7: OUR RESPONSIBILITIES

In addition to our duties specified in other Sections of this Agreement, we undertake to perform the following duties:

A. Training. We will make initial training available for you, or if you are an entity, your Operating Principal (as defined in **Section 8.A**) and your Manager (as defined in **Section 8.B**) and another approved individual (for up to three individuals total). Such initial training program covers all material aspects of the operation of the Business, including introduction and orientation to the System, financial controls, promotion and advertising methods, service and operational techniques, and maintenance of quality standards. You must pay us a fee of \$2,000 for each additional individual (beyond three) who attends initial training on your behalf. We will provide instructors, facilities, and materials for the initial training program at no charge. We may offer refresher or additional training programs or seminars from time to time. We reserve the right to charge a reasonable fee for training persons who are repeating the initial training course or replacing a person who did not successfully complete the initial training course, and for any replacement Operating Principal or Manager attending the initial training course. We may also charge a reasonable fee for refresher or additional training programs, along with travel and living expenses incurred by our personnel in connection with such programs if they are provided at your Business’ premises. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees for any training programs that we conduct.

B. Manuals. We will loan to you one copy of the Manuals. We will provide the Manuals (i) through the web site, and/or other electronic, computerized or forms of access; (ii) in a paper copy; and/or (iii) in a digital form. The Manuals could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials. The Manuals contain mandatory and suggested specifications, standards, operating procedures, and rules (the “**System Standards**”) that we periodically prescribe for operating a Business and information on your other obligations under this Agreement. We may modify the Manuals periodically to reflect

changes in the System Standards. The System Standards do not include any employment-related policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Manuals or otherwise for your optional use. Employment-related policies and procedures are provided as best practices only and you shall determine to what extent, if any, such employment-related policies and procedures contained in the Manuals should apply to your operations at the Business. The Manuals are Confidential Information and our property, and may not be duplicated or copied in whole or in part in any manner. You agree to follow the System Standards, as may be amended by us from time to time. You must keep any paper copy of the Manuals current and in a secure location at the Business. If there is a dispute over its contents, our master copy of the Manuals controls. You shall not disclose the Manuals to any person other than Business employees who need to know its contents. At our option, we reserve the right post some or all of the Manuals on a restricted web site or extranet to which you will have access. If we do so, you shall monitor and access the web site or extranet for any updates to the Manuals or the System Standards. Any passwords or other digital identifications necessary to access any portion of the Manuals are Confidential Information.

C. Continuing Assistance. We will, if so requested, provide continuing consultation and advice regarding business, financial, operational, technical, pricing, legal, sales and advertising matters, type of products offered, operation of the Business and development of personnel policies. We will provide such assistance by telephone or electronic communication, or, if the situation warrants, through on-site assistance, subject to the availability of the appropriate Franchisor personnel. We may charge a reasonable fee for any on-site assistance rendered by Franchisor personnel along with any travel and living expenses incurred by our personnel in providing on-site assistance.

D. Pricing. We may provide guidance with respect to suggested retail prices. We and you agree that any list or schedule of prices furnished to you by us is a recommendation only and is not to be construed as mandatory. Nothing contained herein shall be deemed a representation by us that the use of our suggested prices will in fact optimize profits.

E. Equipment, Signs, Fixtures, Opening Inventory, and Supplies. We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your Business.

F. Business Administration. We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control. We may make any such procedures part of required (and not merely recommended) System Standards.

G. Website. We will maintain a website for the Cabinet IQ brand, which will include your business information and telephone number.

Section 8: YOUR RESPONSIBILITIES

In addition to your duties specified in other Sections of this Agreement, you undertake to perform the following duties:

A. Operating Principal. You, or if you are an entity, a principal who has a minimum of 10% equity ownership interest in you (the “**Operating Principal**”) must devote his/her full time and attention to the supervision and direction of the operations of the Business. We have the right to rely upon the Operating Principal’s communications and decisions regarding the Business’ operation.

B. Training. You, or if you are an entity, your Operating Principal, and your designated manager (the “**Manager**”), must attend and successfully complete, to our satisfaction, prior to opening for business, the initial training program described in **Section 7.A** prior to the opening of your Business. Any replacement Operating Principal or Manager may also be required to complete the initial training program. In addition, you, or if you are an entity, your Operating Principal and your Manager must attend and successfully complete refresher or additional training programs or seminars required by us from time to time.

C. Employees. We may provide suggested staffing levels, and you must hire that number of employees that is adequate to serve the volume of your Business. However, all hiring decisions and conditions of employment are your sole responsibility. You must properly train all Business employees to perform the tasks required of their positions. We may develop and make available training tools and recommendations for you to use in training the Business’ employees to comply with System Standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in System Standards.

D. Opening Date. You must open your Business for business in accordance with this Agreement no later than 90 days after the Accepted Location has been determined (the “**Opening Date**”). You may not open the Business until you have received our written approval. Your failure to open the Business by the Opening Date is a material breach of this Agreement entitling us to immediately terminate this Agreement.

E. Maintenance and Repairs. You will maintain the condition and appearance of your Business premises in accordance with System Standards. You must maintain your Business premises in a high degree of repair and condition, and in connection therewith shall make such repairs, replacements and refurbishment thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, replacement of equipment and parts or installation or refurbishment of signage as we may reasonably direct. If at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of the Business premises or its fixtures, furnishings, equipment, or signs does not meet System Standards, then we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten days after you receive our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, we have the right, in addition to all other remedies, to enter the Business premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection.

F. Renovation. On notice from us, but not more often than once every five years, you will, at our request, redesign, refurbish, and remodel (collectively, “**Renovate**”) your Business from time to time to conform to our then-current System Standards and our judgment as to the condition, state of repair, and general appearance of your Business premises. All such Renovations will be at your sole cost and expense. You will submit to us a complete set of plans and specifications you propose using to effect the Renovations (the “**Proposed Renovation Plans**”) before you commence any Renovation of the Business. We will review the Proposed Renovation Plans promptly and will approve or provide comments regarding such Proposed Renovation Plans to you. You may not commence Renovation of the Business until we have approved the Proposed Renovation Plans. You will complete all such Renovations so that they are completed within six months after the date we deliver to you a notice that we are requiring you to effect such Renovations.

G. Products, Supplies, Equipment, Suppliers and Vehicles.

(i) You may offer for sale in the Business only products and services that we have approved in writing and that meet System Standards. You must offer products and that we designate as mandatory, and you may not offer for sale any product or service not approved. We may change the products and services you may offer periodically, and you must comply with such changes. You must comply with our requirements regarding inventory levels as specified in the Manuals. If we do not prescribe specific standards, you must maintain a sufficient number of products to meet reasonably anticipated client demand. We may change our inventory requirements periodically, and you must promptly comply with any such changes.

(ii) We have the right to require that inventory, supplies, products, equipment, and services that you purchase for resale or use in your Business: (a) meet our System Standards; (b) be purchased only from suppliers or service providers that we have expressly approved; and (c) be purchased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals.

(iii) You must follow our installation methods and other methods and otherwise comply with our System Standards. We may change our specifications from time to time in our sole discretion, and you must promptly comply with any such changes. You must adhere to all safety standards as required by Laws.

(iv) If you would like to offer products or use any supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We are not responsible for any suppliers or service providers that we designate or otherwise refer to you. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you in writing of our decision as soon as practicable following our evaluation. We will use commercially reasonable efforts to evaluate any supplier you propose within six months after your request. If you do not receive our approval within six months after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We reserve the right to revoke approval of any product, supply, ingredient, equipment, service, supplier, or service provider for any reason, in our sole discretion.

(v) We have the right to collect any rebates or refunds provided by a supplier or vendor in connection with your purchase of any items or services. In addition, we and our affiliates have the right to profit from items that you purchase from us or our affiliates.

(vi) We may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers or distributors who are willing to supply all or some of our franchisees with certain products or services that we require for use or sale in the development or operation of Businesses.

(vii) In the future, we may require you to (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) designated by us and/or established by us for the System; (ii) remain a member in good standing of the purchasing and/or distribution cooperative(s)/association(s)/program(s); and (iii) pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative(s)/association(s)/program(s).

(viii) You must obtain, at your sole expense, such vehicles as we may specify from time to time in the Manuals or otherwise in writing. The vehicles must meet all of the specifications and requirements set forth in the Manuals or otherwise by us in writing (including the results of an inspection by us). The appearance and signage (or wrap) on the vehicle must comply with our specifications and requirements which may be set forth in the Manuals or otherwise in writing. You shall replace the vehicle as required by us. We may periodically require you to update the vehicle's trade dress and image standards including any signage (or wrap). These updates may require you to make additional investments in the Business.

H. Direct Supervision. The Business shall at all times be under the direct, on-premises supervision of you, or if you are an entity, your Operating Principal, or your Manager who has completed initial training. You shall keep us informed at all times of the identity of the Manager of the Business, and you must have one Manager for each Business that you own. You may not, without our prior written approval, which may be denied for any reason or no reason at all, hire or retain a management company, manager (other than an employee manager trained and approved by us), or third party to undertake any of the management or operational functions of the Business.

I. Compliance with Laws and Good Practices.

(i) You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Business and shall operate the Business in full compliance with all applicable Laws, including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

(ii) All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Business must in all dealings with its clients, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You agree to refrain from any business or advertising practice that may be injurious to our business and the goodwill associated with the Marks.

