

FRANCHISE DISCLOSURE DOCUMENT



FranNet, LLC, a New Jersey limited liability company
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We grant franchises for the operation of a FranNet Business. FranNet Businesses offer specialized franchise consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or re-sale) of their franchises, licenses and business opportunities.

The total investment necessary to begin operation of a FranNet Business ranges from \$33,750 and \$62,750 (total amount in Item 7). This includes between \$6,010.18 and \$11,010.18 (total amount in Item 5) that must be paid to the franchisor or its affiliate prior to opening for business.

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 **Jania Bailey at 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291 or (502) 753-2380.**

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.

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only FranNet 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 franchise 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 FranNet franchisee?	Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreements requires you to resolve disputes with the franchisor by mediation and/or litigation where our current headquarters are located. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor where its headquarters is located than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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.

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

FranNet, LLC (“**FranNet**”, “**we**”, or “**us**”) is a limited liability company formed under New Jersey law in October, 2006. Our principal business address is 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291. We do business under the name “FranNet”. Our business is limited to offering the franchises that are described in this Disclosure Document. We do not offer franchises or engage in any other line of business, nor have we done so prior to the date of this Disclosure Document. We began franchising in January, 2010. Our predecessor, FranNet Franchising, LLC began franchising in December 2006.

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

Our Parent, Predecessors and Affiliates

Howard Bassuk, the founder of the FranNet system, began offering FranNet consulting services in 1987 through his company, Hobassco, Inc. (“Hobassco”). Hobassco’s principal address was 2385 Camino Vida Roble, Suite 114, Carlsbad, California 92011. Hobassco had granted rights to operate businesses under the name “FranNet” throughout the United States through offices that were individually owned and operated by associates, under various business arrangements. The services consisted of providing guidance, information and support to prospective franchisees, and assisting them through a process in which the prospect created a profile of the type of franchise that would be most suitable for him or her. Based on the prospect’s interest, desires and skill set, Hobassco or its associate would present the prospect with a number of franchise opportunities that fit his or her model, along with a system within which to research the franchise opportunities that interest him or her. This enabled the prospect to make an educated decision, and for a Franchisor (defined below) to be presented with a prequalified candidate that fits its franchisee profile.

In 1999, Hobassco assigned its rights to the name “FranNet” to Franchise Network Mutual Benefit Corporation (“FNMBC”). In 2001, Hobassco assigned its rights for future growth of the office network to FranNet Development Group, LLC (“FDG”). FDG’s principal business address was 2385 Camino Vida Roble, Suite 114, Carlsbad, California 92011. FDG has since operated the business through additional offices located throughout the United States, under the name “FranNet”. These offices were also independently owned and operated by associates under various business arrangements.

Neither Hobassco nor FDG has ever operated a business of a type substantially similar to those offered in this disclosure document nor offered franchises in any line of business. Hobassco and FDG are our predecessors (“Predecessors”). Neither Hobassco nor FDG offered franchises in any other line of business.

Effective as of January 1, 2010, FranNet Franchising, LLC, a wholly owned subsidiary of FranNet, LLC merged into FranNet, LLC. We assumed all of the assets and liabilities of FranNet Franchising, LLC, including all outstanding franchise agreements. FranNet Franchising, LLC offered franchises from December, 2006 through December, 2009. FranNet Franchising, LLC’s address was 10302 Brookridge Village Blvd., Suite 201, Louisville, Kentucky 40291. FranNet Franchising, LLC never operated a business of a type substantially similar to those offered in this Disclosure Document. FranNet Franchising, LLC never offered franchises in any other line of business.

Our affiliate, Qualifyi, LLC, is a New Jersey limited liability company and wholly owned subsidiary of FranNet, LLC. Qualifyi, LLC was formed on March 14, 2022 and has an address at 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291. Qualifyi has yet to conduct business but was formed for the purpose of generating leads for the FranNet system.

Other than as described above, we have no parents, predecessors, or affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

We have never offered franchises in any other line of business. We do not engage, and have never engaged, in any business activities or any other line of business other than as described in this disclosure

document. We do not have any Affiliate that is offering franchises in any line of business or that will be providing products or services to you. All of our principal owners have been FranNet associates for many years.

The Franchise Offered

General. We grant franchises to establish and operate a FranNet business (the “Franchised Business” or the “FranNet Business”) operating under the System (defined below) and identified by the Marks (defined below) under a franchise agreement (the “Franchise Agreement”). The Franchised Business is a third party referral network engaged in the business of consulting with and representing franchisors, potential franchisors, licensors, and other business opportunity companies (all of which we refer to as “Franchisors”) in connection with the sale of their franchises, licenses, business opportunities and existing re-sales of same (all of which we refer to as “Franchise” or “Franchises”). In the course of conducting business, our franchisee recruits and meets with potential franchisees (“Prospects”) and exchanges information with them to help determine what type of Franchise and which Franchisors may be most suitable.

The FranNet System. Through the expenditure of considerable time and effort, we have acquired experience, skills, methods, techniques and knowledge relating to the representation of Prospects of Franchises as well as the growth and development of Franchisors identifying, evaluating and introducing Prospects (the “Services”), and have developed methods, formats and procedures (all of which we refer to as the “System”). We identify FranNet and various components of the System by certain trademarks, service marks and other commercial symbols, including the mark “**FranNet**” (which we refer to as the “Marks”). These businesses which offer the Services and other related programs and services as we designate periodically under the Marks are known as “FranNet Businesses.” We may, in the future, develop, enhance or modify various aspects of the System or adopt other trademarks, service marks or other commercial symbols which you must use as a Franchisee.

The Franchised Business will be operated in accordance with our confidential, proprietary Operations Brand Standards Manuals (the “Manuals”) to be loaned to you. You will also be provided with the right to use the Marks. In addition, as part of the franchise system, we have formed a FranNet Franchise Advisory Council (“Council”) that (through its Board) will manage the FranNet Marketing Program. (See Item 11 for further information on the Marketing Program.) The Council will consist of all FranNet franchisees and associates, and one person designated by us.

The Franchise Offering. This Disclosure Document describes the offer of franchises for new FranNet Businesses. To become a franchisee, you must operate your FranNet Business in accordance with our standards and specifications, and you must sign a Franchise Agreement. A copy of the Franchise Agreement that you must sign is attached to the Franchise Disclosure Document as Exhibit “B”.

Market and Competition. The Franchised Business represents the Franchisor in certain of its sales transactions, and targets potential Franchisees primarily by means of seminars, referrals and the Internet. The market for third party referral networks and franchise consulting services, including those that will be offered by the Franchised Business, is developing and competitive. Traditionally, the Franchisor’s franchise sales department performed these services. As franchising continues to grow, Franchisors are increasingly turning towards franchise consulting service providers for qualified, pre-screened Prospects. The Franchised Business will compete with other local and national third party referral networks.

Industry Specific Laws and Regulations. Your Franchised Business will be subject to laws and regulations that are applicable to businesses generally, and also to a Federal Trade Commission regulation (“Franchise Rule”) and various state laws regulating the offer and sale of franchises (which require, in part, that a franchise disclosure document containing certain information be provided to Prospects at prescribed times before the sale of a Franchise).

ITEM 2 **BUSINESS EXPERIENCE**

Chairman of the Board of Directors: Jack Armstrong

Mr. Armstrong currently serves as Chairman of the Board of Directors of FranNet, LLC as of June 8, 2012. Mr. Armstrong formerly served as Chief Executive Officer from June 8, 2012 – January 16, 2015. Mr. Armstrong served as FranNet’s Vice Chairman of the Board of Directors and Treasurer from November 2006 until June 8, 2012.

Chief Executive Officer, Secretary and Director: Jania Bailey

Ms. Bailey was appointed as Chief Executive Officer of FranNet, LLC on Jan. 16, 2015, she was promoted from the position of Chief Operations Officer and presiding President. Ms. Bailey continues to serve as Board Secretary, a position she has held since August 2006. She also serves as a Director and has since November 2006.

Vice Chairman of the Board of Directors: Blair Nicol

Mr. Nicol was appointed Vice Chairman of the Board of Directors as of June 8, 2012. Mr. Nicol has served as a Director of FranNet LLC in Carlsbad, California since November 2006. Mr. Nicol has also served as President of Nicol Development Group, Inc. d/b/a FranNet of San Diego in Carlsbad, California since December 1998. Blair Nicol is also Managing Partner of Nicol Holdings, LLC since January 2012 to present.

Director: Phil Kuban

Mr. Kuban is a principle owner and has served as a Director of FranNet LLC in Atlanta, Georgia since November 2006. Mr. Kuban has owned and operated Franchise Market Makers Inc. Development Co. dba FranNet in Atlanta Georgia since June 1999

Director: Dan Monaghan

Mr. Monaghan has served as a Director of FranNet, LLC since January 2022. Mr. Monaghan is the founder and CEO of Clear Summit Group a private equity firm, formed in January 2006, located in Toronto, Canada.

Director: Joseph Dunn

Joseph Dunn has served as a Director of FranNet, LLC since October 2022. Mr. Dunn is a partner with the law firm Dunn & Allsman, LLC of Newtown Square, Pennsylvania, a firm he founded in 2021. Previously, Mr. Dunn was a partner at the law firm of FisherZucker, LLC in Philadelphia, Pennsylvania since January 2001.

Director: Steven Rosen

Mr. Rosen has served as a Director of the company since November, 2006. Mr. Rosen served as FranNet's Chairman of the Board of Directors and Chief Executive Officer from November 2006 to June 2012. Mr. Rosen has also served as President of Franchise Consultants of America Bux-Mont, Inc. d/b/a FranNet in Blue Bell, Pennsylvania since October 1990.

FAC Chair: Merri Cronk

Ms. Cronk has served as a Director of FranNet, LLC since March, 2019. She is serving her second term on FranNet's Franchise Advisory Council from 2019 to the present, and currently serves as Chair on the Franchise Advisory Council. Mrs. Cronk has owned and operated Dream Matchers, LLC, d/b/a FranNet of Central Texas since 2004. She also owned and operated Cronk Enterprises LLC as an associate of FranNet of Indiana from 2002-2004.

FAC Vice - Chair Tracy Rickman

Ms. Rickman has served as a Director of FranNet, LLC since March 2022. She is currently serving first term on FranNet's Franchise Advisory Council and serving her first term as Vice-Chair on the Franchise Advisory Council. Ms. Rickman has owned and operated FranNet of Northern Ohio, through Munson & Associates of Northern Ohio, LLC for fifteen years.

**ITEM 3
LITIGATION**

Edward T. Bower, et al vs. Zounds Hearing Franchising, LLC, et al, Case No. CV16863098 in the Court of

Common Pleas, Cuyahoga County, Ohio. On or about May 12, 2016, a lawsuit was filed by Edward T. Bower and three other Zounds Hearing franchisees against Zounds Hearing Franchising, LLC (“Zounds”) and the Company. The lawsuit alleges: (i) violation of Ohio’s Business Opportunity Statute; and (ii) fraud, allegedly committed by Zounds and several of the Company’s franchisees. Zounds is a client of the Company. The Company and its franchisees refer franchise prospects to Zounds. The plaintiffs allege that Zounds and the Company’s franchisees made verbal or written representations that were either untrue, misleading, or in violation of Ohio’s Business Opportunity statute. The Company denies that it or its franchisees committed any violations of law. The case was settled with Company and one of its franchisees collectively paying to Zounds \$28,000.00, and each party executed mutual releases. The Company denied all allegations in the Complaint.

Except as described above, 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

You must pay to us an initial franchise fee ranging from \$5,000 to \$10,000 for a single, new FranNet Business to be operated under an individual Franchise Agreement. The initial franchise fee you will pay depends on your previous experience in franchise consulting/franchise development. The \$5,000 initial fee applies to individuals with prior experience as a franchise consultant/franchise developer. The \$10,000 initial fee applies to individuals without prior franchise consulting/franchise development experience. You must pay the entire initial franchise fee no later than the date you sign the Franchise Agreement. The franchise fee is not earmarked for any particular purpose; we use franchise fees for general operating expenses. The initial franchise fee is paid in a lump sum on signing the franchise agreement.

If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable franchisee, we have the right to terminate the Franchise Agreement and refund to you 50% of your initial franchise fee. Except as described above, the initial franchise fee is non-refundable.

My FranNet.com Software License Fee and Technology Fee

Upon completion of our initial training program, you are required to begin paying your My FranNet.com Software License Fee and Technology Fee of a \$350 per quarter. This fee is non-refundable and payable in a lump sum.

Insurance

Upon the signing of your Franchise Agreement, You must pay for your pro-rata share (based on the number of consultants, including franchisees and their employees and associates, covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for this insurance. For calendar year 2023, the pro rata share per franchisee/consultant is \$775. This fee is due in a lump sum upon signing the franchise agreement and is non-refundable.

Except as set forth above, all of the foregoing fees in this Item 5 are uniform for all persons purchasing a franchise at this time.

ITEM 6
OTHER FEES

The following table describes other recurring or isolated fees or payments that you must pay to us, or which we or our affiliates impose or collect on behalf of a third party, in whole or in part under the Franchise Agreement. Unless otherwise indicated below, all of the fees listed below are uniform, non-refundable, and are imposed by, payable to, and collected by us.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Commission Fee ¹	See Note 1, below	Weekly	See Note 1
Marketing Fee ²	\$725	Quarterly	See Note 2
Optional Services ³	Our then-current fee	As incurred	See Note 3
Services Approved by the Council ⁴	Cost of services	As required and as incurred	See Note 4
Insurance ⁵	Cost of insurance and, if not obtained by you, our procurement expense	As required and as incurred	See Note 5
Late Fee ⁶	The lesser of 10% of delinquent amount or the highest applicable legal rate	As incurred	See Note 6
Transfer ⁷	\$5,000 plus our out-of-pocket legal costs	Time of transfer	See Note 7
Successor Franchise Fee ⁸	25% of our then-current initial franchise fee	Time of successor franchise	See Note 8
Indemnification ⁹	Cost of liability	As incurred	See Note 9
Default, Enforcement, Collection and Termination ¹⁰	Our costs incurred	As incurred	See Note 10
My FranNet.com Technology Fee ¹¹	\$350.00	Quarterly	See Note 11
Testing of Products or Approval of New Suppliers ¹²	Not to exceed \$1,000	As incurred	See Note 12
Additional Training Fee ¹³	Then-current additional training fee	As incurred	See Note 13
Consultant Training Fee ¹⁴	\$2,500 per Consultant	As incurred	See Note 14
Liquidated Damages ¹⁵	See Note 14, below	15 days after termination	See Note 15

NOTES

1. We will pay you a commission on a weekly basis, subject to any off-set or deduction for any amounts owed to us by you, based on the Gross Consulting Income received by us due to your efforts on the following terms, conditions and schedule:

(a) Standard Engagement Income. Any Gross Consulting Income produced by you from the activity of referring a Prospect to a Franchisor, who subsequently enters into a Franchise Agreement with that Franchisor and, as a result, a referral fee is paid to Us, you will receive a commission of 90% of the Gross Consulting Income paid to us.

(b) Royalty Engagement Income. You will receive fifty percent (50%) of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”).

(c) Other Income. For any Gross Consulting Income produced by you that is based on any activities other than those listed above will generate a commission being paid to you of 75% of the Gross Consulting Income received by us from that source.

The term “Gross Consulting Income” means all income derived or accrued from any benefit granted under the Franchise Agreement and includes the income events identified in this Note 1, above. If we have a franchise referral agreement with a Franchisor, any income derived or accrued from the resale of franchises in that Franchisor’s system will constitute Gross Consulting Income, but if we do not have a franchise referral agreement with a Franchisor, any income derived or accrued from the resale of franchises in that Franchisor’s system will not constitute Gross Consulting Income.

2. You must participate in the Marketing Program which will be administered by the Council, with a quarterly contribution of \$725 for each consultant in your office (you and any of your employees and independent contractors/associates). This payment may be adjusted for inflation annually, but not by more than 10% total in any calendar year, unless the Council, on behalf of all Franchisees, implements a program(s) causing additional fees to be paid. You must make payment for the upcoming quarter directly to the Marketing Fund for the Marketing Program by the 10th day of January, April, July, and October during the term of the Franchise Agreement. If any payment is late, we will have the right, in addition to our other rights and remedies, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until your payment has been made.

3. We may offer you services not offered under the terms of the Franchise Agreement on an optional basis which you may or may not elect to utilize. If you elect to utilize these services, you must pay for these services within 10 days of the payment due date.

4. In addition to the monthly marketing fees described in Note 2 above, there may be services utilized by you which may be recommended or required by the Council for marketing purposes, in accordance with its policies and procedures. You must pay for these services within 10 days of the payment due date.

5. During the term of the Franchise Agreement, you must maintain the general liability insurance and errors and omissions insurance coverage required by the Franchise Agreement at your sole expense, including E & O Insurance from our carrier. If we offer group coverage for errors and omissions insurance, you must participate and pay your pro-rata share of the premium (based on the number of consultants covered). If you do not maintain the required insurance coverage, we may obtain, at our option and in addition to our other rights and remedies under the Franchise Agreement, any required insurance coverage on your behalf and at your cost.

6. Insurance premiums due to us which are not paid within 10 days of the due date will be subject to a late fee equal to the lesser of: 10% of the delinquent amount or the highest applicable legal rate for open account business credit in your state.

7. If there is a transfer under the Franchise Agreement (as described in Item 17 and the Franchise Agreement), you must pay to us a transfer fee of \$5,000 plus any additional legal expenses and any out-of-pocket costs paid to third parties who participate in training the transferee.

8. If you enter into a successor Franchise Agreement, you must pay to us a successor franchise fee in an amount equal to 25% of our then-current initial franchise fee (or, if no franchises are then being offered, 25% of the initial franchise fee most recently charged).

9. You must indemnify, defend and hold us, our affiliates, members, shareholders, directors, officers, managers, employees, agents, successors and assigns, harmless against and to reimburse us for all obligations, damages and taxes described in Franchise Agreement, for which we are held liable and for all costs we incur in the defense of any claim brought against us, including actual and consequential damages, attorneys', accountants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

10. You must pay all expenses (including accounting, attorneys', expert witness and arbitrators' fees and costs) incurred by us (a) to remedy any of your defaults of, or enforce any of our rights under, the Franchise Agreement; (b) to effect termination of the Franchise Agreement; and (c) to collect any amounts due under the Franchise Agreement.

11. You must pay to us \$350.00 per calendar quarter for the use of the MyFranNet.com software. We reserve the right to increase this fee.

12. This amount covers the cost of testing new products or inspecting new suppliers that you propose to us.

13. We may, as we deem appropriate in our discretion, develop additional and refresher training courses, and require you to attend such courses. You will be required to pay our then-current additional training fee (as well as any other expenses incurred in connection with such additional training).

14. You must pay us \$2,500 for any consultants that your hire or engage (employees or independent contractors/associates) in order for FranNet to train them.

15. If we terminate your Franchise Agreement for cause, you must pay us within 15-days after the effective date of termination liquidated damages equal to: 10% of your Gross Consulting Income during the 12 months or operation preceding the effective date of termination, (a) multiplied by 2 (2 full years); or (b) if less than 2-years remains on the term of the Franchise Agreement, the amount set forth in (a) above divided by 24 (the number of months in 2 full years) multiplied the number of months remaining in the term of the Franchise Agreement, had it not been terminated.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial Franchise Fee ¹	\$5,000- \$10,000	Lump sum	At signing of Franchise Agreement	Franchisor
Equipment and Computer System ²	\$2,500 -\$5,000	As arranged	Before opening	Suppliers
Supplies ³	\$500	As arranged	As incurred	Suppliers
Pre-Opening Training ⁴	\$1,500 - \$3,000	As arranged	As incurred	Suppliers
Marketing Program ⁵	\$2,900	Lump sum	Quarterly, in advance	FranNet Marketing Program
Prepaid Insurance Premiums ⁶	\$1,000	Lump sum	Completion of training; as incurred	Franchisor/Insurers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
MyFranNet Technology Fee (3 months) ⁷	\$350	Lump Sum	Quarterly, in advance	Franchisor
Additional Funds (6 months) ⁸	\$20,000 - \$40,000	As arranged	As incurred	Suppliers
TOTAL	\$33,750 - \$62,750			

Except as otherwise described in the notes in this Item 7, the chart above provides an estimate of your initial investment for a single, new FranNet Business and the costs necessary to begin operation of your FranNet Business. All costs listed above are estimates only. Actual costs will vary for each franchisee and each location depending upon a number of factors. All fees and payments described in this Item 7 are non-refundable, unless otherwise stated or permitted by the payee.

NOTES

1. See Item 5 for a description of the initial franchise fee for licensees.
2. This estimate includes the cost of a telephone, email, a laptop computer and required software (see Item 11 for further information).
3. You must purchase the supplies for your FranNet Business office. This estimate includes the costs of stationary, brochures, business cards, and envelopes.
4. This estimate includes the costs of travel, food and lodging for 1 person to attend the initial training program in Louisville, Kentucky, or another location designated by us required by the Franchise Agreement. We estimate that the training course will be for 5 days. We reserve the right to offer any portion of the training program virtually or otherwise via remote learning.
5. You must participate in the FranNet Marketing Program, with an quarterly contribution of \$725 per consultant in your office (you and any of your employees and independent contractors/associates). Upon the completion of initial training, you will remit sufficient payments for the quarterly contribution, to cover all amounts due for the days remaining in the quarter of completion of training plus pre-payment of the following quarter's amount. We may increase the quarterly Marketing and other contribution amounts for inflation, but the marketing fees will not be increased by more than 10% total in any calendar year unless the Council implements a program(s) causing additional fees to be paid. This estimate is for the first 2 calendar quarters of operations and does not include any pro-rated amounts which may be due upon your completion of training before any full calendar quarter.
6. Before you begin operating your FranNet Business, you must purchase the insurance coverage required by the Franchise Agreement, and described in Note 6 to Item 6, above. The cost of the business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate, and national or local market conditions. We anticipate that you must pay your insurance carrier or agent a full or pro-rata share of this annual premium in advance. The estimate provided in the chart above ranges is for a full annual premium. The amount you pay may be less if you only pay the premium in installments.

7. You must pay us \$350.00 per calendar quarter for use of the MyFranNet Technology. This is an on-line customer relationship management software system that includes tools for email marketing. This system is necessary for your access to all forms, templates and training materials needed for your FranNet Business. In addition, you are provided with access to the FranNet IntraNet system and ZoHo Dashboard. We reserve the right to increase this fee.

8. The need for additional funds varies, depending on a variety of factors. We estimate the monies described in the chart will be necessary during the first 6 months of the operation of your FranNet Business in order to stabilize the business. We have relied upon the expenditures paid by, and the experience of, our principal owners in determining this estimate. The actual amount of additional funds you will need depends on factors including your own marketing/sales and operational skills, market, economic conditions and competition. We do not offer direct or indirect financing to franchisees for any items described above.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the FranNet Business in accordance with our standards and consistent with the image of a FranNet business as a professional and efficiently operated business. Mandatory standards and operating procedures we prescribe for FranNet businesses in the Operations Brand Standards Manuals or otherwise communicated to you in writing will constitute provisions of the Franchise Agreement.

All Franchisors represented by you and other franchisees must first be approved by us, and all contracts with Franchisors will be negotiated by us. Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and obtain our consent. You may not provide Services to this Franchisor until consent is obtained in writing from us.

During the term of the Franchise Agreement, you must maintain general liability insurance and errors and omissions insurance coverage at your sole expense and under policies of insurance issued and administered by carriers approved by us. If we offer group insurance coverage, you must participate and pay your pro-rata share of the premium (based on the number of consultants covered, which includes you and all of your employees and associates). We do not make a profit on your purchase of insurance.

You must also purchase or lease the computer hardware and software we require for use in your Business (see Item 11 for further information).

Neither we nor persons affiliated with us are currently approved suppliers. Neither we, nor any of our officers, own an interest in any supplier.

We formulate and modify specifications and standards imposed upon franchisees by evaluating our prior operational experience, and the market acceptance of Franchises. We need not issue our specifications and standards to franchisees or approved suppliers, nor are criteria for supplier approval made available to franchisees. If we do issue specifications on equipment, computer hardware, or software, we will provide these specifications in written or electronic communication to you. If we designate one supplier for a particular product or service, you may not contract with another supplier for that product or service without our prior written consent. We may revoke approval for a supplier at any time by giving you written notice. We do not require you to obtain our approval for obtaining goods and services from any computer supplier. We do not charge a fee to secure approval of any supplier. If you want to contract with an alternate supplier, you must make a request in writing. We will approve or disapprove of a request to contract with an alternate supplier within 30 days of request. If you don't receive a notification from us within that 30 day period, the supplier is deemed disapproved. We may ask you to submit samples or information so that we can make an informed decision whether goods, equipment, supplies or the supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide you or any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and

request that you reimburse our actual costs associated with testing/inspection. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

We estimate that the proportion of your required purchases from suppliers approved by us to all your purchases of goods and services in establishing the Franchised Business will be approximately 2% - 10%, and in operating the Franchised Business will be approximately 1% - 5%. There are no purchasing or distribution cooperatives related to our franchisees. We do not provide any material benefit to franchisees for use of approved suppliers. Other than contracts with Franchisors, we do not negotiate purchase arrangements with our suppliers for the benefit of our franchisees. We do not currently derive revenue or receive any material benefit from any suppliers due to these suppliers' transactions with us or our franchisees.

Our total revenue in fiscal year ending December 31, 2022 was \$_____. Our net revenues from franchisees for products or services that franchisees are required to purchase from us or suppliers approved by us, or under our specifications, was \$0, representing approximately 0% of our total revenues.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	2.4	Item 11
b. Pre-opening purchases/leases	None	Items 7 and 8
c. Site development and other pre-opening requirements	None	Items 7 and 11
d. Initial and ongoing training	4	Items 6, 7 and 11
e. Opening	2.4	Item 11
f. Fees	9, 11.5 and 13.3	Items 5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	5.2 and 10.1	Items 8 and 11
h. Trademarks and proprietary information	6 and 8	Items 13 and 14
i. Restrictions on products & services offered	2.4 and 11.8	Items 8 and 16
j. Warranty and customer service requirements	None	No provision
k. Territorial development and sales quota	None	Item 12
l. Ongoing product & service purchases	10.3	Item 8
m. Maintenance, appearance and remodeling requirements	None	Item 11

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
n. Insurance	9.3 and 10.3	Items 6 and 7
o. Advertising	11	Items 6, 7 and 11
p. Indemnification	7.4	Item 6
q. Owner's participation/Management/Staffing	2.2 and 13.6	Items 11 and 15
r. Records and reports	12	Item 6
s. Inspections and audits	12	Items 6 and 11
t. Transfer	13	Item 17
u. Renewal	16	Item 17
v. Post-termination obligations	15	Item 17
w. Non-competition covenants	15	Item 17
x. Dispute resolution	17	Item 17

ITEM 10
FINANCING

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

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

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

Pre-Opening Obligations

Before the FranNet Business opens, we are required by the Franchise Agreement to provide the following to you:

1. We will loan to you during the term of the Franchise Agreement our confidential, proprietary Systems Documentation Materials, including all system and procedures for dealing with Prospects and Franchisors (the "Operations Brand Standards Manuals", or "Manuals") (Franchise Agreement, Sections 3 and 5.2);
2. We will provide to you our initial training program (Franchise Agreement, Section 4.1); and
3. We will provide you with the specifications for your use of the Proprietary Marks (Franchise Agreement, Section 6).
4. We do not select a site for your office. You are not required to have a dedicated office separate from your home.

Continuing Obligations

After the FranNet Business opens, we are required by the Franchise Agreement to provide the following to you:

1. We will periodically provide you with guidance and assistance with respect to (a) the marketing of the services offered by FranNet Businesses, (b) information about the Franchisors represented by FranNet, (c) general operating procedures, and (d) changes in any of the above that occur periodically. This guidance and assistance will, in our discretion, be furnished in the form of the Operations Brand Standards Manuals, bulletins, written reports and recommendations, other written publications and materials, electronic mail and telephone consultations (Franchise Agreement, Section 5.1);

2. We will pay your commissions and other compensation as set forth in Exhibit B to the Franchise Agreement (Franchise Agreement, Section 3); and

3. We will provide you with continuing training sessions (Franchise Agreement, Section 4).

Advertising Programs

FranNet Marketing Program. You must participate in the FranNet Marketing Program (“Marketing Program”) which produces leads to franchisees operating a FranNet business and conducts various marketing activities specified by the Council, including engagement of a public relations on-line service, payment of our association dues (including International Franchise Association and Canadian Franchise Association dues); maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations materials, sales materials and or promotional programs and materials; and payment of other costs that the Council believes are appropriate to enhance, promote and protect the System and brand (see Items 6 and 7 for further information). (Franchise Agreement, Section 11.2.) The Marketing Program may place local, regional or national advertising and may conduct any other activity that the Council feels is an effective method to produce leads for Prospects. Since we do not operate a FranNet Business, we do not participate in the FranNet Marketing Program, except we assign one member to the Council in an advisory capacity only. We do not guarantee that you will benefit from the Marketing Program in proportion to your contributions to the Marketing Program.

The Marketing Program is administered entirely by the Council (Franchise Agreement, Section 11.2). The members of the Council are selected by vote of all franchisees. The Council has the power to decide on the use of the Marketing Program, and is advisory to us on other issues. The Council will operate under written documents which must be approved by us in advance in writing. We have no right to change or dissolve the Council. The Marketing Program may place local, regional or national advertising, and may conduct any other activity that the Council believes is an effective method to produce leads for Prospects. (Franchise Agreement, Section 11.2.3). The Council will assign all appropriate leads produced from the activities funded by the Marketing Program to the appropriate franchisee (Franchise Agreement, Section 11.3)

We may obtain leads for Prospects from the internet, print publications, Franchisors or other sources. We reserve the unconditional right to refuse to allow you to participate in the Marketing Program and the internet lead program previously described if you are in breach of the Franchise Agreement or any other agreement materially affecting us (Franchise Agreement, Section 11.4). The source of the advertising is from a national advertising agency or public relations firm. We do not intend to use any monies contributed to the Marketing Program for the solicitation of the sale of franchises.

The Marketing Program is funded by contributions from all franchisees (Franchise Agreement, Section 11.2.1). You will participate in the Marketing Program, with a quarterly contribution of \$1,452 for each quarter. These contribution amounts will not be increased by more than 10% total in any calendar year, unless the Council implements a program(s) causing additional fees to be paid. Certain franchisees may be required to contribute at a different rate based on the acquisition costs of leads. The Marketing Program’s financial statements will be available for review by franchisees on written request, but it will not be audited. All sums paid by you to the Marketing Program will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except as otherwise described in Section 11.2.1 of the Franchise Agreement. We are not obligated to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or from expenditures by the Marketing Program. It is anticipated that all contributions to and earnings of the Marketing Program fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Marketing Program fund at the end of the taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from

previous years, next out of earnings in the current year, and finally from contributions. The Council will have sole discretion to establish the budget for the Marketing Program, including the monthly marketing contribution. You acknowledge that monies in the Marketing Program are not a trust or asset of ours, and that neither we nor the Council are a trustee of the Marketing Program or the monies in it or a fiduciary to you with respect to them. (Franchise Agreement, Section 11.2.1).

In calendar year 2021, 75% of the Marketing Program Funds were used on media placements, 10% on content development, 10% on public relations, and 5% on administrative expenses.

You must not solicit or accept marketing contributions, payments or support from a Franchisor (except you and a Franchisor may participate in a local event or trade show in your market and the Franchisor may contribute monetarily to that event). You must refer to us any expressions of interest, made by a Franchisor to you, for providing any marketing contributions, payments or support (Franchise Agreement, Section 11).

Advertising. Before you use or disseminate advertising and promotional materials which were not prepared or approved by us, you must submit samples of the materials to us for our review and approval. We retain the right to require that you cease using any advertising or promotional materials that violate any state or federal laws, rules or regulations or that we consider to constitute an unauthorized use of our Marks. (Franchise Agreement, Section 11). We have a “social media policy” describing how you may utilize social media websites or applications such as FaceBook, LinkedIn, and Twitter in operating your FranNet Business. You must comply with our requirements in connection with your use of social media. You are not required to participate in a local or regional advertising cooperative.

Web Site. We will have the right, but not the obligation, to establish and maintain a Web Site (which may promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System). We will have the sole right to control all aspects of the Web Site, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Web Site at any time without notice to you. Except as we otherwise approved in advance in writing, you must not establish or maintain a separate Web Site, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the FranNet Business. If we grant this approval, you must establish and operate the Web Site in accordance with our standards and policies provided to you in the Operations Brand Standards Manuals or otherwise in writing. (Franchise Agreement, Section 11.10).

Operations Brand Standards Manuals

You must operate the FranNet Business in accordance with the Operations Brand Standards Manuals provided to you. We may revise the contents of the Operations Brand Standards Manuals, and you must comply with each new or changed standard. You must at all times insure that your copy of the Operations Brand Standards Manuals is kept current and up to date. The Table of Contents of the Operations Brand Standards Manuals is attached to this offering circular as [Exhibit F](#). The total number of pages and the number of pages devoted to each topic are reflected in the Table of Contents. The total number of pages in the Brand Standards Manual is 107.

Typical Length of Time Between Signing Franchise Agreement and Opening Franchised Business

We anticipate the typical length of time between signing the Franchise Agreement or the first payment of consideration for the Franchised Business and opening a FranNet Business will be 90 days. The factors that affect this time are your ability to complete the initial required training course to our satisfaction.