(iii) You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of clients ("**Consumer Data**") and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all Laws governing the use, protection, and disclosure of Consumer

Data. If there is a Data Security Incident at the Business, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the Cabinet IQ brand (including giving us or our designee access to your Computer System, whether remotely or at the Business). We (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

(iv) **“Data Security Incident”** means any act that initiates either internally or from outside the Business’ computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the System, other franchisees, or their data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

J. Notice of Legal Proceedings. You shall notify us in writing (i) within five days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Business; and (ii) immediately of any notice of violation of any Laws relating to the Business.

K. Computer Systems and Required Software.

(i) We have the right to specify in the Manuals or otherwise require in writing that you purchase or lease and use in the operation of the Business certain electronic data collection, storage, reporting, exchange and interchange capability and services, including certain brands, types, makes and models of communications, hardware and software systems, peripherals and equipment, including without limitation: (a) back office accounting, inventory and management systems; (b) storage, retrieval and transmission systems for data, audio, video and voice files; (c) point of sale systems or such other types of cash registers as we may designate or approve (**“Cash Register Systems”**); (d) physical, electronic and other security systems and procedures; (e) archival back-up systems; (f) internet access capability and connectivity; and (g) client-facing marketing, ordering, entertainment, audio, video, internet access points and service systems (together, your **“Technology System”**). We have the right, but not the obligation, to develop or have developed for us, or to designate computer software programs and accounting system software that you must use as part of your Technology System (**“Required Software”**). You shall install, learn, use and integrate all updates, supplements, modifications or enhancements to the Required Software when we so require. We may specify in the Manuals or otherwise the tangible media upon which you shall record data, the database file structure of your Technology System and the requirements to ensure your compliance with legal and credit card industry security standards. You shall implement and periodically make upgrades and other changes to your Technology System as we request in writing at your cost. Your Technology System must permit 24 hours per day, seven days per week electronic communications between you and us, and provide us access to the Technology system (but excluding matters relating to labor relations and employment practices).

(ii) We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a

software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge you a reasonable monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the Term.

(iii) We may, from time-to-time, specify in the Manuals or otherwise in writing the information that you must collect and maintain on your Technology System, and provide us such reports as we may reasonably request from the data so collected and maintained. All data provided by you in any form, and whether required by this Section or any other requirement under the System or in the Manuals, including without limitation data uploaded to our computer system from your Cash Register Systems, and/or downloaded from your Cash Register Systems to our computer system, is and will be owned exclusively by us, including without limitation, client lists and email lists, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the System, or in connection with your operation of the business (including but not limited to consumer and transaction data), is and will be owned exclusively by us during the Term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon request. We hereby license use of such data back to you, at no additional cost, solely for the Term and solely for your use in connection with the Business. We may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and developers operating under the System.

(iv) Despite your obligation to buy, use, and maintain your Technology System according to our standards and specifications, you have sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading your Technology System; (b) the manner in which your Technology System interfaces with our and any third party's computer system; (c) any and all consequences if your Technology System is not properly operated, maintained, and upgraded; and (d) independently determining what is required for you to comply (and then complying) at all times with the most current version of the Payment Card Industry Data Security Standards, and with all Laws governing the use, disclosure, and protection of consumer data and your Technology System, and validating compliance with those standards and Laws as may be periodically required.

L. Insurance. At your sole expense, you must procure prior to Opening Date, and maintain in full force and effect during the Term, the types of insurance listed below. All policies (except any workers' compensation insurance) shall (i) expressly name us and our affiliates as an additional insured or loss payee; (ii) contain a waiver of all subrogation rights against us, our affiliates and our respective successors and assigns; (iii) provide that the insurance company shall provide us with at least 30 days' prior written notice of termination, expiration, cancellation, or material modification of any policy; and (iv) provide that you cannot reduce the policy limits, restrict coverage, cancel or otherwise alter or amend policies without our prior written consent. In addition to any other insurance that may be required by applicable Laws, you must procure:

1. Such insurance as may be required by the terms of any lease for the Accepted Location or, if there is no such lease, fire and extended coverage insurance (including, if applicable, flood and earthquake coverage) covering the building and all equipment, supplies, products, inventory, furniture, fixtures and other tangible property located in the Business or on the Accepted Location in the amount of the full replacement value of such property.

2. Commercial General Liability Insurance, including coverages for damage to rented premises, medical, personal and advertising injury, \$1,000,000 each occurrence, general aggregate in the amount of \$2,000,000 and products liability of \$2,000,000. All such coverages shall be on an occurrence basis.

3. Workers' compensation insurance, or a similar policy if the Business is located in a non-subscriber state, covering all of its employees as is required by Laws, provided that such insurance shall have the following minimum coverage limits: general coverage of \$500,000 per accident and employee disease coverage of \$500,000 per employee and in the aggregate.

4. Business interruption and extra expense insurance for a minimum of six months to cover net profits and continuing expenses (including Royalty Fees).

Such policies shall be written by a reputable insurance company licensed in the state in which the Business operates with a rating of not less than "A-" in the Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Your obligations to obtain and maintain the foregoing insurance policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us. Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, you shall promptly submit evidence of satisfactory insurance and proof of payment to us, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without giving at least 30 days prior written notice to us. Should you not procure and maintain insurance coverage as required by this Agreement, we have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to you, which charges, together with a reasonable administrative fee, shall be payable by you immediately upon notice. We have the right, from time to time, to make such changes in minimum policy limits and endorsements as we may determine; provided, however, all changes shall apply, generally, to all of our franchisees who are similarly situated.

M. Indemnification. To the fullest extent permitted by Law, you must indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of:

1. a claim threatened or asserted;
2. an inquiry made formally or informally; or
3. a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of:
 - (i) the Business' construction or design;
 - (ii) your activities under this Agreement;
 - (iii) your noncompliance or alleged noncompliance with any Law, including any allegation that we or another Indemnified Party is a joint employer or

otherwise responsible for your acts or omissions relating to the Business' employees;

(iv) a Data Security Incident; or

(v) your breach of this Agreement.

You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or our failure to compel you to comply with this Agreement.

For purposes of this indemnification and hold harmless obligation, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, whether or not litigation, arbitration, or alternative dispute resolution actually is commenced. Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations under this Section will continue in full force and effect after and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section. A failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section.

N. Confidential Information. You acknowledge that prior to or during the Term hereof, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information relating to the construction, management, operation or promotion of the Business (collectively, "**Confidential Information**"). You shall not, nor shall you permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Manuals) to any other person, except that you may use and disclose Confidential Information to the extent necessary for your employees to perform their functions in the operation of the Business. Confidential Information does not include and the provisions of this Section shall not apply to (i) information that becomes generally known to the public through no fault of you; (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information; or (iii) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when we and you commenced discussions concerning the sale of a Business to you or your Owners. You shall

take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure, including without limitation conducting orientation and training programs for your employees to inform such employees of your obligation to protect such Confidential Information from unauthorized use or disclosure, and such employees' responsibilities and obligations therefor. At our request, you shall obtain from your employees non-disclosure agreements, in form and substance satisfactory to us, naming us as a third-party beneficiary with the independent right to enforce the covenants therein. This Section shall survive the termination or expiration of this Agreement.

O. Modifications and Improvements to System. If you develop any modifications or improvements to any aspect of the System (including but not limited to inventions, methods, products, ideas, formulas, research results, equipment, software, training materials, class instruction materials and otherwise): (i) such improvements will be deemed a work made for hire, notwithstanding any designation of you in this Agreement as an independent contractor; (ii) you hereby assign all right, title and interest to us for any such improvements, and such improvements are or will become our sole and exclusive property, which we may use, license for use, assign, modify, publish, or sell, all without payment of any compensation to you; and (iii) you will execute any documents we require related to this Section.

P. Bookkeeping, Accounting and Records.

(i) You shall maintain during the Term of this Agreement, and shall preserve for a minimum of five years, full, complete accurate records of client inquiries, sales, marketing activities, closeout sheets, payroll and accounts payable in accordance with the standard accounting system described by us in the Manuals or otherwise specified in writing.

(ii) At your expense, you must maintain an accurate record of Gross Revenues and shall deliver to us via the Internet or as otherwise directed by us a signed and verified statement of (a) Gross Revenues ("**Gross Revenues Report**") for each month in a form that we approve; and (b) a financial statement, which may be unaudited, for the preceding month, including both an income statement and balance sheet (the "**Monthly Income Statement and Balance Sheet**"). The Gross Revenues Report and Monthly Income Statement and Balance Sheet for the preceding month must be provided to us by the close of business by the 5th day of each month.

(iii) You shall also, at your expense, submit to us within 90 days of the end of each fiscal year of the Business, a complete financial statement for the said fiscal year, including, without limitation, both an income statement and balance sheet, which may be unaudited, together with such other information in such form as we may require. You shall also submit to us the current financial statement and other forms, records, reports, information and data as we may reasonably designate, in the form, and at the times and the places as we may reasonably require, upon request, and as specified from time to time in the Manuals or otherwise specified in writing.

(iv) We may require that you engage a designated bookkeeper to assist you in the preparation and maintenance of records required hereunder at your expense.

(v) We or our representatives may, from time to time, at any time during business hours enter and inspect the Business premises and examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Business, income tax records and any other information, records or properties relating to the ownership, management or operation of the Business. We shall also have the right

to videotape, photograph or otherwise record the operation of the Business as part of any such inspection. You shall cooperate with us in any such inspection and shall make your personnel available to us as may be necessary to carry out such inspection. Any such inspection shall be made at our expense, provided that if such inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, we may charge you for the costs of making such inspection.