Training Program

Within 3 months of signing the Franchise Agreement and before you commence operation of your FranNet Business, you and your associates or employees whose responsibilities include communicating or meeting with Prospects must attend and complete, to our satisfaction, our initial training program concerning the System and the operation of a FranNet Business. The initial training program will consist of approximately 5 days of training and will take place virtually and at our training facility in Louisville, Kentucky, or another city designated by us. We reserve the right to offer any portion of the initial training program virtually or otherwise via remote learning. Instructional

materials for the training program are the Operations Brand Standards Manuals, course material, software instruction, office management material, and other promotional literature. Training programs are conducted every quarter on an as-needed basis. All training will be conducted by an experienced employee of FranNet or a franchisee, and also may be performed by third parties, such as a business coach. Each instructor will have a minimum of 5 years' experience in the subjects they are teaching and as an employee of FranNet, as a FranNet franchisee, or as a business coach. Amanda Duplantis is our Director of Training, and she has over 16 years of experience and Tracy Rickman, a FranNet franchisee with 15 years of experience.

All of your employees and associates whose responsibilities will include communicating or meeting with Prospects must also attend and complete the initial training program to our satisfaction before the employee's or associate's communication or meeting with any Prospect. We will provide you with optional continuing training sessions at our headquarters or one of our regional training sites. In addition, you and any of your employees or associates who meet with Prospects must attend at least one FranNet National Meeting for Franchisees annually.

For all training programs, seminars and meetings required by the Franchise Agreement, you will be responsible for (1) any training fee imposed by us or a third-party providing training to you, your employees, and associates, and (2) any and all expenses incurred by you, your employees, and associates in attending these programs and seminars, including the costs of transportation, lodging, meals, and wages.

TRAINING PROGRAM

Subject	Hours of Virtual Classroom Training	Hours of On-The Job Training	Location
Pre-Training (tools, insurance, CRM, etc.)	6	0	Google Meet
Introduction to FranNet & the PFA	1.5	4	Google Meet & HQ Training Site
Generate & Qualifying Contact	1	3	Google Meet & HQ Training Site
Sandler Training	0	1	HQ Training Site
Networking	0	1	HQ Training Site
Client Meetings	0	10	HQ Training Site
Frick & Frack	1	2	Google Meet & HQ Training Site
Marketing (PR, Advertising, Social Media, etc.)	1	2	Google Meet & HQ Training Site
Goal Setting	0	1	HQ Training Site
Challenge Teams	0	.5	HQ Training Site
Seminar Presentations	0	2	HQ Training Site
Review/ Recap, Q&A	0	1	HQ Training Site

We may, as we deem appropriate in our discretion, develop additional and refresher training courses, and require you to attend such courses. You will be required to pay our then-current additional training fee (as well as any other expenses incurred in connection with such additional training).

Computer Hardware/Software

You must purchase or lease, and subsequently maintain, the computer hardware and software we specify or require periodically for use in your FranNet Business. You must also install and maintain the equipment, make the arrangements, and follow the procedures we require in the Manuals for the establishment and maintenance of Internet

access (which must be high-speed if available), intranet or extranet access, e-mail account(s), or other means of electronic communication as we specify periodically.

We currently require that you purchase and use a laptop computer with Internet access. The computer system will be used for generating leads. We estimate the cost of the computer hardware and software to be between \$2,500 and \$5,000. We do not currently have independent access to the information and data generated by your computer system, and we are not obligated to provide or assist you in obtaining your computer system. You are not required to upgrade computer hardware or software unless we recommend that you implement a new software or computer hardware for the operation of the FranNet Business and this implementation results in your inability to communicate with us. There are no limitations on the cost and frequency of upgrades of the computer hardware or software. You are not required to purchase any maintenance or support contracts for your computer system.

ITEM 12 **TERRITORY**

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

You do not receive and FranNet does not grant you an exclusive or protected territory or trading area. Except as set forth below, you may work with any Prospect regardless of their domicile. Certain FranNet franchisees have franchise agreements that provide for exclusive territories that will prohibit you from working with Prospects who reside in those territories. FranNet will maintain a list of franchisees which have territorial restrictions and the scope of those restrictions.

You may work with any Prospect referred to you by a friend, relative, or other prior relationship, regardless of their domicile. FranNet maintains relationships with certain national and/or local market sources (“National Relationships”) and that leads generated through National Relationships are subject to FranNet’s National Relationship lead policy described in the Operations Brand Standards Manuals or otherwise in writing from time to time. All purchased leads, and all other leads generated from the internet, will be routed through our leads disbursement system in accordance with our internet lead policy described in the Operations Brand Standards Manuals or otherwise in writing from time-to-time, except those specifically restricted.

No more than one FranNet franchisee participate in job fairs, expos or other similar marketing opportunities. You may not participate in any job fair, expo or other similar marketing opportunity that is within the protected territory of legacy franchisee. If you wish to exhibit in a job fair, expo, or other similar marketing opportunity, you must first verify that no other FranNet franchisee as registered to exhibit or participate in such opportunity. You are encouraged to enlist the participation of other FranNet franchisees to share the cost of these events.


We retain the following rights, through affiliates or directly, to: (1) sell (or authorize others to sell) services that are competitive with the Services authorized for FranNet Businesses, including through businesses using the Marks, regardless of its proximity to you; (2) operate and grant to others the right to operate FranNet Businesses regardless of its proximity to you; (3) sell (or authorize others to sell) Services through other channels of distribution to Franchisors; and (4) engage in all other activities that the Franchise Agreement does not expressly prohibit. You will not be compensated for any of these activities.

As described in Item 1, our Predecessors entered into various business arrangements with independent associates who operate under the name “FranNet” and provide franchise-consulting services. To some extent, you may have to compete with these associates. We have not established, nor do we presently intend to establish, other franchises or company-owned outlets, or other channels of distribution selling or leasing similar products or services under a different trade name or trademark; but, we retain the right to do so without providing any compensation to you. Neither we nor our affiliates are restricted from establishing other franchises or company-owned outlets or other channels of distribution selling or leasing similar products or services under the Marks or a different mark.

ITEM 13
TRADEMARKS

You will be granted the right, by the Franchise Agreement, to establish and operate a Franchised Business under the Mark “FranNet” and other trademarks, trade names, and service marks as we may designate as part of the System (collectively the “Marks”).

We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) the following mark:

Service Mark	Registration Number	Registration Date
FRANNET THE FRANCHISE CONNECTION	2183697	August 25, 1998
FRANNET	3721884	December 8, 2009
	3725072	December 15, 2009
PROVEN MATCH POWERED BY FRANNET	4619900	October 14, 2014
LOCAL. TRUSTED. FRANCHISE EXPERTS.	4278344	January 22, 2013

There are no agreements currently in effect which significantly limit our right to use or license the use of these Proprietary Marks which are in any manner material to the franchise. We do not actually know of any superior rights or infringing uses that could materially affect your use of the Marks in this state or elsewhere.

All required affidavits pertaining to these registrations have been filed. There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state, or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which may be relevant to their use in this state or otherwise.

A second renewal was filed with the USPTO for Registration Number 2183697 on February 19, 2019. A first renewal was filed with the USPTO for Registration Number 3721884 on January 2, 2019. A first renewal was filed with the USPTO for Registration Number 3725072 on January 8, 2019.

You must promptly notify us in writing of any use, claims or rights to, or a trademark identical to or confusingly similar to our Marks that you become aware of. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We need not defend you against any third-party claim, suit, or demand arising out of your use of the Marks. We need not indemnify you for expenses or damages for which you may be liable as a result of your use of the Marks.

If it becomes advisable at any time in our sole judgment for your FranNet Business to modify or discontinue the use of any of the Marks, or for your FranNet Business to use one or more additional or substitute trademarks or service marks, you must comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you, at your sole cost and expense.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any right in, or to, any patents or registered copyrights that are material to the license. Although we have not filed an application for copyright registration for the Operations Brand Standards Manuals or our proprietary Questionnaire or “Roadmap to Success”) (formerly “Blueprint for Success”) or “Crossroads” brochure, we claim copyrights and the information and material is proprietary.

Confidential Operations Brand Standards Manuals

To protect our reputation and goodwill and to maintain high standards of operation under our Marks, you must operate your business in accordance with the Operations Brand Standards Manuals. Upon your completion of our initial training program to our satisfaction, we will loan you one copy of our Operations Brand Standards Manuals for the term of the Franchise Agreement. The Operations Brand Standards Manuals will contain mandatory and suggested specifications, standards and operating procedures which we prescribe for FranNet Businesses.

The Operations Brand Standards Manuals may be modified periodically by us to reflect changes in operating procedures and other aspects of operating your FranNet Business. The most current version of the Operations Brand Standards Manual will be maintained on the myfrannet.com website. You must keep apprised of changes to the Operations Brand Standards Manual by periodically checking the myfrannet.com website. If a dispute develops with respect to the contents of the Operations Brand Standards Manuals, the master copies we maintain at our principal office will be controlling. You agree that you will not permit any part of the Operations Brand Standards Manuals to be copied or disclosed without our permission.

Confidential Information

We own, and may develop in the future, certain confidential and proprietary information and/or trade secrets consisting of the following categories of information: (1) methods, techniques, formats, specifications, procedures, information related to, and knowledge of and experience in, the development, operation and franchising of FranNet Businesses (including our proprietary Questionnaire, “ Roadmap for Success” brochure, and “Cross Roads “ brochure); (2) the contents of the Operations Brand Standards Manuals; and (3) marketing and promotional programs for FranNet Businesses. If you are aware during the term of the Franchise Agreement of any unauthorized access or use of this confidential information, you must timely inform us of any unauthorized use. You may not use the confidential information in any other business or capacity and must maintain the absolute confidentiality of the confidential information during and after the term of the Franchise Agreement.

In order to protect the confidential information against unauthorized use or disclosure, during the term of the Franchise Agreement and subsequently, neither you, nor any member of your immediate family (and if a corporation, limited liability company or partnership is the Franchisee, neither the shareholders, members, partners nor any members of their immediate families) may use the confidential information in any business activities other than through your FranNet Business, nor will you or they use any identity other than that of a FranNet franchisee.

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

You must perform your obligations under the Franchise Agreement faithfully and honestly, and to continuously exert your best efforts to promote and enhance your FranNet Business, for the full term of the Franchise Agreement. You (or, if you are a corporation, partnership or limited liability company, at least one of your principals who has completed our initial training program) must participate personally in the direct operation of the FranNet Business as supervisor and manager.

At our request, your manager and other personnel having access to any of our confidential information, as we require, must sign our non-competition covenants and covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at your FranNet Business. Your manager(s) and

employee(s) who receive any of our proprietary materials must return these materials to us upon leaving your employment and must maintain the confidentiality of these materials. The on-premises supervisor must successfully complete the initial training program; however, if you are an entity, this supervisor need not have a particular equity interest in the FranNet Business.

You may add additional sales personnel under your Franchise Agreement if they (a) have been approved by us; (b) are covered in a written agreement to which you and we are parties; and (c) comply with all training and professional standards required by us.

All principal owners of the Franchisee must also personally guarantee all of the obligations of the Franchisee under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All Franchisors represented by you and other franchisees must first be approved by us, and all contracts with Franchisors will be negotiated by us. Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and seek our consent. You may not provide Services to this Franchisor until consent is obtained in writing by us.

You may only provide the consulting and other services authorized under the Franchise Agreement, and only to Franchisors approved in writing by us. You must provide all services designated by us in the Franchise Agreement, the Operations Brand Standards Manual, or other written form.

The Franchise Agreement does not limit our right to make changes in the types of authorized goods and services.

See Item 12 for restrictions related to your FranNet Business.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions in the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a	Length of the franchise term	2.2	The initial term is for five (5) years commencing on the date we executed your Franchise Agreement
b	Renewal or extension of the term	16	You will have the right to be considered for successor franchises for additional, consecutive terms of 5 years.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c	Requirements for franchisee to renew or extend	16	You have complied with your Franchise Agreement and not had any bona fide defaults for the last 2 years of the initial term; sign our then current form of Franchise Agreement and ancillary agreements for new franchisees which may contain terms materially different from the terms of the initial Franchise Agreement; sign a general release of all claims against us; pay a successor franchise fee; and request the successor franchise not more than 180 days nor less than 60 days before the end of the term of the Franchise Agreement.
d	Termination by franchisee	Not applicable	The Franchise Agreement does not contain this provision.
e	Termination by franchisor without cause	Not applicable	The Franchise Agreement does not contain this provision.
f	Termination by franchisor with cause	14	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g	Cause defined – curable defaults	14.2	Except as described in this Item 17(h), you have 30 days to cure defaults.
h	Cause defined – non-curable defaults	14.1	Non-curable defaults include: failure to complete initial training; abandonment; material misrepresentation or omission in franchise application; conviction of or plead no contest to certain crimes or offenses; unauthorized transfer; unauthorized use, duplication or disclosure of confidential information, the Marks or the Operations Brand Standards Manuals; violation of terrorist laws, ordinances or regulations; failure on 2 or more occasions within a 12-month period to make payments or comply with the Franchise Agreement; provision of Services to an unapproved Franchisor; failure to attend 3 or more FranNet national meetings in any 5-year period, unless due to documented health reasons or other reasons beyond your control; and others.
i	Franchisee’s obligations on termination/ non-renewal	15	Pay all monies owed to us or our affiliates; cease using the Marks; return to us, remove the Marks from, or destroy (whichever we specify) all forms and materials containing the Marks or otherwise relating to a FranNet Business; cancel any assumed name or equivalent registrations relating to your use of any Mark; assign any internet address, telephone advertising, telephone number, or web site containing any of our Marks; assign to us administrative authority over all social media accounts; and cease using our confidential information and return to us the Operations Brand Standards Manuals and any other confidential materials. There are other obligations as well.
j	Assignment of contract by franchisor	13.1	We have the right to transfer our interests in the Franchise Agreement to any person or legal entity.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
k	“Transfer” by franchisee – definition	13.2	You may not transfer the Franchise Agreement or any interest in it, any material asset, or any part or all of the ownership of Franchisee without our prior written approval.
l	Franchisor’s approval of transfer by franchisee	13.2	Any purported transfer not having our written approval will constitute a breach of the Franchise Agreement and convey no rights or interests.
m	Condition for franchisor’s approval of transfer	13.3	Conditions of approval include: our prior written consent; the transferee is of good moral character and otherwise meets our then-applicable standards for Franchisees; the transferee has sufficient business experience, aptitude and financial resources to operate a FranNet Business; your monetary obligations have been satisfied; the transferee has completed our training programs; you or the transferee pays a transfer fee plus our out-of-pocket costs paid to third parties who participate in training the transferee; the transferee signs our then-current form of franchise agreement, and the transferee’s principals guarantees the transferee’s performance in writing; transferor signs a general release; and others.
n	Franchisor’s right of first refusal to acquire franchisee’s business	Not Applicable	The Franchise Agreement does not contain this provision.
o	Franchisor’s option to purchase franchisee’s business	Not Applicable	The Franchise Agreement does not contain this provision.
p	Death or disability of franchisee	13.4	Upon your death or permanent disability, an approved transfer must occur within 90 days.
q	Non- competition covenants during the term of the franchise	15.5	Neither you, your principals nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within the United States or Canada.
r	Non- competition covenants after the franchise is terminated or expires	15.5	For a period of one year commencing on the date of termination or expiration, neither you, your principals nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within the United States or Canada that works with FranNet’s National Relationships or any of the franchisors in FranNet’s inventory at the time, or within the 12-months prior, of your termination

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
s	Modification of the Agreement	17.8	Except as expressly provided otherwise in the Franchise Agreement, all modifications to the Franchise Agreement must be in writing and signed by both parties.
t	Integration/merger clauses	17.8	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u	Dispute resolution by arbitration or mediation	17.3	You must first submit all disputes and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation in the city and state in which our headquarters is located. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated or arbitrated, the parties will split the fees and bear all of their other respective costs of the mediation (subject to applicable state law).
v	Choice of forum	17.7	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Franchise agreement must be initiated and litigated to conclusion (unless settled) in the state and federal courts in Philadelphia, Pennsylvania (subject to state law).
w	Choice of law	17.6	The Franchise Agreement will be governed by the laws of the Commonwealth of Pennsylvania (subject to state law).