(vi) Without limiting the foregoing, we may audit or cause to be audited, any statement you are required to submit pursuant to this Agreement, and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by you in connection with the Business. If any such audit or review discloses an understatement of the Gross Revenues for any period or periods, you shall pay to us, within 15 days after demand for payment is made, all additional Royalty Fees and other amounts required to be paid based upon the results of such audit or review. In addition, if such understatement for any period or periods is 2% or more of the Gross Revenues for such period or periods, you shall reimburse us for the cost of such audit or review, including without limitation the charges of any independent accountant and the cost of travel and living expenses for, and compensation of, such accountant and our employees and agents. You shall pay to us on any delinquent fees interest at the rate of 18% per annum or at the maximum rate allowed by Laws, whichever is less, calculated from the date when the fees should have been paid to the date of actual payment.

(vii) We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, suppliers and performance. You shall provide such information promptly when so requested by us, and certify that such information is true and complete in all material respects. You agree that we may disclose such information to third parties, including regulators, prospective franchisees and other franchisees within the System as we determine appropriate or necessary, in our sole discretion, to comply with applicable Laws governing the sale of franchises, to assist us in our franchise sales efforts and for the benefit of the System.

Q. System Modifications. You recognize and agree that from time to time hereafter we may change or modify the System, and as identified by the Marks, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, and that you will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of the System at the time of execution hereof. You will make such expenditures as such changes or modifications may reasonably require.

R. Owner Information; Payment and Performance Guaranty. If you are an entity, your Owners and their percentage interests as of the Effective Date are listed on the Summary Page. You shall maintain a current list of all Owners of your equity interests and shall furnish the list to us upon request. Any or all of your Owners (including persons and entities who become Owners after the Effective Date) must sign and deliver to us a guarantee in the form of the "Payment and Performance Guarantee" attached hereto (the "**Guarantee**").

S. System Standards. You acknowledge and agree that operating and maintaining the Business according to the System Standards are essential to preserve the goodwill of the Marks. Therefore, you agree at all times to operate and maintain the Business according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's best interests. Although we retain the right to establish and periodically modify the System Standards that you have agreed to maintain, you retain the responsibility for the day-to-day management

and operation of the Business and implementing and maintaining the System Standards at the Business. As examples, and without limitation, the System Standards may regulate any one or more of the following, in addition to the items described above:

- (i) Sales and installation techniques, and inventory requirements.
- (ii) Marketing, advertising, and promotional programs and materials and media used in these programs.
- (iii) The use and display of the Marks at the Business and on forms and vehicles.
- (iv) Employee dress and appearance. However, you have sole responsibility and authority concerning your employment practices including but not limited to employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions.
- (v) The days and hours of operation of the Business.
- (vi) The participation in market research and testing and product and service development programs including without limitation mystery shopping programs.
- (vii) The acceptance of credit and debit cards, other payment systems, and check verification services.
- (viii) Bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition.
- (ix) Any mandatory policies with respect to the use of social media and employee access to social media accounts.
- (x) Any other aspects of operating and maintaining the Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and System.

You agree that the System Standards we prescribe in the Manuals or otherwise communicate to you in writing or another tangible form (for example, via extranet or the web site), are part of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all the System Standards as periodically modified.

T. Non-Compliance with System Standards. If you violate a System Standard, and fail to bring the Business into compliance with such System Standard within ten days after we have delivered to you written notice of the violation, you will pay us upon demand a daily non-compliance fee of \$250 for each day that you are not in compliance with such System Standard. Our right to charge these amounts is in addition to any other remedy provided under this Agreement. Our damages from your failure to comply with System Standards may include loss of good will and other damages, and are difficult to measure and quantify; such amount is, therefore, a reasonable approximation of damages, and not a penalty.

U. Franchisee Advisory Council. We may establish an advisory council comprised of franchisees for the purpose of fostering communication among and between franchisees and us, as well as to establish, modify or discuss various policies applicable to the System franchisees (the “**Franchisee Advisory Council**”). If we establish the Franchisee Advisory Council, you may be required to become a member of the Franchisee Advisory Council, and participate in Franchisee Advisory Council meetings and programs as we shall designate. We will not assess fees or dues for participation in or on the Franchisee Advisory Council, but you may be required to pay dues to the Franchisee Advisory Council if the Franchisee Advisory Council, which is controlled by franchisees, determines that fees shall be assessed. You may be required to pay all costs and expenses incurred in connection with your participation in the Franchisee Advisory Council including, without limitation, travel and living expenses.

V. Meetings and Conferences. Your Operating Principal and Manager (if required by us) must attend all in-person meetings and remote meetings (such as telephone conference calls) that we require. We may require your Operating Principal to attend one or more regional or national conventions or conferences per calendar year, and we may charge a reasonable fee to fund such conventions or conferences, regardless of attendance, in an amount reasonably commensurate with our internal and out-of-pocket costs. You will be responsible for all travel and other expenses of attending any meeting, convention or conference.

W. Minimum Performance Criteria. You must meet or exceed the following minimum performance criteria (the “**Minimum Performance Criteria**”) during each 12-month period during the Term commencing on the Effective Date (each such 12-month period is referred to herein as a “**Performance Year**”):

- (i) During the first Performance Year, your Gross Revenues must equal or exceed \$1;
- (ii) During the second Performance Year, your Gross Revenues must equal or exceed \$500,000;
- (iii) During the third Performance Year, your Gross Revenues must equal or exceed \$750,000;
- (iv) During the fourth Performance Year, your Gross Revenues must equal or exceed \$1,000,000; and
- (v) During the fifth Performance Year and for each Performance Year following the fifth Performance Year, your Gross Revenues must equal or exceed \$1,250,000.

If you fail to meet the Minimum Performance Criteria for any Performance Year, we may terminate this Agreement under **Section 10.A** or may terminate or eliminate your protected rights under **Section 1.B**. This is without prejudice to any other remedy to which we may be entitled for this failure. The Minimum Performance Criteria is not intended to expressly or implicitly represent, warrant or guarantee you will attain any level of Gross Revenues. We disclaim any such representations, warranties or guarantees.

Section 9: PROPRIETARY MARKS

A. Our Ownership of the Marks. You acknowledge and agree that Cabinet IQ Holdings is the owner of the Marks, and your right to use the Marks is derived solely from this

Agreement and is limited to the conduct of business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the Term of this Agreement. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of Cabinet IQ Holding's rights in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established by your use of the Marks, shall inure to Cabinet IQ Holdings' exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you. You shall not, at any time during the Term of this Agreement, or after its termination or expiration, contest the validity or ownership of any of the Marks or assist another person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional Marks authorized for use by and licensed to you by us after the Effective Date.

B. Your Use of Marks. You shall not use any Mark as part of any corporate or trade name, domain name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You agree to give such notices of trademark and service mark registrations as we specify, and to obtain such fictitious or assumed name registrations as may be required under applicable Laws. You shall not use any of the Marks in any manner which has not been specified or approved by us.

C. Unauthorized Use of Marks. You shall immediately notify us in writing of any apparent infringement of or challenge to your use of the Marks, and of any claim by any person of any right in the Marks or any similar trade name, trademark or service mark of which you become aware. You shall not directly or indirectly communicate with any person other than us or Cabinet IQ Holdings in connection with any such infringement, challenge or claim. Our affiliate shall have sole discretion to take such action as it deems appropriate, and has the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of counsel, be necessary or advisable to protect and maintain Cabinet IQ Holdings' interests in any such litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding or to otherwise protect and maintain our interests in the Marks.

D. Limitations on Associations with the Marks. You acknowledge and agree that certain associations between you and/or the Business, and/or the Marks and/or the System, and/or businesses operating under or products sold under the Marks or the Cabinet IQ brand names on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on the good will associated with the Marks. Accordingly, you shall not, without our prior written approval, engage in any activities with, or donate any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in connection with, or in association with you, the Marks, the Business, us, or the System.

Section 10: TERMINATION AND DEFAULT

A. Events of Default. Any one or more of the following constitutes an “**Event of Default**” hereunder:

(i) You fail to pay when due any fee, expense, charge or other amount due and owing to us or any of our affiliates after five days written notice thereof; or if you have previously been given at least two notices of nonpayment for any reason within the last 24 months and you thereafter fail to timely pay when due any fee, expense, charge or other amount;

(ii) You fail to pay when due any fee, expense, charge or other amount due and owing to any of your creditors after 10 days written notice thereof from us;

(iii) You submit to us (a) in any two-year period two or more financial statements or other information or supporting records which understate by more than 2% your Gross Revenues; or (b) any financial statement or other information or supporting record which intentionally understates the Gross Revenues or distorts any other material information;

(iv) Any of the representations in any other instrument, document or certificate furnished in connection with your application for a Business or in connection therewith is untrue in any material respect or omits any material fact necessary to make such representation not misleading in light of the circumstances in which such representation was made;

(v) We and you are unable to agree upon the site for the Business within the time period specified in **Section 4.A(i)**;

(vi) you fail to open the Business and commence operations by the Opening Date;

(vii) You fail to maintain possession of the Business premises and fail to secure suitable alternative premises approved by us;

(viii) You, or if you are an entity, your Operating Principal, or your Manager fail to complete initial training to our satisfaction by the Opening Date;

(ix) You voluntarily suspend operation of the Business without our prior written consent for more than five days;

(x) You file a petition for relief from your debts, liabilities or obligations, or for appointment of a receiver for you or for all or a substantial portion of your assets, or make a general assignment for the benefit of your creditors; or a petition is filed against you or a receiver is appointed for you or for all or a substantial portion of your assets, or a judgment is entered against you, and such petition, appointment or judgment is not stayed or vacated or otherwise discharged within 60 days or becomes unappealable or is acquiesced in or consented to by you;

(xi) You become bankrupt, insolvent or otherwise unable to pay your obligations as they become due;

(xii) You or any Owner is convicted of a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we reasonably believe is likely to have an adverse effect on our System, or you or any Owner engages in conduct that we reasonably believe is likely to have an adverse effect on our System;

(xiii) You use any of the Marks or any other identifying characteristic of the System, other than in compliance with this Agreement, and such misuse is not remedied within ten days after we notify you of such misuse, or you otherwise impair the goodwill associated with the System;

(xiv) You breach or fail to comply with any Law which results in a threat to the public's health or safety and fail to cure the non-compliance within 24 hours following receipt of notice thereof from us or applicable public officials, whichever occurs first;

(xv) You or any Owner disclose or divulge the contents of the Manuals or other trade secrets or Confidential Information contrary to **Section 8.N** or violate the noncompete covenants in **Section 12.A**;

(xvi) You fail to meet the Minimum Performance Criteria under **Section 8.W**;

(xvii) Any Transfer occurs that does not comply with **Article 13**, including a failure to Transfer (as defined in **Section 13.B**) to a qualified successor after death or disability within the time allowed by **Section 13.E**;

(xviii) An default occurs under any other agreement between us and you or any of your affiliates provided that the default would permit us or our affiliate to terminate that agreement (after the expiration of any cure periods provided thereunder);

(xix) You breach or fail to comply with any other covenant, agreement or System Standard, whether contained herein, in the Manuals or elsewhere, and fail to cure such breach or failure within 30 days after written notice thereof; or

(xx) You commit three breaches of any of the provisions of this Agreement within any 24 month period (which breaches need not be of the same provision).

B. Our Remedies. If any Event of Default occurs, we may, at our election and without notice or demand of any kind, declare this Agreement, any and all other rights granted hereunder to be immediately terminated and, except as otherwise provided herein, of no further force or effect. No such termination shall relieve you of any of your obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities that have accrued prior to such termination. The right of termination granted herein is in addition to, and not in lieu of, any and all other rights and remedies available to us at Law, in equity or otherwise, all of which are cumulative. We have no obligation at any time to perform or to comply with any of our obligations to you, whether pursuant to this Agreement or otherwise, unless (i) you have fully complied with and performed all of your obligations under this Agreement; and (ii) no Event of Default, or event which with the giving of notice or passage of time or both would become an Event of Default, exists hereunder.

C. Termination By You. You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. Termination will be effective no less than 10 days after you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this **Section 10.C** will constitute an Event of Default by you.

Section 11: OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. General. You covenant and agree that upon expiration or termination of this Agreement for any reason:

1. You shall pay, within 15 days after the effective date of termination or expiration of this Agreement, any sums owed to us, which are then unpaid.

2. If this Agreement is terminated due to an Event of Default, you will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, costs of investigation and proof of facts, court costs, and other expenses incurred by us as a result of your default.

3. You shall immediately return to us all copies of the Manuals, training aids and any other materials which have been loaned to you by us. You further agree to return to us within 30 days any other manuals, computer program, software, client lists, records, files, instructions, correspondence and brochures, and any and all other confidential and proprietary materials relating to the operation of the Business in your possession, custody or control and all copies thereof (all of which are acknowledged to be our property), and shall retain no copy or record of the foregoing, excepting only your copy of this Agreement and any correspondence between the parties, and any other documents which you reasonably need for compliance with any provision of Law.

4. You shall take such action as may be required to cancel all assumed names or equivalent registrations relating to your use of any Marks and to notify the telephone company and listing agencies of the termination or expiration of your right to use any telephone number in any telephone directory listings associated with the Marks or with the Business and to authorize transfer thereof to us. You acknowledge that, as between us and you, we have the sole rights to and interest in all telephone numbers and directory listings associated with any Marks or the Business. You further authorize us, and hereby appoint us as your attorney in fact, to direct the telephone company and all listing agencies to transfer same to us, should you fail or refuse to do so, and the telephone company and all listing agencies may accept such direction as conclusive evidence of our exclusive rights in such telephone numbers and directory listings and our authority to direct their transfer.

5. You shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any confidential methods, procedures and techniques associated with us and the Marks. In particular, you shall cease to use, without limitation, all signs, advertising materials, stationery, forms, and any other articles or item which display the Marks.

6. You shall immediately cease to operate the Business under this Agreement, and shall not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former Cabinet IQ franchisee.

B. Liquidated Damages. In addition to any other claims we may have (other than claims for lost future Royalty Fees and Advertising Fund contributions), if we terminate this Agreement based on your default or if you terminate this Agreement in violation of its terms, you must pay us liquidated damages (over and above any prior payments or past due payment obligations) calculated as follows: (i) the average of your monthly Royalty Fees and Advertising Fund contributions due for the last 12 months (or for such shorter period of time that the Business has been open) before our delivery of the notice of default, (ii) multiplied by the lesser of 24 or the number of months remaining in the Term; and (iii) discounted to present value using the then-

current prime rate of interest quoted by our principal commercial bank. You acknowledge and agree that the amount of liquidated damages determined in accordance with the preceding formula reasonably represents our monetary losses of Royalty Fees and Advertising Fund contributions resulting from the termination of this Agreement, and does not amount to a penalty.

C. Purchase of Inventory and Equipment. We have the option, to be exercised within 30 days after termination or expiration of this Agreement, to purchase from you any of your inventory, supplies, equipment, signs, and fixtures related to the operation of the Business at fair market value, including, without limitation, any vehicle operated by you hereunder. If the parties cannot agree on fair market value within a reasonable time and we continue to desire to purchase any of these items, we will select an independent appraiser after consultation with you, and his or her determination will be final and binding. We are entitled to all customary warranties and representations in our purchase of the equipment including, without limitation, representations and warranties as to ownership and condition of and title to the equipment; liens and encumbrances on equipment; validity of contracts and agreements; liabilities affecting the equipment, contingent or otherwise; and indemnities for all actions, events and conditions that existed or occurred in connection with the Business prior to the closing of our purchase. We may exclude from the equipment purchased any equipment that is not reasonably necessary (in function or quality) to the Business's operation or that we have not approved as meeting our standards, and the purchase price will reflect these exclusions. If we exercise our option to purchase, we have the right to set off all amounts then due from you to us or our affiliates against any payments we make to you.

D. Real Property. If you or an affiliate leases or subleases the Accepted Location for the Business from an unaffiliated lessor, you agree at our election to (i) assign your leasehold interest in the Accepted Location of the Business to us (or our assignee); or (ii) enter into a sublease with us (or our assignee) for the remainder of the term of your lease/sublease on the same terms (including renewal options) as your lease/sublease. If you own the Accepted Location or lease or sublease it from an affiliated lessor, you agree at our election to lease the Accepted Location to us an initial ten year term, with two 5-year renewal terms (at our option), on commercially reasonable terms and at a rental rate that reflects fair market value. If we elect to exercise this option, we will deliver written notice to you of our election within 30 days after the date of termination or expiration of this Agreement. We have the unrestricted right to assign the option under this Section.

If we and you cannot agree on a rental rate that reflects fair market value, it will be determined by three independent appraisers, each of whom will conduct a separate appraisal and, in doing so, be bound by the criteria specified in this Section). We will appoint one appraiser, you will appoint one appraiser and the two party appointed appraisers will appoint the third appraiser. If the parties are unable to reach agreement on the rental rate, we and you agree to select our and your respective appraisers within 15 days after we notify you that we wishes to exercise our rights to purchase, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the last of the two party appointed appraisers was appointed. We and you will bear the cost of the appraisers that each of us appoints and share equally the fees and expenses of the third appraiser chosen by the two party appointed appraisers. The appraisers are obligated to complete their appraisals within 30 days after the third appraiser's appointment. The rental rate for the Accepted Location will be the average of the three appraisals.

Section 12: COVENANTS

A. In-Term Covenants. You acknowledge that you will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the System. During the Term, you, your Owners and your Owner's spouse will not, without our prior written consent, either directly or indirectly, for yourself or your Owners, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business (as defined below) at any location;

(ii) divert or attempt to divert any business or client or potential business or client of the Business to any Competitive Business, by direct or indirect inducement or otherwise;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the System; or

(iv) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us or our affiliate.

The term "**Competitive Business**" means (i) any business that derives over 20% of its revenue from providing professional kitchen remodeling services or the installation of cabinets; or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Business operated under a franchise agreement with us).

B. After Termination, Expiration, or Transfer. For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners and your spouse may not, without our prior written consent,

(a) directly or indirectly own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your Business or a 25-mile radius of any other Business open or under construction at the time of expiration or termination; or

(b) solicit for employment any person who at any time within the immediate past 12 months has been employed by us or our affiliate.

With respect to an Owner, this time period in this Section will run from the expiration, termination or Transfer to a new franchisee or from the transfer of such Owner's equity in you or termination of such Owner's relationship with you, whichever occurs first.

C. Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Article.

D. Covenants of Owners and Employees. The Owners personally bind themselves to this Article by signing this Agreement and/or the attached Guarantee. You must also obtain from your officers, directors, managers, partners, owners, employees, agents and other individuals that we may designate, executed agreements containing non-compete covenants similar in substance to those contained in this Article. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

E. Enforcement of Covenants. You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Article are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Article or any part of it is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Article. You acknowledge that any breach or threatened breach of this Article will cause us irreparable injury for which no adequate remedy at Law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Article. Such injunctive relief will be in addition to any other remedies that we may have.