ITEM 18
PUBLIC FIGURES

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

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 disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting **Jania Bailey, CEO at 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291 or (502-753-2380)**, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
System-wide Outlet Summary
For Years 2020-2022

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised *	2020	54	49	-5
	2021	49	48	-1
	2022	48	45	-3
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets *	2020	54	49	-5
	2021	49	48	-1
	2022	48	45	-3

* Does not include Hobassco Agreements

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

State	Year	Number of Transfers
California	2020	1
	2021	0
	2022	0
TOTALS	2020	1
	2021	0
	2022	0

**Table 3
Status of Franchised Outlets
For Years 2020-2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Alabama	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Alaska	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
Arizona	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	*1	0	0	0	0	*1
Arkansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
California	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Colorado	2020	1	1	1	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Delaware	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
District of Columbia	2020	*2	0	0	0	0	0	*2
	2021	*2	0	0	0	0	0	*2
	2022	*2	0	0	0	0	0	*2
Florida	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	1	0	0	0	4
Florida	2020	*1	0	0	0	0	0	*1

	2021	*1	0	0	0	0	0	*1
	2022	*1	*2	0	0	0	0	*3
Georgia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	*1	0	0	0	0	*2
Hawaii	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Idaho	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
Illinois	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	*1	0	0	0	0	*2
Indiana	2020	*3	0	0	0	0	0	*3
	2021	*3	0	0	0	0	0	*3
	2022	*3	0	0	0	0	0	*3
Iowa	2020	*2	0	0	0	0	0	*2
	2021	*2	0	0	0	0	0	*2
	2022	*2	0	0	0	0	0	*2
Kansas	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maine	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	0	0	0	0	0	0	0
Massachusetts	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Massachusetts	2020	*1	0	0	*1	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Michigan	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Missouri	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Montana	2020	*1	0	*1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New Hampshire	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New Jersey	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
New Mexico	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New York	2020	3	0	0	1	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

	2022	1	0	0	0	0	0	1
North Dakota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Ohio	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Oklahoma	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Oregon	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	3	0	1	0	0	0	2
	2021	2	0	0	1	0	0	1
	2022	1	0	0	0	0	0	1
Rhode Island	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
South Carolina	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
South Dakota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Utah	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Vermont	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Washington	2020	1	0	0	0	0	0	1

	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
West Virginia	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
Wyoming	2020	*1	0	*1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Canada	2020	6	0	0	0	0	0	6
	2021	6	0	*2	0	0	0	4
	2022	4	0	0	0	0	0	4
Puerto Rico	2020	*1	0	0	0	0	0	*1
	2021	*1	0	0	0	0	0	*1
	2022	*1	0	0	0	0	0	*1
# Arizona	2022	1	0	0	0	0	1	0
# New Mexico	2022	1	0	1	0	0	0	0
Sub-Totals	2020	55	1	4	2	0	0	50
	2021	50	0	1	1	0	0	48
	2022	48	1	2	1	0	1	45
*Multi-territory	2020	20	0	2	1	0	0	17
	2021	17	0	2	0	0	0	15
	2022	15	5	0	0	0	0	20
Grand Total	2020	74	1	6	3	0	0	66
	2021	66	0	3	1	0	0	62
	2022	63	6	3	1	0	0	65

*Multi-territory (Licensee covers this territory as outlined in the Franchise Agreement)

-Territory merged with existing Territory

Hobassco Territories (See Exhibit G) not included in totals

Table 4
Status of Company-Owned Outlets
For Years 2020-2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

	2022	0	0	0	0	0	0
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Table 5
Projected Opening as of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	1	0
Colorado	0	1	0
Illinois	0	1	0
Minnesota	0	1	0
Arkansas	0	1	0
Total	0	5	0

Our fiscal year end is December 31.

The name, business address, and business telephone number of each current franchisee on December 31, 2022 is attached as **Exhibit D**.

The name, last known home address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure documents is attached as **Exhibit E**.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. While we encourage you to speak with current and former franchisees, be aware that not all such franchisees will be able to communicate with you.

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

The name, address, telephone number, e-mail address and web address of our Franchise Advisory Council is fac@frannet.com. The Franchise Advisory Council was created by us to manage and administer the Marketing Program. See Item 11.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C is our audited balance sheet, statement of operations, shareholder's equity, and cash flows as of December 31, 2020, December 31, 2021, and December 31, 2022.

ITEM 22
CONTRACTS

The following agreements related to the offering of the FranNet Business franchise are attached as Exhibits to this disclosure document:

Exhibit B Franchise Agreement

ITEM 23
RECEIPT

A receipt in duplicate is attached to this disclosure document as **Exhibit I**. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to **Jania Bailey, FranNet, LLC, 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291**.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

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

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street Suite 750 Los Angeles, CA 90013 (866) 275-2677 (toll-free)	California Commissioner of Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 1-866-275-2677
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722 (p)	Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Attorney General Franchise Division State of Illinois 500 South Second Street Springfield, IL 62706 (217) 782-4465 (p)	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street Room E111 Indianapolis, IN 46204 (317) 232-6681 (p)	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531 (p)
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 (p)	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennan Williams Building, 6 th Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporation and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Department of Commerce 85 7 th Place East Suite 500 St. Paul, MN 55101-2198 (612) 296-4026 (p)	Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198
NEW YORK	New York Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8236	Secretary of State of New York 99 Washington Avenue Albany, NY 12231

State	State Agency	Agent for Service of Process
NORTH DAKOTA	North Dakota Securities Department State of North Dakota Capitol Building 600 East Boulevard Avenue 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712 (p)	Securities Commissioner, State of North Dakota Fifth Floor 600 East Boulevard Avenue. Bismarck, ND 58505-0510
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street N.E. Suite 410 Salem, OR 97310 (503) 378-4387 (p)	Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon 350 Winter Street, NE, Room 21 Portland, OR 97310
RHODE ISLAND	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500 (p)	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid Street, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid Street, Suite 104 Pierre, SD 57501
VIRGINIA	State Corporation Commission Division of Securities & Retail Franchising 1300 East Main Street 9 th Floor Richmond, VA 23219 (804) 371-9051 (p) (804) 371-9911 (f)	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, VA 23219 (804) 371-9733 (p)
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Director of Department of Financial Institutions Securities Division State of Washington 150 Israel Road SW Tumwater, Washington 98501
WISCONSIN	Director of Divisions of Securities Registration Division 101 East Wilson Street 4 th Floor Madison, WI 53703 (608) 266-1365 (p)	Commissioner of Securities Wisconsin Securities Commission 345 W. Washington Ave., 4 th Floor P.O. Box 1768 Madison, WI 53703
ALL OTHER STATES	None	Jania Bailey FranNet, LLC 6844 Bardstown Road, Unit 645 Louisville, KY 40291

EXHIBIT B
FRANCHISE AGREEMENT

FRANNET, LLC
FRANCHISE AGREEMENT

Franchisee

Term of Agreement

Franchise No.

Address

FRANNET, LLC
FRANCHISE AGREEMENT

This Agreement is entered into as of _____, 20__ (“Effective Date”). The parties to this Agreement are you,

_____ as Franchisee, and us, FRANNET, LLC, as Franchisor, a New Jersey limited liability company, with our principal office at 6844 Bardstown Road, Unit 645, Louisville, KY 40291.

1 INTRODUCTION

This Agreement has been written in an informal style to make it more easily understandable and to help you become thoroughly familiar with all of the important rights and obligations contained in this Agreement before you sign it. In this Agreement, we refer to FRANNET, LLC as “we”, “us” or “ourselves”, or in some cases as “FranNet” or the “Franchisor.” We refer to you as “you” or in some cases as “Franchisee.”

We are engaged in the business of consulting with and representing franchisors, potential franchisors, licensors, and other business opportunity companies (all of which we refer to as “Franchisors”) in connection with the sale of their franchises, business opportunities, licenses and existing resales of same (all of which we refer to as “Franchise” or “Franchises”). In the course of conducting our business, we recruit and meet with potential franchisees (“Prospects”) and exchange information with them to help determine what type of Franchise and which Franchisors may be most suitable.

Through the expenditure of considerable time and effort, we have acquired experience, skills, methods, techniques and knowledge relating to the representation of Prospects of Franchises as well as the growth and development of Franchisors identifying, evaluating and introducing Prospects (the “Services”), and have developed methods, formats and procedures (all of which we refer to as the “System”). We identify FranNet and various components of the System by certain trademarks, service marks and other commercial symbols, including the mark “FranNet” (which we refer to as the “Marks”). The businesses which offer the Services and such other related programs and services as we designate from time to time under the Marks are known, and referred to in this Agreement, as “FranNet Businesses.” We may, in the future, develop, enhance or modify various aspects of the System or adopt other trademarks, service marks or other commercial symbols which you must use as a Franchisee.

You recognize the benefits derived from being identified with us, and acknowledge and appreciate the distinctive and valuable significance to the public of the System and the Marks and understand the importance of our high and uniform standards of quality, appearance, and service to the value of the System.

2 GRANT OF FRANCHISE

2.1 Grant

Subject to the provisions of this Agreement, we grant to you a license the “Franchised Business” or “your Franchise”) to operate a FranNet Business (the “Business” or “your Business”).

2.2 Term of Franchise

You will have the right to use the Marks and the System in the operation of your Business for a term of five (5) years, beginning on the Effective Date of this Agreement (the “Effective Date”) subject to your rights to enter into a successor Franchise Agreement as described in Section 16. Termination or expiration of this Agreement will constitute a termination or expiration of your license. The license granted to you by this Agreement is for the opportunity to operate your Business and to use the Marks and the System only for the purpose of operating a FranNet Business.

2.3 Full Term Performance

You agree to perform your obligations under this Agreement faithfully and honestly, and to continuously exert your best efforts to promote and enhance your Business, for the full term of this Agreement.

2.4 Customer Restrictions

Certain FranNet franchisees have franchise agreements that provide for exclusive territories that will prohibit you from working with Prospects who reside in those territories. FranNet will maintain a list of franchisees which have territorial restrictions and the scope of those restrictions. You agree to comply with FranNet’s restrictions as updated from time-to-time.

You may work with any Prospect referred to you by a friend, relative, or other prior relationship, regardless of their domicile. You agree and acknowledge that FranNet maintains relationships with certain national and/or local market sources (“National Relationships”) and that leads generated through National Relationships are subject to FranNet’s National Relationship lead policy described in the Operations Brand Standards Manuals or otherwise in writing from time to time. All purchased leads, and all other leads generated from the internet, will be routed through our leads disbursement system in accordance with our internet lead policy described in the Operations Brand Standards Manuals or otherwise in writing from time-to-time, except those specifically restricted.

2.5 Our Territorial Restrictions

You acknowledge and agree that you do not receive, and FranNet does not grant, you an exclusive or protected territory or trading area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

2.6 Reservation of Rights

Regardless of any of the foregoing, we retain the following rights, through affiliates or directly, without granting any rights to you, to:

- 2.6.1 sell (or authorize others to sell) services that are not competitive with the Services authorized for FranNet Businesses, using the Marks, regardless of its proximity to you;
- 2.6.2 operate and grant to others the right to operate FranNet Businesses regardless of its proximity to you;
- 2.6.3 sell (or authorize others to sell) services other than the Services, including but not limited to, consulting services, using the Marks regardless of its proximity to you;
- 2.6.4 sell (or authorize others to sell) Services through other channels of distribution for Franchisors;
- 2.6.5 engage in all other activities that this Agreement does not expressly prohibit.

2.7 Modifications to the System

You acknowledge that the System may be supplemented, improved, and otherwise modified from time to time by us; and you agree to comply with all of our reasonable requirements in that regard, including, without limitation, offering and selling new or different services, programs or products as specified by us.

3 SERVICES OF FRANCHISOR

As Franchisor, we will: (a) loan to you a copy of the current Operations Brand Standards Manuals and all revisions and updates (as described in Section 5.2 of this Agreement); (b) provide an initial training program (as described in Section 4 of this Agreement); (c) provide you with ongoing assistance and guidance in the operation of your Business as described in Section 5.1; (d) provide you with the specifications for the Marks you use as described in Section 6; and (e) pay you commissions and other compensation as set forth in Exhibit “A.”

As used in this Franchise Agreement, the term “Gross Consulting Income” means all income derived or accrued from any benefit granted under this Franchise Agreement and includes income events identified in Exhibit “A” hereto. FranNet shall assume the costs of any effort, including legal fees, to collect Gross Consulting Income that is, in FranNet’s sole opinion, due and payable based on your activities utilizing FranNet’s consulting methodology and generated as a result of providing a lead which you sent to a Franchisor. You may not accept any compensation directly from a Franchisor if we are entitled to any part of such compensation without our prior written consent. You may receive compensation directly from a Franchisor if we are not entitled to any part thereof. You will immediately remit in full to FranNet any Gross Consulting Income you receive from any source for performing Services. You may retain any non-monetary gifts or

trips presented to you by Franchisors. If any Franchisor shall declare the value of any such non-monetary gift or income to FranNet, then FranNet shall declare the same values as income to you.

4 TRAINING

4.1 Training Programs

Before the opening of your Business, we will provide an initial training program concerning the System and the operation of a FranNet Business. Such training program will be furnished at our headquarters or one of our regional training sites. We reserve the right to offer any portion or all of our training program(s) virtually or otherwise via remote learning. You must complete the initial training program to our satisfaction. All of your employees and independent contractors/associates whose responsibilities will include communicating or meeting with Prospects must also attend and complete the initial training program to our satisfaction prior to such employees' or independent contractor/associate's communication or meeting with any Prospect. We will also provide you with optional continuing training sessions at our headquarters or one of our regional training sites. You agree to pay FranNet the sum of \$2,500 for each consultant that you hire or engage (your employees and independent contractors/associates) in order for FranNet to train them, exclusive of FranNet's mentor program. For all training programs and seminars required by this Agreement, you will be responsible for (1) any training fee imposed by us or a third party providing training to you, your employees, and independent contractors/associate, and (2) any and all expenses incurred by you, your employees, and independent contractors/associates in attending such programs and seminars, including, without limitation, the costs of transportation, lodging, meals, and wages.

4.2 Meeting Attendance

You agree that you will use your best efforts to attend all FranNet National Meetings and any of your employees or associates who meet with clients will attend at least one FranNet National Meeting for Franchisees annually, and bear any and all expenses incurred by you, your employees, and associates in attending such meetings, including, without limitation, the costs of transportation, lodging, meals, and wages. You must notify us as soon as reasonably practical if you are unable to attend a FranNet National Meeting. If you fail to attend three or more FranNet National Meetings in any 5-year period without approval from us, you will be in default of the Franchise Agreement, unless such failure is due to documented health reasons or other events beyond your reasonable control.

4.3 Our Right to Terminate this Agreement

If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable franchisee, we have the right to terminate this Agreement and refund to you fifty percent (50%) of your initial franchise fee.

5 GUIDANCE OPERATIONS BRAND STANDARDS MANUALS

5.1 Guidance and Assistance

During the term of this Agreement, we will furnish guidance and assistance to you periodically with respect to: (1) the marketing of the services offered by FranNet Businesses; (2) information about the Franchisors represented by FranNet; (3) general operating procedures; and (4) changes in any of the above that occur from time to time. This guidance and assistance will, in our discretion, be furnished in the form of the Operations Brand Standards Manuals (described in Section 5.2 below), bulletins, written reports and recommendations, other written publications and materials, electronic mail and telephone consultations.

5.2 Operations Brand Standards Manuals

We will loan to you during the term of this Agreement our confidential, proprietary Systems Documentation Materials including all system and procedures for dealing with Prospects and Franchisors (the “Operations Brand Standards Manuals”). The Operations Brand Standards Manuals will contain mandatory and suggested specifications, standards and operating procedures which we prescribe from time to time for FranNet Businesses. The Operations Brand Standards Manuals may be modified from time to time by us to reflect changes in operating procedures and other aspects of operating your FranNet Business. The most current version of the Operations Brand Standards Manual will be maintained on the myfrannet.com website. You must keep apprised of changes to the Operations Brand Standards Manual by periodically checking the myfrannet.com website. If a dispute develops with respect to the contents of the Operations Brand Standards Manuals, the master copies we maintain at our principal office will be controlling. You agree that you will not permit any part of the Operations Brand Standards Manuals to be copied or disclosed without our permission.

6 MARKS

6.1 Ownership and Goodwill of the Marks

You acknowledge and agree that we are the exclusive owner of the Marks and that during the term of this Agreement, any subsequent term, and after its expiration or termination, you will not directly or indirectly contest or aid in contesting the validity of the Marks or ownership by us of the Marks. You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of your Business pursuant to and in compliance with this Agreement. If you make any unauthorized use of any of the Marks, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that this Agreement does not confer any goodwill, ownership or other interests in the Marks on you. All provisions of this Agreement which apply to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork and logos we may authorize and license you to use during the term of this Agreement.

6.2 Limitations on Use of the Marks; Litigation

You agree not to use any Mark as part of any corporate or partnership name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, except as specifically approved by us. You agree not to use any Mark in connection with any unauthorized services or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe, and to use any notices of trademark and service mark registrations that we specify. You further agree to obtain any fictitious name, assumed name or “doing business as” registrations that may be required under applicable law. You agree to cooperate with and assist us in connection with any legal action brought by or against you or us regarding the protection and preservation of the Marks, System or the Operations and Brand Standards Manual(s).

6.3 Discontinuance of Use of Marks

If it becomes advisable at any time in our sole judgment for your Business to modify or discontinue the use of any of the Marks, or for your Business to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions to modify or otherwise discontinue the use of such Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

7 **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION**

7.1 Independent Contractor; No Fiduciary Relationship

This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You will conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of your Business pursuant to a franchise agreement with us. We will not control the means by which you perform Services, where you perform Services, or how often you provide Services, provided that all Services are performed in compliance with this Agreement.

7.2 No Liability; No Warranties

Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that the relationship between you and us is other than that of franchisee and franchisor. We will not assume any liability or be deemed liable for any agreements, representations or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement.

7.3 Taxes

We will have no liability for any sales, service, use, excise, income, gross receipts, property or other taxes levied against you or your assets or on us in connection with the business you

conduct or any payments you make to us or any affiliate pursuant to this Agreement or any related agreement.