Section 13: ASSIGNMENT

A. Assignment by Us. We have the right transfer or assign all or part of our rights or obligations under this Agreement to any of our successors or assigns.

B. Assignment by You. You and your Owners each understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and them, and that we have granted this franchise in reliance on the business skill, financial capacity and personal character of you and your Owners. Without our prior written consent, you and your Owners shall have no right or power to engage in any transaction or series of transactions, directly or indirectly, voluntarily or involuntarily, that results in (i) the sale, lease, sublease, third party management, donation, pledge, grant of a security interest in or other encumbrance of your right, title and interest in and to the Business or any material asset used at or on the Business Premises, except for the benefit of a lender providing general financing to the Business having a first priority encumbrance on such assets (an "**Asset Transaction**"); (ii) the sale, transfer, gift or pledge of 10% or less of the equity interests in the franchisee entity (whether in a single or series of transactions) (a "**Partial Equity Transfer**"); (iii) a merger, consolidation, sale of substantially all of the assets of the franchise or the sale, gift or pledge of more than 10% of the equity interests in the franchise entity (whether in a single or series of transactions) (a "**Full Equity Transfer**"); or (iv) assignment or delegation of this Agreement or any of your rights and obligations under this Agreement as collateral security or outright (an "**Assignment**").

C. Transfer Procedure. We will not unreasonably withhold our consent to any transaction for which our consent is required under **Section 13.B** (together, a "**Transfer**"). You must follow the procedure in this Section for your proposed Transfer. We shall have absolute right to require the satisfaction of any or all of the following as conditions of our consent to any proposed Equity Transfer:

(i) The transferor shall have executed a general release, in a form we provide, of any and all claims against us and our affiliates, successors and assigns and other persons specified in the release, including, without limitation, for claims arising under this Agreement and the franchise relationship between transferor and us;

(ii) The transferee of an Owner shall enter into a written agreement, in a form we provide, agreeing to guarantee your payment and performance under this Agreement arising after the Transfer;

(iii) The transferee of an Owner, or the successor to your interests in the Business, including the franchisee entity and its Owners, shall: (a) meet our educational, managerial and business standards; shall possess a good moral character, business reputation and credit rating; (b) have the aptitude and ability to operate the Business, as may be evidenced by prior related business experience or otherwise; (c) have adequate financial resources and capital to operate the Business; (d) if the transferee is to become the Operating Principal, such person qualifies under **Section 8.A**; and (v) have such other qualifications as we then require for new franchisees;

(iv) In an Asset Transaction, Full Equity Transfer or Assignment, at least one newly affiliated Owner of the transferee we designate shall successfully complete all franchisee training programs we then require at the transferee's expense and, at our option, the transferee shall execute, for a term ending on the expiration date of the Term, the form of franchise agreement we then offer to incoming System franchisees, and such other ancillary agreements we then require for new franchisees, which shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ materially from this Agreement including, without limitation, a higher royalty and advertising fee;

(v) In an Asset Transaction, Full Equity Transfer or Assignment, if we so request, transferee shall, at your expense, upgrade the Business to conform to the then current Standards and specifications within the reasonable time we specify;

(vi) The transferor and its Owners shall remain liable for all of your obligations to us that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of the transferor's interest in this Agreement, and shall execute any and all instruments we reasonably request to evidence such liability; and

(vii) For (a) a Partial Equity Transfer or (b) an Assignment by you to an entity of which you own 100% of the equity interests, the transfer fee is \$1,500. For an Assignment, Asset Transaction or a Full Equity Transfer, the transfer fee is 75% of our then-current initial franchise fee (50% of the then-current initial franchise fee if the transfer is to a current franchisee), plus any broker fees payable to third parties. These fees cover our legal, accounting, training and other expenses incurred for the transfer.

D. Our Right of First Refusal.

(i) If you receive a *bona fide* offer to engage in an Asset Transaction or a Full Equity Transfer, or an Owner receives a *bona fide* offer to engage in a Partial Equity Transfer that will involve more than 10% of your equity interests, then you must promptly notify us (an "**Offer Notice**") of such offer and provide such information and documentation relating to the offer as we may require, including all diligence and offering material provided to the prospective buyer. We have the right and option, exercisable within 30 days after our receipt of all such information, to send written notice (a "**Purchase Notice**") to the seller that we intend to purchase the seller's offered interest on the same terms and conditions as the terms in the Offer Notice. We may pay cash in place of any consideration that is not cash. For non-cash consideration, we may pay the documented lower of cost or market value for the non-cash item, net of depreciation, amortization

and other adjustments to value required under GAAP. If we elect to purchase the seller's interest, the closing shall occur within 60 days after we send the Purchase Notice.

(ii) If we do not issue a Purchase Notice, you may proceed with the transaction on the same terms as you disclose in the Offer Notice. If the sale is not completed within 120 days from the date of the Offer Notice, or there is any material change in the terms of the offer from those disclosed in the Offer Notice, you must reissue an Offer Notice to us and we will have a new period of 30 days to respond to the offer.

E. Death, Permanent Disability or Appointment of Guardian or Conservator of an Owner. Upon the death of an Owner, permanent disability, or the appointment of a permanent guardian or conservator to manage the Owner's affairs, the Owner's trustee, conservator or other personal representative may hold the deceased's equity interest in the franchisee entity for up to 12 months and may only transfer the deceased's interest from the estate, a testamentary trust or inter vivos trust to a third party we approve under the procedures set forth in **Section 13.C**. If the Owner was the Operating Principal, then we may treat the personal representative, trustee or conservator as the Operating Principal until you appoint someone else. Any failure to commence administration of the decedent's estate within 90 days after death, permanent disability or appointment or any distribution of the decedent's equity interest in the franchisee entity without our consent if such distribution operates as a Full Equity Transfer, is a material breach of this Agreement.

F. Temporary Disability of Operating Principal. If a physician, court or administrative agency determines that your Operating Principal has become temporarily disabled and incompetent to manage his or her own affairs, we have the right to require that a different Operating Principal from among your Owners be immediately appointed on a temporary basis. If the temporary disability does not resolve within six months after the temporary disability is determined, we may require that you replace the former Operating Principal such that the requirements of **Sections 8.A** and **13.C** (if applicable) are met within six months of our notice to you.

G. Securities Offerings. If you intend to engage in a public or private offering of your equity interests, then you must submit for our review your offering materials or prospectus before you file the document or commence its use. Our review of any offering material shall be limited solely to the relationship between you and us (and any of our affiliates, if applicable), an accurate description of our System, and the absence of any disclosure of confidential information about us or the System. We may, at our option, require that the offering materials make a written statement we prescribe about the limitations stated in the preceding sentence. Your indemnification obligations in **Section 8.M** include claims relating to your securities offering, disclosure materials and compliance with applicable Laws. For each proposed offering, you shall pay us a non-refundable fee of \$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering materials. You must submit your offering materials for our review at least 30 days in advance of the anticipated filing or release date.

Section 14: ARBITRATION

A. Disputes to be Arbitrated. Except as set forth in **Section 14.F** below, any controversy, claim or dispute arising out of or relating to the Business, this Agreement or its breach, including without limitation, the scope and validity of this Agreement or any of its provisions or any claim that this Agreement or any of its provisions is invalid, illegal or otherwise

voidable or void, shall be submitted to arbitration before and, unless otherwise provided herein, in accordance with the arbitration rules of the American Arbitration Association (the “**AAA**”). Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) (the “**Federal Arbitration Act**”) and shall be determined by an arbitrator and not by a court. Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable Laws or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with **Section 15.Q**.

The parties will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration process.

The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

B. Entry of Judgment. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties hereby waive to the fullest extent permitted by Laws any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of only the actual damages sustained.

C. Procedures. The arbitration provisions of this Article are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise, notwithstanding such failure to appear. Unless otherwise agreed to in writing by the parties, arbitration proceedings shall be held at the office of the AAA nearest to our principal office at the time such proceeding is commenced. With respect to any dispute involving \$500,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three arbitrators, one of which shall be chosen by us and one by you, and the third of which shall be selected by the two chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either we or you may petition the AAA to appoint the third arbitrator. With respect to any dispute involving less than \$500,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

D. Waiver of Consolidated, Representative or Class Actions. The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only we (and our affiliates and our and their respective officers, directors, managers, partners, owners, employees, agents and representatives, as applicable)

and you and your Owners may be parties to any arbitration described in this Article, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. The foregoing sentence is an integral provision of the arbitration procedures set forth in this Article, and may not be severed therefrom, notwithstanding **Section 15.I** of this Agreement. If such sentence is determined to be invalid or unenforceable in connection with a particular controversy, dispute, or claim, then this entire Article shall be stricken from this Agreement and neither party shall be deemed to have consented to arbitration of such controversy, dispute, or claim.

E. Time Limitation for Commencing Proceedings. Any claim relating to any controversy, claim or dispute arising out of or relating to the Business, this Agreement or its breach must be commenced within two years from the expiration or termination of this Agreement, or from the act or omission complained of, whichever occurs first.

F. Excepted Disputes. Notwithstanding anything contained herein, we reserve the right to seek temporary restraining orders, preliminary injunctions or other interim relief when deemed necessary to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute and to make claims relating to unpaid amounts owed by you in any court of competent jurisdiction.

G. Survival of Arbitration Provisions. The provisions of this Article shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Section 15: MISCELLANEOUS

A. Independent Contractor. This Agreement does not establish a fiduciary relationship between us and you. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. You shall hold yourself out to the public as an independent contractor operating your Business pursuant to a license from us. You agree to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact as follows:

This Cabinet IQ business is independently owned and operated by [your full name] under a franchise granted by Cabinet IQ Franchising, LLC, [our then-current address], [our then-current telephone number].