7.4 Indemnification

You agree to indemnify, defend and hold us, our affiliates, managers, members, shareholders, directors, employees, agents, successors and assigns (collectively, the “Indemnified Parties”), harmless from and against any and all damages, claims, losses, liabilities, fines, costs and expenses (including attorney fees, court costs, and other litigation expenses incurred by the Indemnified Parties in defending or contesting any claim) arising out of: (a) your breach of any provisions of this Agreement; (b) your actions and omissions, including the actions and omissions of your employees and associates/independent contractor; and (c) the operation of your Business. For example, and not in limitation of the foregoing, you must reimburse us for all obligations and damages described in Section 7.2, and any taxes described in Section 7.3, for which we are held liable. We have the right to defend any such claim against us. Your indemnification obligations described above will continue in full force and effect after the expiration or termination of this Agreement.

8 CONFIDENTIAL INFORMATION; OTHER ACTIVITIES

8.1 Types of Confidential Information

We own, and may develop in the future, certain confidential and proprietary information and/or trade secrets consisting of the following categories of information: (1) methods, techniques, formats, specifications, procedures, information related to, and knowledge of and experience in, the development, operation and licensing of FranNet Businesses (including any client or prospect list); (2) the contents of the Operations Brand Standards Manuals; and (3) marketing and promotional programs for FranNet Businesses. You acknowledge and agree that all such information (“Confidential Information”) is confidential and proprietary. If you are aware during the term of this Agreement of any unauthorized access or use of this Confidential Information, you are required to timely inform us of any such unauthorized use.

8.2 Nondisclosure Agreement

You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Business. You agree that you will not use the Confidential Information in any other business or capacity and will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement. The restrictions on your disclosure and use of the Confidential Information will not apply to information which is generally known in the business brokerage business.

8.3 Other Activities

In order to protect the Confidential Information against unauthorized use or disclosure, you agree that during the term of this Agreement and thereafter, neither you, nor any member of your immediate family (and if a corporation, limited liability company or partnership is the Franchisee, neither the shareholders, members, partners nor any members of their immediate families) will use

the Confidential Information in any business activities other than through your Business, nor will you or they use any identity other than that of a FranNet franchisee.

9 FEES

9.1 Franchise Fee

The initial franchise fee is _____ Dollars (\$_____). The initial franchise fee is payable by you and fully earned by us upon execution of this Agreement. Except as otherwise provided in Section 4.3 above, the initial franchise fee is non-refundable.

9.2 Insurance Premiums

You will pay to us ongoing periodic premiums for your pro-rata share (based on the number of Franchisees, employees and associates/independent contractors covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for such insurance as described in Section 10.3 below. The first premium is due when you sign the Franchise Agreement. Premiums not paid within ten (10) days of the due date will be subject to a late fee equal to the lesser of: ten percent (10%) of the delinquent amount or the highest applicable legal rate for open account business credit in your state. You acknowledge that your failure to pay all amounts when required under this Agreement shall constitute grounds for termination of this Agreement. The current pro rata charge per franchisee/employee/associate for 2023 is \$775. You will be charged \$775 multiplied by the number of consultants in your office (including you and all of your employees and associates/independent contractors) as of January 1, 2023

9.3 Ongoing Fees

You shall pay ongoing quarterly fees as set forth in the FranNet Marketing Program described in Section 11.1 of this Agreement, administered by the franchise advisory council established by us (the "Council"). The Council will make recommendations to FranNet franchisees regarding the use of marketing program fund monies. In addition, you must pay ongoing technology fees as set forth in Section 11.9 of this Agreement below.

9.4 Other Fees

We may offer you services not offered under the terms of this Franchise on an optional basis which you may or may not elect to utilize. If you elect to utilize such services, you agree to pay for such services within ten (10) days of the payment due date.

9.5 Services Approved by Council

In addition to the monthly marketing fees described above, there may be services utilized by you which may be recommended or required by the Council for marketing purposes, in accordance with its policies and procedures. You agree to pay for such services within ten (10) days of the payment due date.

10 OPERATION OF THE BUSINESS

10.1 Importance of System Image

You acknowledge that our standards are important to you, to us and to other franchisees in order to increase the demand for the services of FranNet Businesses and to establish and maintain a reputation for operating high quality businesses. You agree that you will operate your Business in accordance with our standards and consistent with the image of a FranNet Business as a professional and efficiently operated business. Mandatory standards and operating procedures we prescribe from time to time for FranNet Businesses in the Operations Brand Standards Manuals, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement.

10.2 Compliance with Laws and Good Business Practices

You agree to secure and maintain in force in your name all required licenses, permits and certificates. You agree to operate your Business in full compliance with all applicable laws, ordinances and regulations, and pay all taxes applicable to your Business; including any law, ordinance or regulation relating to terrorist activities. You shall (1) in all dealings with customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, (2) comply with all federal, state and local laws and regulations applicable to Franchise sales activities (including, without limitation, laws and regulations relating to disclosure, earnings claims, financial performance representations, registration and advertising), and (3) not make any representations to any Prospects about the Franchises or otherwise which are misleading, incomplete, fraudulent or untrue, or which are contradicted by or inconsistent with the written materials provided to you (including, without limitation, Franchise agreements, disclosure documents, and Franchise Operations Brand Standards Manuals).

10.3 Insurance

During the term of this Agreement, you must maintain general liability insurance and errors and omissions insurance coverage at your sole expense and under policies of insurance issued and administered by carriers approved by us. The insurance policies must name FranNet LLC as an additional insured and must provide coverage for anyone in your office that works with Franchisors or Prospects. The policy must provide not less than ten (10) days' notice of cancellation or non-renewal to us. We will attempt to arrange group policies providing errors and omissions insurance coverage. If we offer group coverage, you must participate and pay your pro-rata share of the premium (based on the number of consultants covered, including franchisees, their employees and associates). Such insurance coverage shall be maintained in such minimum amounts as we prescribe. We may periodically increase or decrease the amounts of coverage and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. If you do not maintain the required insurance coverage, we may obtain, at our option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf and at your cost. You must provide us with a certificate of general liability insurance within (10) days of signing your Franchise Agreement.

10.4 Computer System

You must purchase or lease, and thereafter maintain, the computer hardware and software we specify or require from time to time for use in your Business. You must also install and maintain the equipment, make the arrangements, and follow the procedures we require in the Manuals for the establishment and maintenance of Internet access (which must be high-speed if available), intranet or extranet access, e-mail account(s), or other means of electronic communication as we specify from time to time.

10.5 Compliance with Franchise Referral Agreements.

You agree to be bound by the Franchise Referral and Commission Agreements (and similar agreements) that we enter into with Franchisors, to the extent such agreements are applicable to your services. In particular, but not in limitation of the foregoing, you are liable to Franchisors for damages a Franchisor may incur as a result of: (a) your violation of any applicable law, rule or regulation, including laws regulating the sale of franchises; (b) your actions and omissions, and the actions and omissions of your employees and associates. You agree to indemnify and hold us harmless from any claim asserted by a Franchisor or any third party arising out of your breach, actions or omissions as described above.

11 MARKETING

11.1 FranNet Marketing Program

You must participate in a central program (“Marketing Program”) which produces leads to franchisees operating a FranNet business, and conducts various marketing activities specified by the Council, including, but not limited to, engagement of a public relations firm; market research; market surveys; search engine optimization; maintenance and design of our website; payment of our association dues (including, without limitation, International Franchise Association and Canadian Franchise Association dues); maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations materials, sales materials and or promotional programs and materials; and payment of other costs that the Council believes are appropriate to enhance, promote and protect the FranNet System and brand. The Marketing Program shall be administered by the Council as follows:

- 11.1.1 Program Funding. The Marketing Program is funded by contributions from other FranNet Franchisees and our self. The Marketing Program shall be managed entirely by the Council. The Council shall have sole discretion over how the Marketing Program contributions are expended. All sums paid by you to the Marketing Program will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except as otherwise described herein. We are not obligated to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or from expenditures by the Marketing Program. It is anticipated that all contributions to and earnings of the Marketing Program fund will be expended for advertising and/or promotional purposes during the taxable

year within which the contributions are made. You acknowledge that monies in the Marketing Program are not a trust or asset of ours, and that neither we nor the Council are a trustee of the Marketing Program or the monies in it or a fiduciary to you with respect to them. The Marketing Program's financial statements will be available for review by franchisees on written request, but the financial statements will not be audited.

11.1.2 Franchisee Participation. You will participate in the Marketing Program, with a quarterly contribution, currently Seven Hundred Twenty-Five Dollars (\$725) per consultant in your office (you and any of your employees and independent contractors/associates), for each quarter as described in this Section 11.2. Said contribution amounts will not be increased by more than ten percent (10%) total in any calendar year, unless the Council implements a program(s) causing additional fees to be paid. You shall make payment for the upcoming quarter directly to us for the Marketing Program by the tenth (10th) day of January, April, July, and October during the term hereof. Payments are considered late if received after the tenth (10th) day of such month. If any payment is late, we will have the right, in addition to our other rights and remedies hereunder, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until such payment has been made. Upon the completion of our initial training program as required by Section 4 above, you will remit sufficient payments for the quarterly contribution to cover all amounts due for the days remaining in the quarter of completion of said Basic Training (pro-rated) plus pre-payment of the following quarter's amount. The Council shall have sole discretion to establish the budget for the Marketing Program, including the monthly marketing contribution.

11.1.3 Current Status. The Marketing Program may place local, regional or national advertising, and may conduct any other activity that the Council feels is an effective method to produce leads for Prospects.

11.2 Lead Generation/Lead Assignment

You must comply with our marketing and lead generation policies as described in the Operations Brand Standards Manual or in other communication from us to you, including but not limited to, policies relating to marketing and lead generation from seminars, webinars, trade shows, the internet, and personal referrals. No more than one FranNet franchisee participate in job fairs, expos or other similar marketing opportunities. You may not participate in any job fair, expo or other similar marketing opportunity that is within the protected territory of legacy franchisee. If you wish to exhibit in a job fair, expo, or other similar marketing opportunity, you must first verify that no other FranNet franchisee as registered to exhibit or participate in such opportunity. You are encouraged to enlist the participation of other FranNet franchisees to share the cost of these events.

11.3 Program Changes

The Council will operate pursuant to written governing documents which must be approved in advance by us in writing. We reserve the unconditional right to refuse to allow you to participate in the Marketing Program and the internet lead program described above, if you are in breach of this Agreement (including without limitation late payments hereunder) or any other agreement materially affecting us.

11.4 Non-Solicitation

You expressly agree that you will not solicit or accept marketing contributions, payments or support from a Franchisor, except that nothing herein shall prevent you and a Franchisor from agreeing to participate in a local event or trade show and with the Franchisor contributing monetarily to that event. Any expressions of interest, made by a Franchisor to you, for providing any such marketing contributions, payments or support will be referred by you to us.

11.5 Separate Identity

If you use the System or the Marks to sell a franchise not approved by Franchisor; to resell an existing franchise; or in any way use the Mark or System for any other purpose, including, but not limited to, consulting, you must pay us a percentage of the fee earned in an amount not less than the fee on the Commission Schedule.

11.6 Approval of Promotional Materials Required

Before you use or disseminate advertising and promotional materials which were not prepared or approved by us, you must submit samples of such materials to us. We retain the right to require that you cease using any advertising or promotional materials that violate any state or federal laws, rules or regulations or that are considered by us, in our sole discretion, to constitute an unauthorized use of our Marks.

11.7 Approval of Franchisors Required

Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and seek consent from us. You may not provide Services to this Franchisor until consent is obtained in writing from us and our Vice President of Operations. Once approved, you may represent this Franchisor as if within our national inventory and derive the same fees for the same services. You acknowledge and agree that your failure to comply with the provisions of this Section 11.8 shall constitute a material breach of this Agreement.

11.8 Website

11.8.1 You specifically acknowledge and agree that any Web Site (as defined below) will be deemed “advertising” under this Agreement, and will be subject to (among other things) our approval under Section 11.7 above. As

used in this Agreement, the term "Web Site" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software. The term Web Site includes, but is not limited to, the Internet and World Wide Web.

- 11.8.2 We will have the right, but not the obligation, to establish and maintain a Web Site (which may, without limitation, promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System). We will have the sole right to control all aspects of the Web Site, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Web Site at any time without notice to you.
- 11.8.3 Except as approved in advance in writing by us, you must not establish or maintain a separate Web Site, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Business. If such written approval is granted by us, you must establish and operate such Web Site in accordance with our standards and policies provided to you in the Operations Brand Standards Manuals or otherwise in writing from time to time.
- 11.8.4 We have the right to modify the provisions of this Section 11.8 relating to Web Sites in the Operations Brand Standards Manuals, as we solely determine is necessary or appropriate for the best interests of the System.

11.9 MyFranNet.com Software

- 11.9.1 During the term of the Franchise Agreement, and provided you are not in default hereunder, you have the right to use the MyFranNet.com customer relationship management software (the "Software") which is owned by us. You agree that the Software and the templates, training tools, and other forms of information contained therein from time to time constitutes our Confidential Information. During the term of the Franchise Agreement, and provided you are not in default under the Franchise Agreement, you will have exclusive use of, and the right to control and manipulate, the names, addresses, telephone numbers, and other contact information in the data base input by you (the "Contact Information"). Upon the expiration or earlier termination of this Agreement, you must promptly return the Software to us. You may not retain any copies of the Software. You and we may each maintain a copy of the Contact Information. Notwithstanding the foregoing, in the event you transfer the Franchise Agreement in compliance with Section 13 below, you may transfer the right to use the Software and the Contact Information to an approved transferee, subject to our continuing rights therein. You must pay us \$350.00 per calendar quarter, in advance, for use of the MyFranNet.com software. We reserve

the right to increase this fee.

11.9.2 We reserve the right to suspend your use of the MyFranNet.com software, including but not limited to your email account, microsite, and the MyFranNet.com account for non-payment of fees in a timely manner as outlined in this agreement or for non-compliance with providing insurance certificates, seller disclosure forms, or W-9 forms as requested.

12 RECORDS

You agree, at your expense, to maintain and preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books and records for the Business, including, without limitation, copies of all client contracts and listings, and data relating to your listings and transactions which you have completed. We and our designated agents have the right, at all reasonable times, to examine and copy, at our expense, your books, records, accounts and tax returns. We also have the right, at any time, to have an independent audit made of your books and records.

You must furnish to us, in the form from time to time prescribed by us upon our request, such monthly or other reports, data, information, and records for such periods as we from time to time require in the Operations Brand Standards Manuals or otherwise in writing.

13 OWNERSHIP AND TRANSFER REQUIREMENTS

13.1 Transfer by Franchisor

This Agreement is fully transferable by us and will inure to the benefit of any person or entity to which we transfer it, or to any other legal successor to our interest in this Agreement.

13.2 Transfer by Franchisee

You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on your character, skill, aptitude, attitude and business ability. Therefore, except as otherwise specifically provided herein, neither this Agreement (or any interest in it), any material asset nor any part or all of the ownership of your Business may be transferred without our prior written approval, and any such transfer without our approval shall constitute a breach of this Agreement and convey no rights or interests.

13.3 Conditions for Approval of Transfer

If you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a transfer. The proposed transferee or its owner(s) must be of good moral character and otherwise meet our then-applicable standards for franchisees. If there is a transfer of this Agreement or any material asset, the transfer is of a controlling interest in your Business, or is one of a series of transfers which in the aggregate constitutes the transfer of a controlling interest in your Business, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

- 13.3.1 the transferee must have sufficient business experience, aptitude and financial resources to operate a FranNet Business;
- 13.3.2 you must pay such monthly marketing contributions and any other amounts owed to us or our affiliates which are then due and unpaid;
- 13.3.3 the transferee must have completed our training programs;
- 13.3.4 you or the transferee must pay to us a transfer fee to defray training and other expenses incurred by us in connection with the transfer. The transfer fee shall be five thousand dollars (\$5,000.00) plus the required out-of-pocket costs paid to third parties who participate in training the transferee;
- 13.3.5 the transferee must sign our then-current form of franchise agreement, which may provide for different fees, rights and obligations, than are provided in this Agreement; and such principals of the transferee as we require must guarantee the performance of all such obligations in writing in a form satisfactory to us;
- 13.3.6 you must execute a general release, in form satisfactory to us, of any and all claims against us, our affiliates and our officers, directors, employees and agents; and
- 13.4.7 you must agree to comply with all of your post-term obligations as set forth in this Agreement

13.4 Death or Disability

If you (or any person owning a controlling interest in your Business where you are a corporation, partnership, or limited liability company) die or become permanently disabled, and a transfer of that interest to a third party approved by us is not made within a reasonable time (not to exceed six (6) months) from the date of death or permanent disability, such failure to transfer will constitute a breach of this Agreement. The transfer will be subject to all of the terms and conditions for transfers under Section 13.3 of this Agreement.

13.5 Effect of Consent to Transfer

Our consent to a proposed transfer pursuant to Section 13 of this Agreement will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by any transferee.