B. Employees. Neither you nor any employee of yours shall, in any manner, directly or indirectly, expressly or by implication, be construed to be an employee of ours for any purpose; which purposes will specifically include, but will not be limited to, any mandated or other insurance coverage or tax; or contributions or requirements related to withholdings imposed, levied, or fixed by any federal, state, city, or other governmental agency. Employees at the Business are your employees and will be under your control in implementing and maintaining operational standards at the Business. As the franchisor of Franchisees, we do not engage in any employer-type activities for which you are responsible such as employee selection, promotion, termination, hours worked, rates of pay, work assigned, discipline and working conditions.

C. Time. Time is of the essence to the performance of all obligations of the parties to be performed under this Agreement.

D. Governing Law. This Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted and construed under the laws of the State of Texas, except to the extent governed by the Federal Arbitration Act and United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

E. Jurisdiction and Venue. Except for matters to be submitted to arbitration as provided in **Section 14**, any claims relating to this Agreement or the Business must be filed in a federal or state court for the district or county where we have our principal place of business at the time suit is filed, subject to **Section 14.F**. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

F. Remedy. No right or remedy conferred upon or reserved by the parties by this Agreement is intended to be, nor shall it be, exclusive of any other right or remedy contained in the Agreement or by Laws or equity provided or permitted, but each shall be cumulative of every other right or remedy.

G. Waiver. Any failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default or breach by you shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof, affect or impair our right to exercise the same; nor shall such constitute a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery to you of 10 days prior written notice.

We and you will not be deemed to waive or impair any right, power, or option this Agreement reserves (including, but not limited to, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its Term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement including, but not limited to, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other franchisees; the existence of franchise agreements for other franchises which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, and they shall have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which did not arise from a violation or alleged violation of any Law; (2) acts of God; (3) fires, strikes, embargoes, war, pandemics, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will

not excuse payment of amounts owed at the time of the occurrence or payment of royalties, advertising fund contributions or other amounts due afterward.

H. Binding Effect. This Agreement is binding upon the parties hereto and their respective assigns and successors in interest, subject to **Section 13**.

I. Severability and Substitution of Valid Provisions. All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable Laws requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such Law shall be substituted for the notice or other requirements hereof.

J. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the Business and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter, subject to the provisions of any Development Agreement pursuant to which this Agreement is issued. Such Development Agreement may include deadlines with respect to site selection, lease signing and opening that will supersede any similar deadline contained herein. This Agreement includes the terms and conditions on the Exhibits, attachments, and the recitals of this Agreement, all of which are incorporated into this Agreement by this reference.

K. Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party hereto.

L. Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, **Sections 8.M** (Indemnification) and **8.N** (Confidential Information) and **Articles 11** (Obligations Upon Termination), **12** (Covenants), and **14** (Arbitration).

M. No Third Party Beneficiaries. Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

N. Construction. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. If the term “you” as used herein is applicable to one or more persons, the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. References to “you” applicable to an individual or individuals shall mean your Owners if you are an entity.

O. Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth on the Summary Page. Notices to us must be sent to:

Cabinet IQ Franchising, LLC
2419 S. Bell Blvd
Cedar Park, Texas 78613

Attention: Michael Hartel

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

P. Varying Standards. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserves the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any Business based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such your Business. You shall not have any right to complain about a variation from standard specifications and practices granted to any other franchisee, and shall not be entitled to require us to grant to you a like or similar variation.

Q. Enforcement. If either party seeks to enforce this Agreement in an arbitration or a judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, attorneys' assistants' fees, accountants' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel, room and board, salaries and benefits of those employees participating in such proceeding) incurred in connection with such judicial or other proceeding. If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur including, but not limited to, reasonable accounting, attorneys', arbitrators', and related fees.

R. Acknowledgements and Representations. You and each Owner hereby acknowledges and represents as follows:

1. The information (including without limitation all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

2. You had each Owner has conducted an independent investigation of our System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability as an operator.

3. You acknowledge and agree that neither we nor our affiliates, nor any of our and their respective officers, directors, managers, partners, owners, employees, agents, or other representatives, has made any representation, warranty, or guaranty, express or implied, related to the potential profits or success of the business contemplated by this Agreement: (i) except as expressly set forth in this Agreement; and (ii) that is contrary to this Agreement. You represent and warrant to us, as a material inducement to our entry into this Agreement, that you have made no misrepresentations to us related to this Agreement. We expressly disclaim the making of, and you acknowledge you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.

4. You acknowledge and agree that: (i) we duly delivered to you the current Cabinet IQ Franchising, LLC Disclosure Document, this Agreement, the Exhibits and attachments to this Agreement, and any and all other documents related to the Business, at least 14 calendar days prior to the date you executed this Agreement or any other agreement with us, or paid us any consideration (at least ten business days in those states which require ten business days); (iii) if any unilateral modifications have been made to this Agreement, you have had at least seven calendar days to review them; (iv) you reviewed such documents, understand them and have been afforded an opportunity to ask any questions you have and review any materials of interest regarding the Business opportunity; and (v) you have had ample opportunity to review such documents with your accountants, attorneys, and other advisors of your choosing, if any, and to consult with them about the potential benefits and risks of entering into this Agreement.

5. You acknowledge that under applicable Laws, including, without limitation, Executive Order 13224, signed on September 23, 2001 (“**Order**”), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the Effective Date, neither you nor any of your Owners or affiliates is designated under the Order as a person with whom business may not be transacted by us, and that you: (i) do not, and hereafter will not, engage in any terrorist activity; (ii) are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (iii) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

S. Business Judgment. You understand and agree that we may operate and change the System, the System Standards and the Business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including without limitation our judgment of what is in the best interests of the System at the time our decision is made or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (ii) our decision or the action taken promotes our financial or other individual interest; (iii) our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute or a violation of the express terms of this Agreement, we will have no liability to you for any such decision or action. The parties agree that the exercise of our right or discretion will not be subject to limitation or review.

T. Additional Terms. The parties may provide additional terms by including the terms on the Summary Page. To the extent that any provisions of the Summary Page are in direct conflict with the provisions of this Agreement, the provisions of the Summary Page shall control.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the day and year first above written.

CABINET IQ FRANCHISING, LLC

By: _____

Title: _____

Date: _____

[INSERT ENTITY NAME]

By: _____

Title: _____

Date: _____

CABINET IQ FRANCHISING, LLC
PAYMENT AND PERFORMANCE GUARANTEE

In order to induce **CABINET IQ FRANCHISING, LLC** (“**Franchisor**”) to enter into a certain Franchise Agreement dated _____ (the “**Franchise Agreement**”) by and between Franchisor and the franchisee named in the Franchise Agreement (“**Franchisee**”) to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached, the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly, severally and unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal or modification thereof in whole or in part (the “**Guaranteed Liabilities**”), and agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including without limitation reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of laws, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel and understands the meaning and import of the Franchise Agreement and this Guarantee.

3. Term; No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full; or (ii) the Franchise Agreement and all obligations of Franchisee thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of **Sections 8.N** (Confidential Information), **9** (Proprietary Marks), **12** (Covenants), and **13** (Assignment) of the Franchise Agreement as though he or she were the “Franchisee” named therein, and agrees that he or she shall take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and shall not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

5. Disputes. **Sections 14** (Arbitration), **15.D** (Governing Law) and **15.E** (Jurisdiction and Venue) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Franchisee” referred to in the Franchise Agreement. EACH OF THE UNDERSIGNED IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, ARISING UNDER OR RELATING TO THIS GUARANTY OR ITS ENFORCEMENT.

6. Miscellaneous. This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

(Signature)

Print Name: _____

(Signature)

Print Name: _____

(Signature)

Print Name: _____

(Signature)

Print Name: _____

EXHIBIT A

Authorization Agreement for Prearranged Payments (Direct Debits)

Franchisee Name :

Business Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different than above)

Franchisee E-mail Address

Bank Account Information:

Bank Name

Bank Account No.

Bank Mailing Address (street)

Bank Routing No.

Payee Information: Cabinet IQ Franchising, LLC

Authorization: The Franchisee hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payees. The amount of such charge shall be set forth in a notice from the Payees presented to the Bank on Wednesday of each week. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payees or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payees have received written notification from the Franchisee in such time and manner as to afford the Payees and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payees.

Franchisee :

Signature:

Date:

EXHIBIT C

Development Agreement

(Attached)

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into on _____ (“**Effective Date**”) by and between **CABINET IQ FRANCHISING, LLC**, a Texas limited liability company (“**we**”, “**our**” or “**us**”) and _____, a _____ (“**you**” or “**your**”).

WHEREAS, we and our affiliates, through the exercise and expenditure of effort, expertise, knowledge, money, time, and other valuable resources, have developed a unique system for the opening and operation of “Cabinet IQ” businesses that provide professional kitchen remodeling services, including without limitation, the design and installation of cabinets and countertops under the name Cabinet IQ (each, a “**Business**”);

WHEREAS, you have entered into a Franchise Agreement with us as of even date herewith (the “**First Franchise Agreement**”) under which you have obtained the right to operate a Business; and

WHEREAS, you wish to have the right to develop additional Businesses in the Development Area (as defined below), and we desire to grant you the right to develop additional Businesses, subject to the terms and conditions of this Agreement;

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

1. Grant of Development Rights.

(a) Subject to the terms of this Agreement, we grant you the right to develop ___ Businesses within the geographic area specified on **Exhibit A** (the “**Development Area**”) according to the mandatory development schedule set forth on **Exhibit B** to this Agreement (the “**Development Schedule**”). Time is of the essence with respect to your obligations under the Development Schedule.