13.6 Addition of Additional Sales Personnel by You

You may add additional sales personnel in if they (a) enter into a written agreement acceptable to us, protecting our Confidential Information; and (b) complete training to our satisfaction and adhere to professional standards as required by us in the Brand Standards Manuals.

14 TERMINATION OF THE FRANCHISE

14.1 Notice Without Opportunity to Cure

Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the date of the written notice of termination to you (in the manner provided under Section 19 of this Agreement):

- 14.1.1 If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable franchisee, in which case we will refund to you fifty percent (50%) of your initial franchise fee;
- 14.1.2 If you abandon or cease to actively operate your Business for more than fifteen (15) days without our advance written approval;
- 14.1.3 If you or any of your owners has made any material misrepresentation or omission in applying for a FranNet Franchise;
- 14.1.4 If you or any of your owners are convicted by a trial court of, or plead no contest to, a felony or other crime or offense that is likely to adversely affect your reputation, our reputation, or the reputation of your Business or any other FranNet Business;
- 14.1.5 If you make an unauthorized direct or indirect transfer of this Agreement, any material asset of your Business, an ownership interest in your Business or fail to assign this Agreement or the interest of a deceased or disabled controlling owner thereof as required by this Agreement;
- 14.1.6 If you or any of your owners make any unauthorized use, duplication or disclosure of any Confidential Information, the Marks or the Operations Brand Standards Manuals;
- 14.1.7 If you or any of your owners are in violation of any law, ordinance or regulation relating to terrorist activities or your assets, property or interests are “blocked” under any such law, ordinance or regulation;
- 14.1.8 If you fail on two (2) or more separate occasions within any period of twelve (12) consecutive months, to pay when due any amounts due to us or our affiliates, or otherwise fail to comply with this Agreement, whether or not those failures to comply are corrected after you receive notice of default;
- 14.1.9 If you provide Services to an unapproved Franchisor as described in Section 11.7 of this Agreement;
- 14.1.10 If you fail to attend 3 or more FranNet National Meetings in any 5-year period, unless such failure is due to documented health reasons or other

events beyond your reasonable control;

- 14.1.11 If you or any of your owners, officers, directors, or employees engage in conduct that exhibits a reckless disregard for the physical or mental well-being of employees, customers, franchisors, our representatives, or the public at large—such conduct includes battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse, or other forms of threatening, outrageous, or unacceptable behavior, unless the offending person is promptly terminated;
- 14.1.12 If you become insolvent or makes a general assignment for the benefit of creditors;
- 14.1.13 If a petition in bankruptcy is filed by you or such a petition is filed against or consented to by you and such petition is not dismissed within 45 days;
- 14.1.14 If you are adjudicated as bankrupt;
- 14.1.15 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;
- 14.1.16 If a receiver or other custodian (permanent or temporary) of your business or assets is appointed by any court of competent jurisdiction;
- 14.1.17 If a proceedings for a composition with creditors under Federal or any state law is instituted by or against you;
- 14.1.18 If a final judgment in excess of \$5,000 against you remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed);
- 14.1.19 If execution is levied against your property, or suit to foreclose any lien against your assets is instituted against you and not dismissed within 45 days;
- 14.1.20 If you receive three or more complaints from franchisors or clients regarding lack of professionalism or other service complaints in any 12-month period;
- 14.1.21 If we receive three or more complaints in any consecutive 12-month period from your employees or independent contractors regarding alleging violation of employment practices, non-compliance with the Franchise Agreement, or non-compliance with applicable law;
- 14.1.22 If you fail to report and pay when due, employee salaries, payroll taxes or sales taxes; or
- 14.1.23 If you or any of your owners fails to comply with the restrictive covenants of Sections 8 or 15.

14.2 Notice with Opportunity to Cure

Except as otherwise provided in Section 14.2 of this Agreement, upon any other default by you, we may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 19 of this Agreement) stating the nature of the default to you at least thirty (30) days prior to the effective date of termination; provided, however, that you may avoid termination by curing it to our satisfaction, and by promptly providing proof thereof to us within the applicable cure period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to you, effective immediately upon the expiration of the applicable cure period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder include the following illustrative events:

- 14.2.1 If you fail to make payment of any amounts due to us or our affiliates and do not correct that failure within ten (10) days after written notice of the failure is delivered to you;
- 14.2.2 If you forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located;
- 14.2.3 If a serious or imminent threat or danger to public health or safety results from developing or operating the Franchised Business and such threat or danger remains uncorrected for two days after we or any governmental authority delivers written notice thereof—unless a cure cannot be reasonably completed in such time, in which event you shall, within such time, begin to take all reasonable steps to cure, and shall complete the cure as soon as reasonably practical, but in no event later than 30 days after delivery of such written notice (or such shorter cure period as the governmental authority may permit), and you fail to promptly terminate such employee;
- 14.2.4 If you fail to timely pay your trade creditors and such failure continues for a period of fifteen days after notice thereof is given to you;
- 14.2.5 If you or any of your affiliates defaults under any other agreement with us or any of our affiliates and we terminate such agreement on account thereof;
or
- 14.2.6 If you fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure we prescribe.

14.3 Liquidated Damages

If we terminate your Franchise Agreement for cause, you must pay us within 15-days after the effective date of termination liquidated damages equal to: 10% of your Gross Consulting Income during the 12 months or operation preceding the effective date of termination, (a)

multiplied by 2 (2 full years); or (b) if less than 2-years remains on the term of the Franchise Agreement, the amount set forth in (a) above divided by 24 (the number of months in 2 full years) multiplied the number of months remaining in the term of the Franchise Agreement, had it not been terminated. The parties acknowledge that it would not be practical to determine precisely the damages FranNet would incur from this Agreement's termination. The parties consider this liquidated damages provision to be a reasonable, good faith, estimate of those damages. This provision only covers FranNet's damages from the loss of revenue, it does not cover any other damages, including damages to FranNet's reputation with the public or franchisors and damages arising from a violation of any provision of this Agreement. You and each of your owners agree that the liquidated damages provision does not give FranNet an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the loss of Gross Consulting Income less the commissions payable to you.

15 RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

15.1 Payment of Amounts Owed to Us

You agree to pay us within fifteen (15) days after the effective date of termination or expiration of this Agreement, or any later date that the amounts due to us are determined, any fees and other amounts owed to us or our affiliates which are then unpaid.

15.2 Marks

You agree that after the termination or expiration of this Agreement you will: (a) not directly or indirectly at any time identify yourself or any business with which you are associated as a current or former FranNet Business owner or franchisee of ours; (b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us; (c) return to us, remove the Marks from, or destroy (whichever we specify) all forms and materials containing any Mark or otherwise relating to a FranNet Business; (d) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark; (e) furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the above obligations; (f) assign any internet address, telephone advertising, or website containing any of our Marks which cannot be immediately discontinued; and (g) transfer to us all administrative authority to all social media accounts (such as FaceBook, Twitter, and Instagram) that were used by you in your Business during the term of this Agreement.

15.3 Confidential Information

You agree that on termination or expiration of this Agreement you will immediately cease to use any of the Confidential Information, and will not use it in any business or for any other purpose. You further agree to immediately return to us your copies of the Operations Brand Standards Manuals and any other confidential materials which we have loaned to you.

15.4 Continuing Obligations

All obligations under this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire. You will also be responsible for insuring that all of your employees and independent contractors comply with all of the post-termination obligations contained in this Agreement.

15.5 Non-Competition Covenant

- 15.5.1 During the term of this Agreement, you agree that neither you nor any member of your immediate family will (except with our written consent) maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business in the United States or Canada;
- 15.5.2 You agree that for a period of one (1) year, commencing on the date of termination or expiration, neither you nor any member of your immediate family will (except with our written consent) maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business in the United States or Canada that works with our National Relationships, or any of the Franchisors in FranNet's inventory at the time, or within the 12-months prior, of your termination or expiration.
- 15.5.3 If you commit any violation of Section 15.5.2 during the one (1) year period provided for in Section 15.5.2, in addition to all other remedies available to FranNet, you shall pay FranNet, 10% of all gross revenue, or any kind, derived from the operation of the competing business, regardless of source. You will account for and pay the 10% of post-termination gross revenues to FranNet on the fifteenth day of each month on the post-termination gross revenues of the competitive business during the previous month. FranNet will have the right to audit the books and records of the competing business to confirm your compliance with this Section 15.5.3, upon notice to you.
- 15.5.4 The parties agree that each of the forgoing covenants are construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which FranNet is a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Article 15.5.

15.5.5 You acknowledge that any threatened or actual failure to comply with the requirements of this Section 15 would cause FranNet to suffer immediate and irreparable harm for which no adequate remedy at law may be available, and you hereby consent to the *ex parte* entry of an injunction, without bond, prohibiting any conduct by you in violation of this Section 15. FranNet may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement, statute, common law, in equity, or otherwise.

16 SUCCESSOR FRANCHISE

Provided you have a history of compliance with this Agreement, and in the absence of bona fide defaults by you for two (2) years, you have the right, subject to our consideration and your compliance with this Section, to enter into a successor franchise for an unlimited number of successor terms of five (5) years each, upon expiration of the then-current Franchise Agreement. You will be required to (a) execute our then-current form of successor Franchise Agreement and all other agreements and documents then customarily used by us in the grant of franchises for FranNet Businesses, (b) execute a general release of all claims against us, and (c) pay a successor franchise fee in an amount equal to twenty-five percent (25%) of our then-current initial franchise fee (or, if no franchises are then being offered, twenty-five percent (25%) of the initial franchise fee most recently charged). In determining your compliance history, we will consider a variety of factors, including whether you have substantially complied with the terms of this Agreement, and have paid all monies owed to us and our affiliates. In our discretion, we may waive our requirement that no defaults have occurred within the past two years. You must request the successor franchise not more than one hundred eighty (180) days and not less than sixty (60) days before the expiration of the then-current Franchise Agreement.

17 MISCELLANEOUS

17.1 Severability and Substitution of Valid Provisions

Except as expressly provided above, each section, paragraph, term, and provision of this Agreement, and any portion thereof, will be considered severable and if for any reason any such provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties to this Agreement. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, we will have the right, in our sole discretion, to modify such invalid or unenforceable provision to the extent required to be valid and enforceable.

17.2 Waiver of Obligations

No failure by us to take action on account of any default by you, whether in a single instance or repeatedly, will constitute a waiver of any such default or the performance required of

you. Our failure or election not to enforce any term of this Agreement against one or more of our franchisees will not be deemed a waiver of any of your obligations under this Agreement. No express waiver by us of any provision or performance hereunder or of any default by you will be construed as a waiver of any other or future provision, performance or default.

17.3 Mediation

You must first bring any claim or dispute between you and us to our management, after providing notice to us, and make every effort to resolve the dispute internally. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third-party. This agreement to first attempt resolution of dispute internally shall survive termination or expiration of this Agreement.

At our option, all claims or disputes between you and us (or our affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us (or our affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth herein, will be submitted first to mediation to take place in the city and state where our current headquarters are located and under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail the precise nature and grounds of such claim or dispute. We will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether we or our affiliates elect to exercise the option to submit such claim or dispute to mediation. You may not commence any action against us or our affiliates with respect to any such claim or dispute in any court unless we fail to exercise our option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. Our right to mediation, as set forth herein, may be specifically enforced by us. Each party will bear its own cost of mediation and we will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth herein if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contain in this Agreement; and (iii) any of your payment obligations under this Agreement.

17.4 Cumulative Remedies

The rights and remedies specifically granted by this Agreement to either party will not be deemed to prohibit either party from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

17.5 Costs and Attorneys' Fees

You must promptly reimburse us for all expenses (including accounting, attorneys', expert witness and arbitrators' fees and costs) incurred by us (a) to remedy any of your defaults of, or enforce any of our rights under, this Agreement; (b) to effect termination of this Agreement; and (c) to collect any amounts due under this Agreement.

17.6 Governing Law

All matters relating to mediation and/or litigation shall be governed by the by the laws of the Commonwealth of Pennsylvania.

17.7 Consent to Jurisdiction

You hereby irrevocably consent to the jurisdiction of any state or federal court in the State in which our headquarters is located and you waive any objection you may have to the jurisdiction or venue of such court.

17.8 Entire Agreement

This Agreement and the exhibits attached hereto constitutes the entire agreement between you and us, and there are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us. Notwithstanding the foregoing, nothing in this Agreement or in any related agreement is intended to disclaim the representations made by us in our Franchise Disclosure Document.

17.9 Construction

All headings of the various Sections and subsections of this Agreement are for convenience only and do not affect the meaning or construction of any provision. The usage of terms in the singular in this Agreement includes the plural, the plural includes the singular and the masculine and neuter usages include the other and the feminine. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If two or more persons are at any time franchisees under this Agreement, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. Time is of the essence in this Agreement. Both parties may execute multiple copies of this Agreement, and each executed copy will be deemed an original.

17.10 Waiver of Punitive Damages

Except with respect to your obligation to indemnify us pursuant to Section 7.4 of this Agreement, the parties 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, the party making a claim shall be limited to recovery of any actual damages it sustains.

17.11 Waiver of Jury Trial

Each party irrevocably waives trial by jury in any action, proceeding or counterclaim brought by either party.

17.12 Limitations of Claims

Any and all claims by you against us arising from or relating to this Agreement or the relationship among the parties shall be barred unless an action or legal or mediation proceeding is commenced by you within one (1) year from the date you knew or should have known of the facts giving rise to such claims.

17.13 Agreement Not to be Construed Against Drafter

You and we agree that the rule of contract interpretation by which any ambiguities in the contract shall be construed against the party who drafted the contract shall not apply to this Agreement.

18 INJUNCTIVE RELIEF

You and we have the right to seek injunctive relief, without bond, in any court of competent jurisdiction under customary equity rules. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction.

19 NOTICES AND PAYMENTS

All written notices and reports permitted or required under this Agreement or by the Operations Brand Standards Manuals will be deemed delivered at the time of delivery by email, or if delivery by hand, one (1) business day after sending by overnight courier and three (3) business days after being placed in the U.S. mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified. You agree to send all payments and notices to us at the address specified in our Operations Brand Standards Manuals or at such other address as we designate to you in writing. We agree to send all written notices to you at the address contained in this Agreement or to such other address as you designate to us in writing.

20 ACKNOWLEDGMENTS

This Agreement is being presented to you because of the desire you have expressed to obtain the right to own and operate a FranNet Business. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you understand that the terms and conditions contained in this Agreement are necessary to protect the Marks and the System. You acknowledge that you have conducted an independent investigation of FranNet Businesses and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a FranNet Business involves business risks, and that the success of this business venture is primarily dependent on your business abilities and efforts. You also acknowledge and recognize that different terms and conditions may pertain to different franchises for FranNet Businesses and that we do not represent that all of our franchise agreements will be identical. We

have not made, and you acknowledge that you have not received or relied on, any guarantee, express or implied, as to the revenues, profits or likelihood of success of your FranNet Business. You represent to us, as an inducement to our entering into this Agreement, that there have been no misrepresentations in your franchise application or in the financial statements or other information you have submitted to us.

The parties to this Agreement execute and deliver this Agreement in multiple counterparts as of the day and year first written above.

FRANNET, LLC

FRANCHISEE (Print Name)

By: _____

FRANCHISEE (Signature)

Title: _____

Social Security or Tax I.D. Number

Date: _____

EXHIBIT A

COMMISSIONS AND OTHER COMPENSATION

You will be paid a commission by us subject to any off-set as a deduction owed to us by you, based on the Gross Consulting Income received by us due to your efforts, on the following terms, conditions and schedule:

- a. **Standard Engagement Income.** For any Gross Consulting Income produced by you from the activity of referring a Prospect to a Franchisor, who subsequently enters into a Franchise Agreement with that Franchisor and, as a result, a referral fee is paid to us, you will receive a commission for the Engagements or Gross Consulting Income attributable to you from such transaction of 90% of the Gross Consulting Income paid to us.
- b. **Royalty Engagement Income.** You will receive fifty percent (50%) of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”)
- c. **Other Income.** Any Gross Consulting Income produced by you that is based on any activities other than those listed above will generate a commission being paid to you of seventy-five percent (75%) of the Gross Consulting Income from that source.
- d. **Income Recognized as Received.** The commission that we pay you will be based on Gross Consulting Income received by us. We will not use any form of accrual accounting to recognize Gross Consulting Income that may be due and payable at some future date in determining the commissions to you. Any commission payable to you based on the above, shall be vested and will be payable upon receipt by us, even if the Gross Consulting Income is received by us after the termination of this Agreement. Notwithstanding the foregoing, in the event, in any calendar year, the total of such commissions is less than One Thousand Dollars (\$1,000.00), we will no longer have any obligation to continue making future payments under this provision.
- e. **Refunds.** A Franchisor may elect, in certain cases, to refund part or all of the fees paid to it by a Prospect referred to the Franchisor by you. As a result, we may be obligated to refund all or part of the Gross Consulting Income paid to it. In such event, we will compute the percentage of refund as it applies to the Gross Consulting Income it receives on the referral. You agree that you will immediately repay us this same percentage of the commission it received on the referral or, in the event there are other commissions payable to you, authorize us to offset that amount against your payment of commissions.
- f. **Collection of Gross Consulting Income.** In the event Gross Consulting Income is due you from a Franchisor as a result of you referring a client to that Franchisor, and the Franchisor fails to make those payments then we, with your assistance, will take whatever action we deem necessary to collect those monies. We have no obligation to commence legal proceedings against a Franchisor to recover monies owed by a Franchisor to you or us. However, to the extent those collection activities require the expenditure of funds, it is only the net amount collected by us (the “Net Gross Consulting Income”) which shall be used as the basis of commissions payable to you, if it is collected by us.