(b) During this Agreement’s term only, provided you are in full compliance with this Agreement, neither we nor our affiliates shall operate a Business, nor grant the right to operate a Business to any other person, within the Development Area. The protections described in this **Section 1** are the only restrictions on our and our affiliates’ activities within the Development Area. Except for such restrictions, you acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Development Area, including, without limitation, those we reserve in the First Franchise Agreement.

(c) After this Agreement expires or is terminated under **Sections 6** or **7**, we and our affiliates have the right, without any restrictions whatsoever, to (i) establish and operate, and grant to others the right to establish and operate, Businesses within the Development Area; and (ii) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within the Development Area.

2. Development Fee. The total amount of the Development Fee is \$ _____, which is equal to (a) \$59,500; plus (b) \$47,600 multiplied by the number of additional Businesses to be developed by you hereunder in the Development Area (the “**Development Fee**”). No initial

franchise fees shall be due under the First Franchise Agreement and subsequent Franchise Agreements entered into hereunder notwithstanding anything to the contrary contained in any Franchise Agreement. The Development Fee is fully earned when received by us, and is non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein.

3. Franchise Agreements.

(a) The franchise agreement for each subsequent Business developed hereunder (together with the First Franchise Agreement already signed by you, the “**Franchise Agreements**”) will be entered into by the Signing Deadline (as defined) and shall be in the form of the franchise agreement being offered generally by us at the time each such Franchise Agreement is executed, except that (i) no initial franchise fee shall be due thereunder; and (ii) the Development Deadlines for site selection, lease signing and opening specified on the Development Schedule shall supersede any deadlines for site selection, lease signing and opening set forth in the Franchise Agreements.

(b) We may, in our sole discretion, permit one or more Franchise Agreements to be executed by your affiliates; provided that (i) you own a controlling ownership interest in the affiliated entity; and (ii) we approve the ownership structure of, and each owner in, the affiliate.

4. Extension. Notwithstanding the Development Schedule, provided that you are in full compliance with this Agreement and all Franchise Agreements, you may extend the Development Deadlines that apply to a single Business to be developed hereunder once for a period not to exceed six months provided that you (a) pay an extension fee of \$10,000; and (b) provide us with written notice at least 60 days in advance of the Development Deadlines being extended prior to the tolling of the applicable Development Deadline.

5. Term. The term of this Agreement and all rights granted hereunder shall expire on the last Opening Deadline specified in the Development Schedule, subject to earlier termination in accordance with this Agreement.

6. Automatic Termination. You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you if you shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless appealed or a supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Business developed hereunder is instituted against you and not dismissed within 30 days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

7. Termination Upon Notice. Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder or take any of the actions described in **Section 8** below, without affording you any opportunity to cure the default, effective immediately upon the provision of written notice to you:

(a) you fail to meet any obligation under the Development Schedule;

(b) we have delivered a formal written notice of default to you (or your approved affiliate) under any Franchise Agreement or another franchise agreement between us and you (or your approved affiliate) for a Business, and you (or your approved affiliate) fail to cure that default within the required timeframe;

(c) any Franchise Agreement, or another franchise agreement, between us and you (or your approved affiliate) for a Business is terminated by us in accordance with its terms due to your or your affiliate's default; or

(d) any other violation of this Agreement by you that is not cured within 30 days after we have given you written notice of the same.

Termination of this Rider under clause (a) above shall not cause a termination of any franchise rights granted under any Franchise Agreement or another franchise agreement, between us and you (or your affiliate) for a Business.

8. Actions in Lieu of Termination. If we are entitled to terminate this Agreement in accordance with **Section 7** above, we have the right to undertake any one or more of the following actions instead of terminating this Agreement:

(a) we may terminate or modify any rights that you may have with respect to protection in the Development Area, as granted under **Section 1** above, effective ten days after delivery of written notice thereof to you;

(b) we may modify the boundaries of the Development Area; and/or

(c) we may reduce or eliminate the number of Businesses that you may establish and operate under this Agreement.

If any right is modified in accordance with this **Section 8**, such action shall be without prejudice to the right to terminate this Agreement in accordance with **Section 7** above, and we shall have the right to retain all Development Fees paid by you, and/or to terminate any other rights under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement. Upon termination or expiration of this Agreement, we shall be entitled to establish, and to license others to establish, Businesses in the Development Area (except as may be otherwise provided under any existing franchise agreement that has been executed between us and you or your affiliate).

9. Sublicensing. You may not franchise, license, subfranchise, or sublicense others to develop and operate Businesses. Only you (and/or approved affiliates) may construct, develop, open, and operate Businesses, and this Agreement does not give you (or your approved affiliates) any independent right to use the CABINETS IQ name or our other marks and commercial symbols. The right to use our names, marks and commercial symbols is granted only under a franchise agreement signed directly with us. This Agreement only grants you potential development rights if you fully comply with its terms.

10. Transfer. You and each of your owners understands and acknowledges (a) that the rights and duties set forth in this Agreement are personal to you and your owners; (b) that we have granted the rights described in this Agreement in reliance on your and/or your owners'

business skill, financial capacity, and personal character; and (c) that we have granted the rights herein with the expectation, and based on the representations of you, that you and no other persons or entities, will develop, own or operate Businesses in the Development Area. Accordingly, you and your owners shall not transfer substantially all of your assets or a controlling interest in you (if you are an entity).

11. Arbitration.

(a) Except as set forth in **Section 11(i)** below, any controversy, claim or dispute arising out of or relating to the Business, this Agreement or its breach, including without limitation, the scope and validity of this Agreement or any of its provisions or any claim that this Agreement or any of its provisions is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration before and, unless otherwise provided herein, in accordance with the arbitration rules of the American Arbitration Association (the “**AAA**”). Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) (the “**Federal Arbitration Act**”) and shall be determined by an arbitrator and not by a court. Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

(b) We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with **Section 12(o)**.

(c) The parties will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration process.

(d) The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

(e) Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of only the actual damages sustained.

(f) The arbitration provisions of this Article are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise, notwithstanding such failure to appear. Unless otherwise agreed to in writing by the parties, arbitration proceedings shall be held at the office of the AAA nearest to our principal office at the time such proceeding is commenced. With respect to any dispute

involving \$500,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three arbitrators, one of which shall be chosen by us and one by you, and the third of which shall be selected by the two chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either we or you may petition the AAA to appoint the third arbitrator. With respect to any dispute involving less than \$500,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

(g) The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only we (and our affiliates and our and their respective officers, directors, managers, partners, owners, employees, agents and representatives, as applicable) and you may be parties to any arbitration described in this Article, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. The foregoing sentence is an integral provision of the arbitration procedure² set forth in this Section, and may not be severed therefrom, notwithstanding **Section 13(h)** of this Agreement. If such sentence is determined to be invalid or unenforceable in connection with a particular controversy, dispute, or claim, then this entire Article shall be stricken from this Agreement and neither party shall be deemed to have consented to arbitration of such controversy, dispute, or claim.

(h) Any claim relating to any controversy, claim or dispute arising out of or relating to the Business, this Agreement or its breach must be commenced within two years from the expiration or termination of this Agreement, or from the act or omission complained of, whichever occurs first.

(i) Notwithstanding anything contained herein, we reserve the right to seek temporary restraining orders, preliminary injunctions or other interim relief when deemed necessary to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute and to make claims relating to unpaid amounts owed by you in any court of competent jurisdiction.

12. Miscellaneous.

(a) This Agreement does not establish a fiduciary relationship between us and you. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

(b) This Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted and construed under the laws of the State of Texas, except to the extent governed by the Federal Arbitration Act and United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

(c) Except for matters to be submitted to arbitration as provided in **Section 11**, any claims relating to this Agreement must be filed in a federal or state court for the district or county where we have our principal place of business at the time suit is filed. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(d) No right or remedy conferred upon or reserved by the parties by this Agreement is intended to be, nor shall it be, exclusive of any other right or remedy contained in

the Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(e) Any failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default or breach by you shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof, affect or impair our right to exercise the same; nor shall such constitute a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery to you of ten days prior written notice.

(f) Time is of the essence to the performance of all obligations of the parties to be performed under this Agreement.

(g) Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which did not arise from a violation or alleged violation of any Law; (2) acts of God; (3) fires, strikes, embargoes, war, pandemics, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of royalties, advertising fund contributions or other amounts due afterward.

(h) All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such law shall be substituted for the notice or other requirements hereof.

(i) This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to development rights granted hereunder and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the Exhibits, attachments, and the recitals of this Agreement, all of which are incorporated into this Agreement by this reference.

(j) This Agreement may be amended or modified only by a written document signed by each party hereto.

(k) Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration or termination, including, but not limited to, **Sections 11 and 12.**

(l) Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

(m) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. If the term “you” as used herein is applicable to one or more persons, the singular usage includes the plural; and the masculine and neuter usages include the other and feminine.

(n) All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth below your signature. Notices to us must be sent to:

Cabinet IQ Franchising, LLC
2419 S. Bell Blvd
Cedar Park, Texas 78613
Attention: Michael Hartel

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

(o) If either party seeks to enforce this Agreement in an arbitration or a judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys’ fees, attorneys’ assistants’ fees, accountants’ fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel, room and board, salaries and benefits of those employees participating in such proceeding) incurred in connection with such judicial or other proceeding. If we incur costs and expenses due to your failure to pay when due amounts owed to us, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur including, but not limited to, reasonable accounting, attorneys’, arbitrators’, and related fees.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the Effective Date.