FRANNET, LLC

FRANCHISEE (Print Name)

By:

FRANCHISEE (Signature)

Title:

**OWNER’S GUARANTY AND ASSUMPTION OF
FRANCHISEE’S OBLIGATIONS**

This Guaranty must be signed by the principal owners (referred to as “you” for purposes of this Guaranty only) of _____ (the “Franchisee”) under the foregoing FRANNET, LLC Franchise Agreement (the “Agreement”).

In consideration of and as an inducement to, the execution of the Agreement by FRANNET, LLC (referred to as “us”) each of you signing this Guaranty hereby personally and unconditionally: (A) guarantees to us and our successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (B) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of you waives: (1) acceptance and notice of acceptance by us of your obligations under this Guaranty; (2) notice of amendment of the Agreement; (3) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed by you; (4) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (5) any right you may have to require that an action be brought against the Franchisee or any other person as a condition of your liability; and (6) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty shall be joint and several; (b) you will make any payment or render any performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, for example, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue and be irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

Each of you hereby acknowledges and agrees to be individually bound by all of the confidentiality provisions and non-competition covenants contained in Sections 8 and 15 of the Agreement. Each of you agrees that the dispute resolution, attorney fee and governing law provisions in Section 17 of the Agreement are hereby incorporated into this Guaranty by reference.

Each of the principal owners now executes and delivers this Guaranty as of the date of execution of the Agreement.

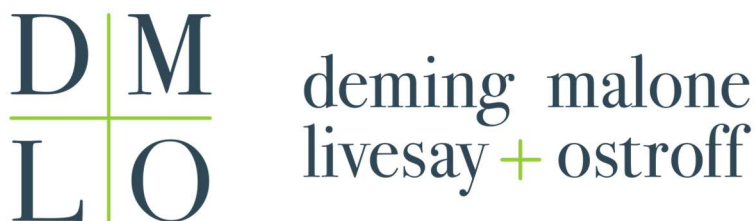
GUARANTOR(S)

EXHIBIT C
FINANCIAL STATEMENTS

FRANNET, LLC AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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Independent Auditors' Report

To the Members of
FranNet, LLC and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of FranNet, LLC and Subsidiary (New Jersey corporations), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FranNet, LLC and Subsidiary as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of FranNet, LLC and Subsidiary 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FranNet, LLC and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FranNet, LLC and Subsidiary'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.

Deming, Malone, Lusany & Ostroff

New Albany, Indiana
March 13, 2023

FRANNET, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash	\$ 2,134,718	\$ 3,002,388
Restricted cash for marketing purposes	175,175	121,273
Contracts receivable	176,559	420,010
Employee Retention Credit receivable	62,890	
Other current assets	260,720	210,269
Total current assets	2,810,062	3,753,940
Property and equipment, net of accumulated depreciation	26,211	145,984
Goodwill and other intangibles, net of accumulated amortization	1,881,357	1,881,357
Total noncurrent assets	1,907,568	2,027,341
Total assets	\$ 4,717,630	\$ 5,781,281
 Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$ 2,332	\$ 444,114
Accrued expenses	444,988	138,400
Deposits and deferred revenue	126,604	395,206
Total current liabilities	573,924	977,720
Total liabilities	573,924	977,720
Members' equity	4,143,706	4,803,561
Total liabilities and members' equity	\$ 4,717,630	\$ 5,781,281

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Contract Revenue		
Commissions income	\$ 9,173,901	\$ 13,022,959
Franchisor membership and Zor Admin income	1,537,793	1,303,260
Meeting income	1,699,500	698,457
Residual and retainer income	640,505	667,451
Administrative income	71,550	80,815
Marketing income	257,207	310,979
Sponsorship income	17,000	
Training income	<u>7,500</u>	<u>6,000</u>
Total contract revenue	<u>13,404,956</u>	<u>16,089,921</u>
Direct Costs		
Commissions	8,138,137	11,504,039
Residual and retainer expense	264,602	361,281
Marketing costs	188,577	241,342
Meeting expense	547,165	36,989
Training	<u>83,333</u>	<u>15,092</u>
Total direct costs	<u>9,221,814</u>	<u>12,158,743</u>
Gross profit	<u>4,183,142</u>	<u>3,931,178</u>
Operating Expenses		
General and administrative	4,242,523	3,151,652
Depreciation and amortization	<u>59,724</u>	<u>64,082</u>
Total operating expenses	<u>4,302,247</u>	<u>3,215,734</u>
Other Income (Expense)		
Employee Retention Credit income	454,715	
Other income	72,605	58,398
Loss on disposal of assets	(62,233)	
Small Business Administration Loan forgiveness	<u> </u>	<u>276,400</u>
Total other income (expense)	<u>465,087</u>	<u>334,798</u>
Net income	345,982	1,050,242
Members' Equity		
Beginning of year	4,803,561	4,751,888
Repurchase of shares	(5,837)	
Members' distributions	<u>(1,000,000)</u>	<u>(998,569)</u>
End of year	<u>\$ 4,143,706</u>	<u>\$ 4,803,561</u>

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Net income	\$ 345,982	\$ 1,050,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,724	64,082
Loss on disposal of assets	62,233	
Decrease (increase) in assets:		
Contracts receivable	243,451	49,174
Employee Retention Credit receivable	(62,890)	
Other current assets	(50,451)	(129,465)
Increase (decrease) in liabilities:		
Accounts payable	(441,782)	7,979
Accrued expenses	306,588	7,447
Deposits and deferred revenue	(268,602)	288,009
Net cash provided by operating activities	<u>194,253</u>	<u>1,337,468</u>
Cash Flows From Investing Activities		
Fixed assets purchased	<u>(2,184)</u>	<u>(4,542)</u>
Net cash used in investing activities	<u>(2,184)</u>	<u>(4,542)</u>
Cash Flows From Financing Activities		
Members' distributions	(1,000,000)	(998,569)
Repurchase of shares	<u>(5,837)</u>	<u> </u>
Net cash used in financing activities	<u>(1,005,837)</u>	<u>(998,569)</u>
Net change in cash and cash equivalents	(813,768)	334,357
Cash and restricted cash at the beginning of the year	<u>3,123,661</u>	<u>2,789,304</u>
Cash and restricted cash at the end of the year	<u>\$ 2,309,893</u>	<u>\$ 3,123,661</u>
Reconciliation of cash and restricted cash		
Cash	\$ 2,134,718	\$ 3,002,388
Restricted cash for marketing purposes	<u>175,175</u>	<u>121,273</u>
	<u>\$ 2,309,893</u>	<u>\$ 3,123,661</u>

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations:

The consolidated financial statements include the accounts of FranNet, LLC and its subsidiary ZorNetwork, LLC (herein referred to as the “Company”). Intercompany transactions and balances have been eliminated in the consolidation.

FranNet, LLC and ZorNetwork, LLC are limited liability companies organized in the state of New Jersey. The Company offers licenses to operate new FranNet franchises and conversion licenses to existing FranNet businesses. FranNet businesses offer specialized franchise-consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale (or resale) of their franchises, licenses and business opportunities. ZorNetwork, LLC was organized during 2015 as a separate entity for franchise sales and development.

The Company, as franchisor, offers 5 and 10-year nonexclusive franchise agreements which are sold at fees ranging from \$10,000 to \$35,000. As of December 31, 2022 and 2021, the Company had 43 and 50 FranNet franchisees, respectively. The agreements may be extended for an unlimited number of successor terms of ten or five years each. The agreements provide the license to offer consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale of their franchises, business opportunities, licenses and existing resales. When an individual franchise is sold, the Company agrees to provide certain services to the licensee. Generally, these services include training, operational guidance and operation manuals, and provide specification for the Marks - certain trademarks, service marks and other commercial symbols, including the mark “FranNet.” As provided in the agreements, the franchisees make payments to the Company for license fees, insurance premiums and other services provided by the Company. The Company may terminate an agreement if the franchisee fails to comply with any of its provisions. A one-year non-competition provision in the agreements becomes effective upon termination or expiration.

Summary of significant accounting policies:

The summary of significant accounting policies of the Company is presented to assist in understanding the Company’s consolidated financial statements. The consolidated financial statements are representations of the Company’s management who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of accounting:

The Company uses the accrual method of accounting for reporting income and expenses. Under this method, income is recorded as it is earned and expenses are recorded as incurred, resulting in proper matching of income and expenses to determine net income for a specific period of time.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash:

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. There are no cash equivalents as of December 31, 2022 and 2021.

The Company is required to maintain, in a separate account, the quarterly contributions of the licensees for the marketing program. The funds are restricted for use for advertising and/or promotional purposes.

Contracts receivable:

Contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, there is no allowance for doubtful accounts at December 31, 2022 and 2021.

Property and equipment:

Property and equipment are stated at cost. Expenditures for additions are capitalized; expenditures for maintenance and repairs will be charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Furniture and equipment	3-10 years
Leasehold improvements	5-39 years
Software	3 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's policy is to expense assets costing \$500 or less. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

Goodwill and intangibles:

The Company accounts for acquisitions of businesses that occur from time to time in accordance with accounting principles generally accepted in the United States of America. Intangibles acquired in such transactions that have a determinable life, such as trademarks, are amortized over the remaining useful life of each, which range from 2 - 8 years. Goodwill from such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired and liabilities assumed. Amounts assigned to goodwill are based on independent appraisals or internal estimates. Goodwill is not amortized and is evaluated annually or whenever there is a triggering event for any impairment loss.

Revenue recognition:

Contract revenue is derived principally from the following:

Commission income - revenues from commissions which are fees paid by third-party franchisors when a prospect has entered a franchise agreement;

Franchisor membership and Zor Admin income - revenue from five or ten year license agreements with individuals who license the ability to offer franchising services on behalf of FranNet as well as administrative services provided to the franchisors;

Meeting income and marketing income - revenues from marketing services provided and training meetings held for individuals associated with FranNet;

Residual and retainer income - revenue from monthly retainers paid by franchises and residual revenue from those retainers;

Training, sponsorship, and administrative income - revenue generated from training FranNet and sponsorship of associates, as well as revenue from activities unrelated to franchise sales.

Generally, contracts contain one performance obligation for a set fee. Performance obligations include the delivery of franchising services, stake in a franchise, and marketing and training services provided to franchisors.

The Company has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, public health regulations, and general industry environment. The opening balances of all accounts receivable for the years ended December 31, 2022 and 2021 were \$420,010 and \$469,184, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue recognized over time

The Company recognizes the revenue from FranNet franchise license fees over time as performance obligations are satisfied. Revenue is derived from five or ten year contracts where services are provided to licensees for the entire contract period and is included in the residual and retainer income on the consolidated statements of income and changes in members' equity. Revenue is recognized on a straight line method over the course of the contract, as management believes this to be the best measure of progress on the contract. The consolidated balance sheets as of December 31, 2022 and 2021 have \$104,870 and \$61,692, respectively, of unearned revenue related to these contracts in deposits and deferred revenue.

Revenue recognized at a point in time

The Company recognizes the revenue from all other sources at a point in time when the services are provided to the customers, satisfying the performance obligation. The transaction price is based on contracted rates at the time the service are provided. Amounts are typically billed at the time the service is provided and is generally due within 30 days of billing.

The following table disaggregates the Company's contract revenue based on the timing of satisfaction of performance obligations for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied over time	13%	10%
Performance obligations satisfied at a point in time	87%	90%

Advertising:

Advertising costs are charged to expense as incurred. Total advertising costs charged to expense for the years ended December 31, 2022 and 2021 was \$152,737 and \$92,058, respectively.

Income taxes:

The Company has elected to be taxed as a partnership. The election provides for the members to report the income or losses of the corporation on their personal income tax returns. Therefore, no provision or liability for federal or most state income taxes has been made.

The Company has no tax position at December 31, 2022 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency transactions:

The Company experienced a net foreign currency transaction loss of \$(3,417) and gain of \$631 in 2022 and 2021, respectively. This amount is included in operating expenses in the accompanying consolidated financial statements.

Leases:

The Company evaluates its contracts at inception to determine if an arrangement is or contains a lease. Operating leases with a duration over 12 months are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheets. The Company has no finance leases. Short-term leases (i.e. leases with an initial term of 12 months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the balance sheets as the Company elected to apply the short-term lease exception to these leases.

Accounting Standard Adopted in 2022:

Effective January 1, 2022, the Company adopted accounting standard No. 2016-02, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Company elected to adopt the standard using the optional transition method that allows the Company to apply the new lease standard as of the adoption date and recognize a cumulative effect adjustment to the opening balance of members' equity in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements is in accordance with the former standard, FASB ASC 840. There was no cumulative effect adjustment for the Company upon adoption.

The Company elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. For lease agreements with lease and non-lease components, the Company elected the practical expedient to account for them as a single lease component. For lease agreements 12 months or less, the Company elected not to record a ROU asset or liability.

Upon adoption of ASU 2016-02, no lease ROU asset or liability was required to be recorded. All of the Company's leases are considered short-term leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Newly issued standard not yet effective:

The FASB has issued the accounting standard, ASU No. 2016-13, *Financial Instruments-Credit Losses*, which will be effective for fiscal years beginning after December 15, 2022.

The Company is evaluating the impact of this standard on future financial statements.

Reclassifications:

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

Date of management review:

Management has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2022 for items that should be potentially recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of the report, which is the date these consolidated financial statements were available to be issued.

Note 2. Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$195,093	\$208,332
Leasehold improvements	32,744	118,908
CRM Software	154,977	154,977
Proven Match software	<u>36,040</u>	<u>36,040</u>
	418,854	518,257
Less accumulated depreciation	<u>(392,643)</u>	<u>(372,273)</u>
	<u>\$ 26,211</u>	<u>\$145,984</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Intangible Assets

Intangible assets consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amortized intangible assets:		
Trademarks	\$ 58,424	\$ 58,424
Franchisor contracts	62,500	62,500
Less accumulated amortization	<u>(120,924)</u>	<u>(120,924)</u>
Net carrying amount	-	-
Unamortized intangible assets:		
Goodwill	<u>1,881,357</u>	<u>1,881,357</u>
Intangibles, net of accumulated amortization	<u>\$1,881,357</u>	<u>\$1,881,357</u>

Note 4. Retirement Plan

The Company has a SIMPLE IRA deferred compensation plan (the “Plan”) covering all employees meeting certain eligibility requirements. Under the Plan, the Company may match 100 percent of employee contributions to the Plan, with a maximum Company contribution of three percent of an employee’s eligible compensation. For the years ended December 31, 2022 and 2021, a three percent and one percent match was elected for the Company, respectively. For the years ended December 31, 2022 and 2021, the Company’s contribution to the Plan was \$31,317 and \$9,562 respectively.

Note 5. Related Party Transactions

The Company paid consulting fees to two of its members totaling \$99,000 for each of the years ended December 31, 2022 and 2021.

On September 18, 2017, the Company approved a stipend to be paid to outside board members for attending board meetings. \$10,000 and \$12,500 was paid to outside board members for the years ended December 31, 2022 and 2021, respectively.

The Company’s employment contracts with certain officers are described in Note 8.

Note 6. Lease Commitments and Rent Expense

The Company leases office space at 10302 Brookridge Village Boulevard, Louisville, KY. The lease is considered short-term. The total rent and operating expenses charged to the Company was \$117,915 and \$105,507 for the years ended December 31, 2022 and 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Small Business Administration Loan

In February 2021, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$276,400. The loan bore interest at a fixed rate of 1.0% per annum. Interest was deferred during the deferral period, which ended on the date that the loan forgiveness amount was remitted by the U.S. Small Business Administration to the lender. The loan was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the loan was subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. As of December 31, 2021, the Company had applied for loan and received forgiveness of all of the principal amount.

The Company recorded those proceeds using the FASB ASC 958-908 Conditional Contribution model. Under this model, the Company accounted for the funds received as revenue when the program conditions had been substantially met. As of December 31, 2021, the Company estimated that expenses totaling \$276,400 had met the conditions for forgiveness per the Paycheck Protection Program. As such, the Company recorded \$276,400 of the proceeds of the loan as other income, in the consolidated statement of income and members' equity for the year ended December 31, 2021.

Note 8. Employment Contracts

The Company had a three-year employment contract with the Company's Chief Executive Officer (CEO) in effect from January 1, 2020 through December 31, 2022. The agreement was renewed effective January 1, 2023, through December 31, 2025. Under the terms of the contract, should the Company terminate the CEO without cause, the CEO is entitled to severance compensation equal to one year of base salary payable over two years.