CABINET IQ FRANCHISING, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE

[Name]

By: _____
Name: _____
Title: _____

Address for Notices: _____

Attn: _____

EXHIBIT A
DEVELOPMENT AREA

[attach map(s) as necessary]

CABINET IQ FRANCHISING, LLC

By: _____
Name:
Title:

FRANCHISEE

By: _____
Name:
Title:

EXHIBIT B
DEVELOPMENT SCHEDULE

You agree to establish and operate Businesses in the Development Area according to the following Development Schedule:

| <u>Business</u> | <u>Signing Deadline</u> | <u>Site Acceptance and Lease Signing Deadline</u> | <u>Opening Deadline</u> | <u>Cumulative Total # of Businesses</u> <i>(in operation by the Opening Deadline)</i> |
|------------------------|----------------------------------|--|--------------------------------|--|
| #1 | Concurrently with this Agreement | | | 1 |
| #2 | | | | 2 |
| #3 | | | | 3 |
| #4 | | | | 4 |
| #5 | | | | 5 |
| #6 | | | | 6 |
| #7 | | | | 7 |

Notes:

(1) By each “**Signing Deadline**”, you must have signed copy of our then-current standard form of Franchise Agreement.

(2) By each “**Site Acceptance and Lease Signing Deadline**” the site for the Business must have been accepted by us and you must have entered into a lease for the accepted site in accordance with the Franchise Agreement.

(3) The Business must be open by the “**Opening Deadline**” and you must have the specified “**Cumulative Total # of Businesses**” open and operating by the Opening Deadline that are specified in the last column.

The deadlines specified above are collectively referred to as the “**Development Deadlines**” and shall supersede any deadlines set forth in the Franchise Agreements entered into hereunder.

CABINET IQ FRANCHISING, LLC

FRANCHISEE

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT D

Financials

(Attached)

CABINET IQ FRANCHISING LLC
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021



CABINET IQ FRANCHISING LLC

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Independent Auditor's Report

To the Members
Cabinet IQ Franchising, LLC
Austin, TX 78701

Opinion

We have audited the accompanying financial statements of Cabinet IQ Franchising, LLC, which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cabinet IQ Franchising, LLC as of December 31, 2022 and 2021 and the related statements of operations, members' equity and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezar ¹/₃ Dunlavy

St. George, Utah
April 17, 2023

CABINET IQ FRANCHISING LLC

BALANCE SHEETS

As of December 31, 2022 and 2021

| | 2022 | 2021 |
|---|-----------|-----------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 974 | \$ 66,867 |
| Total current assets | 974 | 66,867 |
| Total assets | 974 | 66,867 |
| Liabilities and Members' Equity | | |
| Current liabilities | | |
| Due To Cabinet IQ, LLC | 530,011 | 203,358 |
| Accrued current liabilities | 733 | 981 |
| Total liabilities | 530,744 | 204,339 |
| Members' equity (deficit) | (529,770) | (137,472) |
| Total liabilities and members' equity (deficit) | \$ 974 | \$ 66,867 |

The accompanying notes to the financial statements are integral part of these financial statements

CABINET IQ FRANCHISING LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|----------------------------|---------------------|---------------------|
| Operating revenues | \$ - | \$ - |
| Operating expenses | | |
| General and administrative | 174,982 | 46,247 |
| Marketing and advertising | 156,586 | 35,714 |
| Professional fees | 60,730 | 55,511 |
| Total operating expenses | 392,298 | 137,472 |
| Operating loss | (392,298) | (137,472) |
| Net loss | <u>\$ (392,298)</u> | <u>\$ (137,472)</u> |

The accompanying notes to the financial statements are integral part of these financial statements

CABINET IQ FRANCHISING LLC
STATEMENTS OF MEMBERS' EQUITY
For the years ended December 31, 2022 and 2021

| | |
|------------------------------|----------------------------|
| Balance at January 1, 2021 | \$ - |
| Net loss | (137,472) |
| Balance at December 31, 2021 | <u>(137,472)</u> |
| Net loss | (392,298) |
| Balance at December 31, 2022 | <u><u>\$ (529,770)</u></u> |

The accompanying notes to the financial statements are integral part of these financial statements

CABINET IQ FRANCHISING LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| Net loss | \$ (392,298) | \$ (137,472) |
| Changes in operating assets and liabilities | | - |
| Due to Cabinet IQ, LLC | 326,653 | 203,358 |
| Accrued current liabilities | (249) | 982 |
| Cash flows provided by operating activities | (65,894) | 66,868 |
| Net change in cash and cash equivalents | (65,894) | 66,868 |
| Cash and cash equivalents at beginning of period | 66,868 | - |
| Cash and cash equivalents at end of period | \$ 974 | \$ 66,868 |
| Supplemental disclosures of cash flow | | |
| Cash paid for interest and taxes | \$ - | \$ - |

The accompanying notes to the financial statements are integral part of these financial statements

CABINET IQ FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Cabinet IQ Franchising, LLC (the “Company”) was organized in the State of Texas on June 16, 2021 as a limited liability company. The Company is the subsidiary of Cabinet IQ, LLC, which manufactures and distributes kitchen cabinets and countertops as well as performs kitchen remodeling services. The Company is the franchise concept of Cabinet IQ, LLC. The Company will commence franchise operations in 2023.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year. The members’ liability is limited to their equity.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022 and 2021, the Company had cash and cash equivalents of \$974 and \$66,689, respectively.

(e) Intercompany Payable

The Company has an intercompany payable with their Parent Company, Cabinet IQ, LLC (“the Parent”) that is due immediately. As of December 31, 2022 and 2021, the Company had an intercompany payable due to the Parent of \$530,011 and \$203,358, respectively.

(f) Revenue Recognition

The Company’s primary revenues consist of initial franchise fees and royalty fees (which are based on a percentage of franchisee gross revenues) from franchisees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

CABINET IQ FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties which are recognized at the time the underlying sales occur. ASC 606 does impact the process management uses to evaluate the recognition of the initial franchise.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

Company sold no franchises during the years ended December 31, 2022 and 2021.

(g) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Texas. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022 and 2021, no tax years were subject to examination.

(h) Advertising Cost

The Company expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2022 and 2021, were \$156,587 and \$35,714, respectively.

(i) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

CABINET IQ FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

(j) *Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of inurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus (“COVID-19”) as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company’s operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company’s future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company’s customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company’s future financial condition or results of operations is uncertain.

(3) Subsequent Events

Management has reviewed and evaluated subsequent events through April 17, 2023, the date on which the financial statements were issued.

EXHIBIT E

Manual

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EXHIBIT F

List of Current and Former Franchisees

Current Franchisees:

Florida

(1) K2IQ LLC, 9349 Winterview Dr., Naples, FL 34109*

Texas

(2) Tiance Gardner, De'el Woods and Charles Mabry*

- Tiance Gardner, 1219 Betsy Ross Court, Missouri City, TX 77459
- De'el Woods, 11406 Lago Bella Drive, Richmond, Texas 77406
- Charles Mabry, 1200 N. Floyd Street, Jonesboro, AR 72401

**signed in 2023; Business not yet open.*

Former Franchisees:

NONE

EXHIBIT G

State Specific Addenda to Disclosure Document

NONE

EXHIBIT H

State Specific Addenda to Franchise Agreement and Development Agreement

NONE

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:

| State | Effective Date |
|--------------|----------------|
| California | NA |
| Hawaii | NA |
| Illinois | NA |
| Indiana | NA |
| Maryland | NA |
| Michigan | NA |
| Minnesota | NA |
| New York | NA |
| North Dakota | NA |
| Rhode Island | NA |
| South Dakota | NA |
| Virginia | NA |
| Washington | NA |
| Wisconsin | NA |

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.

**ITEM 23
RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Cabinet IQ Franchising, 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 payment to, Cabinet IQ Franchising, LLC or one of its affiliates in connection with the proposed franchise sale. [Michigan law requires that Cabinet IQ Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires 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.]

If Cabinet IQ Franchising, 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, D.C. 20580 and the state agency listed on **Exhibit A**.

Issuance date: April 30, 2023.

The franchise sellers for this offering are: Jacob Collums and Michael Hartel, whose business address is 2419 S. Bell Blvd., Cedar Park, Texas, 78613 and whose telephone number is (512) 765-2124 and _____.

We authorize the respective agents identified on **Exhibit A** to receive service of process for us in the particular state. I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an entity), hereby acknowledge receipt from Cabinet IQ Franchising, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 30, 2023. This Disclosure Document includes the following exhibits:

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement
- C. Development Agreement
- D. Financial Statements
- E. Table of Contents to Manuals
- F. List of Current and Former Franchisees
- G. State Specific Addenda to Disclosure Document
- H. State Specific Addenda to Franchise Agreement and Development Agreement

Signature (individually and as an officer)

Print Name

Print Franchisee's Name (if an entity)

Date Disclosure Document Received

TO BE RETAINED BY YOU

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Cabinet IQ Franchising, 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 payment to, Cabinet IQ Franchising, LLC or one of its affiliates in connection with the proposed franchise sale. [Michigan law requires that Cabinet IQ Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires 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.]

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- H. State Specific Addenda to Franchise Agreement and Development Agreement

Signature (individually and as an officer)

Print Name

Print Franchisee's Name (if an entity)

Date Disclosure Document Received

OUR COPY; RETURN TO US