ZorNetwork, LLC has a long-term employment contract with its President in effect from August 19, 2017. Under the terms of the contract, should the Company terminate the President without cause, the President is entitled to severance compensation equal to one month of pay for each year of employment with the Company. The contract automatically renews every year until terminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Employee Retention Credit

The Company filed certain amended 2020 and 2021 payroll tax returns to claim the Employee Retention Credit (ERC), a provision of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent relief provisions passed by the United States government. The ERC is available to eligible employers and may be fully refundable up to a percentage of qualified wages for the period March 12, 2020 – September 30, 2021. The Company recorded the ERC using FASB ASC 958-605 Conditional Contribution model. Under this model the Company is required to account for the funds when conditions have been substantially met or explicitly waived by the donor. As of December 31, 2022, management believed all conditions of the ERC had been met. Therefore, ERC revenue of \$433,569 plus interest of \$21,146 was included in employee retention credit income on the consolidated statement of income in the year ended December 31, 2022. The receivable for the ERC for the year ended December 31, 2022 totaled \$62,890, which represents refunds due on the 2020 Form 941-X Adjusted Employer Quarterly Federal Tax Return for the quarters ended June 30 and December 31, 2020.

The Company used a consulting group to calculate and file for the ERC. The Company incurred a total of \$65,035 of consulting expense recorded in general and administrative expense on the consolidated statement of income and members' equity for the year ended December 31, 2022.

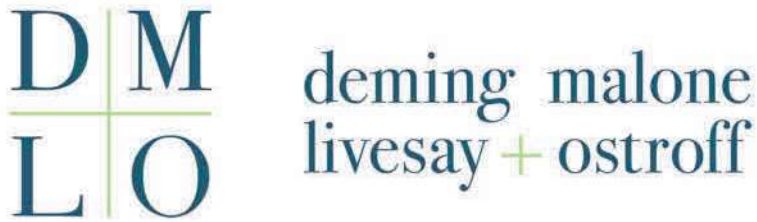
Note 10. Concentrations

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

FRANNET, LLC AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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Independent Auditors' Report

To the Members of
FranNet, LLC and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of FranNet, LLC and Subsidiary (New Jersey corporations), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FranNet, LLC and Subsidiary as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of FranNet, LLC and Subsidiary 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FranNet, LLC and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FranNet, LLC and Subsidiary'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.

Deming, Malone, Lissay & Ostroff

New Albany, Indiana
March 10, 2022

FRANNET, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 3,002,388	\$ 2,736,987
Restricted cash for marketing purposes	121,273	52,317
Contracts receivable	420,010	469,184
Other current assets	<u>210,269</u>	<u>80,804</u>
Total current assets	<u>3,753,940</u>	<u>3,339,292</u>
Property and equipment, net of accumulated depreciation	145,984	204,494
Goodwill and other intangibles, net of accumulated amortization	<u>1,881,357</u>	<u>1,882,387</u>
Total noncurrent assets	<u>2,027,341</u>	<u>2,086,881</u>
Total assets	<u>\$ 5,781,281</u>	<u>\$ 5,426,173</u>
 Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$ 444,114	\$ 436,135
Accrued expenses	138,400	130,953
Deposits and deferred revenue	<u>395,206</u>	<u>107,197</u>
Total current liabilities	<u>977,720</u>	<u>674,285</u>
Total liabilities	977,720	674,285
Members' equity	<u>4,803,561</u>	<u>4,751,888</u>
Total liabilities and members' equity	<u>\$ 5,781,281</u>	<u>\$ 5,426,173</u>

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Contract Revenue		
Commissions income	\$ 13,022,959	\$ 12,159,307
Franchisor membership and Zor Admin income	1,303,260	1,258,799
Meeting income	698,457	728,750
Residual and retainer income	667,451	604,643
Administrative income	443,613	396,678
Marketing income	310,979	322,695
Training	<u>6,000</u>	<u>10,200</u>
Total revenue	<u>16,452,719</u>	<u>15,481,072</u>
Direct Costs		
Commissions	11,504,039	10,590,110
Residual and retainer expense	361,281	323,063
Marketing costs	241,342	368,398
Meeting expense	36,989	34,458
Training	<u>15,092</u>	<u>14,730</u>
Total direct costs	<u>12,158,743</u>	<u>11,330,759</u>
Gross profit	<u>4,293,976</u>	<u>4,150,313</u>
Operating Expenses		
General and administrative	3,179,652	3,326,623
Depreciation and amortization	<u>64,082</u>	<u>51,935</u>
Total operating expenses	<u>3,243,734</u>	<u>3,378,558</u>
Net income	1,050,242	771,755
Members' Equity		
Beginning of year	4,751,888	4,757,989
Purchase of outstanding shares		(18,822)
Members' distributions	(998,569)	(665,328)
Cumulative effect adjustment		<u>(93,706)</u>
End of year	<u>\$ 4,803,561</u>	<u>\$ 4,751,888</u>

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net income	\$ 1,050,242	\$ 771,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,082	51,935
Loss on investment in affiliate		5,342
Gain on foreign exchange	(631)	(1,948)
Cumulative effect adjustment		(93,706)
Decrease (increase) in assets:		
Contracts receivable	49,174	97,884
Other current assets	(129,465)	56,014
Increase (decrease) in liabilities:		
Accounts payable	7,979	(150,242)
Accrued expenses	7,447	14,361
Deposits and deferred revenue	<u>288,009</u>	<u>(20,849)</u>
Net cash provided by operating activities	<u>1,336,837</u>	<u>730,546</u>
Cash Flows From Investing Activities		
Fixed assets purchased	<u>(3,911)</u>	<u>(62,023)</u>
Net cash used in investing activities	<u>(3,911)</u>	<u>(62,023)</u>
Cash Flows From Financing Activities		
Members' distributions	(998,569)	(665,328)
Repurchase of shares	<u> </u>	<u>(18,822)</u>
Net cash used in financing activities	<u>(998,569)</u>	<u>(684,150)</u>
Net change in cash and cash equivalents	334,357	(15,627)
Cash and restricted cash at the beginning of the year	<u>2,789,304</u>	<u>2,804,931</u>
Cash and restricted cash at the end of the year	<u>\$ 3,123,661</u>	<u>\$ 2,789,304</u>
Reconciliation of cash and restricted cash		
Cash	\$ 3,002,388	\$ 2,736,987
Restricted cash for marketing purposes	<u>121,273</u>	<u>52,317</u>
	<u>\$ 3,123,661</u>	<u>\$ 2,789,304</u>

See Notes to Consolidated Financial Statements.

FRANNET, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Company activities and operating cycle:

The consolidated financial statements include the accounts of FranNet, LLC and its subsidiary ZorNetwork, LLC (herein referred to as the “Company”). Intercompany transactions and balances have been eliminated in the consolidation.

FranNet, LLC and ZorNetwork, LLC are limited liability companies organized in the state of New Jersey. The Company offers licenses to operate new FranNet franchises and conversion licenses to existing FranNet businesses. FranNet businesses offer specialized franchise-consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or resale) of their franchises, licenses and business opportunities. ZorNetwork, LLC was organized during 2015 as a separate entity for franchise sales and development.

The Company, as franchisor, offers 10-year nonexclusive franchise agreements which are sold at fees ranging from \$15,000 to \$35,000. As of December 31, 2021 and 2020, the Company had fifty-two FranNet franchisee territories. The agreements may be extended for an unlimited number of successor terms of ten years each. The agreements provide the license to offer consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale of their franchises, business opportunities, licenses and existing resales. When an individual franchise is sold, the Company agrees to provide certain services to the licensee. Generally, these services include training, furnish guidance and operation manuals, and provide specification for the Marks - certain trademarks, service marks and other commercial symbols, including the mark “FranNet.” As provided in the agreements, the franchisees make payments to the Company for license fees, insurance premiums and other services provided by the Company. The Company may terminate an agreement if the franchisee fails to comply with any of its provisions. A one-year non-competition provision in the agreements becomes effective upon termination or expiration.

Summary of significant accounting policies:

The summary of significant accounting policies of the Company is presented to assist in understanding the Company’s consolidated financial statements. The consolidated financial statements are representations of the Company’s management who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Method of accounting:

The Company uses the accrual method of accounting for reporting income and expenses. Under this method, income is recorded as it is earned and expenses are recorded as incurred, resulting in proper matching of income and expenses to determine net income for a specific period of time.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash:

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. There are no cash equivalents as of December 31, 2021 and 2020.

The Company is required to maintain, in a separate account, the quarterly contributions of the licensees for the marketing program. The funds are restricted for use for advertising and/or promotional purposes.

Contracts receivable:

Contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, there is no allowance for doubtful accounts at December 31, 2021 and 2020.

Investment in affiliates:

The Company had a fifty percent interest in Franchise Development Partners, LLC. The investment was accounted for using the equity method, i.e., at cost, increased or decreased by the Company's proportionate share of its undistributed earnings or losses. During 2020, the Company disposed of its interest in Franchise Development Partners, LLC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and equipment:

Property and equipment are stated at cost. Expenditures for additions are capitalized; expenditures for maintenance and repairs will be charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Furniture and equipment	3-10 years
Leasehold improvements	5-39 years
Software	3 years

The Company's policy is to expense assets costing \$500 or less. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

Goodwill and intangibles:

The Company accounts for acquisitions of businesses that occur from time to time in accordance with GAAP. Intangibles acquired in such transactions that have a determinable life, such as trademarks, are amortized over the remaining useful life of each, which range from 2 - 8 years. Goodwill from such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired and liabilities assumed. Amounts assigned to goodwill are based on independent appraisals or internal estimates. Goodwill is not amortized. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

Revenue recognition:

Contract revenue is derived principally from the following:

Commission income - revenues from commissions which are fees paid by third-party franchisors when a prospect has entered a franchise agreement;

Franchisor membership and Zor Admin income - revenue from ten year license agreements with individuals who license the ability to offer franchising services on behalf of FranNet as well as administrative services provided to the franchisors;

Meeting income and marketing income - revenues from marketing services provided and training meetings held for individuals associated with FranNet;

Retainer and residual income - revenue from monthly retainers paid by franchises and residual revenue from those retainers;

Training and administrative revenue - revenue generated from training FranNet associates as well as revenue from activities unrelated to franchise sales, which includes some revenue streams not subject to contract revenue standards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Generally, contracts contain one performance obligation for a set fee. Performance obligations include the delivery of franchising services, stake in a franchise, and marketing and training services provided to franchisors.

Revenue recognized over time

The Company recognizes the revenue from FranNet franchise license fees over time as performance obligations are satisfied. Revenue is derived from ten year contracts where services are provided to licensees for the entire contract period and is included in the residual and retainer income on the consolidated statements of income and changes in members' equity. Revenue is recognized on a straight line method over the course of the contract, as management believes this to be the best measure of progress on the contract. The consolidated balance sheets as of December 31, 2021 and 2020 have \$61,692 and \$76,793, respectively, of unearned revenue related to these contracts in deposits and deferred revenue.

Revenue recognized at a point in time

The Company recognizes the revenue from all other sources at a point in time when the services are provided to the customers, satisfying the performance obligation. The transaction price is based on contracted rates at the time the service are provided. Amounts are typically billed at the time the service is provided and is generally due within 30 days of billing.

The following table disaggregates the Company's contract revenue based on the timing of satisfaction of performance obligations for the year ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied over time	1%	1%
Performance obligations satisfied at a point in time	99%	99%

Advertising:

Advertising costs are charged to expense as incurred. Total advertising costs charged to expense for the years ended December 31, 2021 and 2020 was \$92,058 and \$71,401, respectively.

Income taxes:

The Company has elected to be taxed as a partnership. The election provides for the stockholders to report the income or losses of the corporation on their personal income tax returns. Therefore, no provision or liability for federal or most state income taxes has been made.

The Company has no tax position at December 31, 2021 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency transactions:

The Company experienced a net foreign currency transaction gain of \$631 and \$1,948 in 2021 and 2020, respectively. This amount is included in operating expenses in the accompanying consolidated financial statements.

Reclassifications:

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

Newly issued standards not yet effective:

The FASB has issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021; and 2) ASU No. 2016-13, *Financial Instruments-Credit Losses*, effective for fiscal years beginning after December 15, 2022.

The Company is evaluating the impact of this standard on future financial statements.

Date of management review:

Management has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2021 for items that should be potentially recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of the report, which is the date these consolidated financial statements were available to be issued.

Note 2. Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$208,332	\$203,789
Leasehold improvements	118,908	118,908
CRM Software	154,977	154,977
Proven Match software	<u>36,040</u>	<u>36,040</u>
	518,257	513,714
Less accumulated depreciation	<u>(372,273)</u>	<u>(309,220)</u>
	<u>\$145,984</u>	<u>\$204,494</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Intangible Assets

Intangible assets consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amortized intangible assets:		
Trademarks	\$ 58,424	\$ 58,424
Franchisor contracts	62,500	62,500
Less accumulated amortization	<u>(120,924)</u>	<u>(119,894)</u>
Net carrying amount	-	1,030
Unamortized intangible assets:		
Goodwill	<u>1,881,357</u>	<u>1,881,357</u>
Intangibles, net of accumulated amortization	<u>\$1,881,357</u>	<u>\$1,882,387</u>

Note 4. Retirement Plan

The Company has a SIMPLE IRA deferred compensation plan (the “Plan”) covering all employees meeting certain eligibility requirements. Under the Plan, the Company may match 100 percent of employee contributions to the Plan, with a maximum Company contribution of 3 percent of an employee’s eligible compensation. For the year ended December 31, 2021 and 2020, a one percent and three percent match was elected for the Company, respectively. For the years ended December 31, 2021 and 2020, the Company’s contribution to the Plan was \$9,562 and \$31,055 respectively.

Note 5. Related Party Transactions

The Company pays consulting fees to two and three of its members totaling \$99,000 and \$147,000 for the years ending December 31, 2021 and 2020, respectively.

On September 18, 2017, the Company approved a stipend to be paid to outside board members. The amount paid to outside board members for the each of years ended December 31, 2021 and 2020 was \$12,500.

The Company’s employment contracts with its members are described in Note 8.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Lease Commitments and Rent Expense

The Company leases office space at 10302 Brookridge Village Boulevard, Louisville, KY. The original lease agreement was amended multiple times since its origination. Most recently, the lease was amended to be effective through April 10, 2023. Per the most recently amended lease, the Company will pay all operating expenses including real estate taxes. The total rent and operating expenses charged to the Company was \$105,507 for each of the years ended December 31, 2021 and 2020.

Future minimum rental payments are as follows:

Years ending December 31:	
2022	\$105,507
2023	<u>29,306</u>
	<u>\$134,813</u>

Note 7. Small Business Administration Loan

In April 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$241,300 (PPP Loan 1). PPP Loan 1 bore interest at a fixed rate of 1.0% per annum. Interest was deferred during the deferral period, which ends on the date that the loan forgiveness amount is remitted by the U.S. Small Business Administration to the lender, or ten months after the end of the covered period, for those borrowers who do not apply for forgiveness. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan 1 proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company was notified of loan forgiveness in January 2021.

In February 2021, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$276,400 (PPP Loan 2). PPP Loan 2 bears interest at a fixed rate of 1.0% per annum. Interest is deferred during the deferral period, which ends on the date that the loan forgiveness amount is remitted by the U.S. Small Business Administration to the lender, or ten months after the end of the covered period, for those borrowers who do not apply for forgiveness. The loan is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of PPP Loan 2 is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Loan 2 proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. As of year-end, the Company has applied for loan forgiveness and believes it has incurred covered expenses sufficient to meet the requirements for forgiveness of substantially all of the principal amount.

The Company recorded these proceeds using the FASB ASC 958-908 Conditional Contribution model. Under this model the Company may account for the funds received as revenue when the program conditions have been substantially met. As of December 31, 2021 and 2020, the Company estimates that expenses totaling \$276,400 and \$241,300 have met the conditions for forgiveness per the Paycheck Protection Program, respectively. As such, the Company has recorded \$276,400 of the proceeds of the PPP Loan 2 as administrative income, in the consolidated statement of activities for the year ended December 31, 2021. The Company has recorded \$241,300 of the proceeds of the PPP Loan 1 as administrative income, in the statement of activities for the year ended December 31, 2020.

Note 8. Employment Contracts

The Company had a long-term employment contract with the Company's Chief Operating Officer ("COO") in effect from January 1, 2011 through January 1, 2014. Under the terms of the contract, should the Company terminate the COO without cause, the COO is entitled to severance compensation equal to one and one half months pay for each year of employment with the Company, not to exceed one year of severance compensation. Effective January 1, 2014, the contract was extended three additional years and the COO was promoted to Chief Executive Officer ("CEO") of the Company. Most recently, the contract was extended effective January 1, 2020 for an additional three years.

ZorNetwork, LLC has a long-term employment contract with its President in effect from August 19, 2017. Under the terms of the contract, should the Company terminate the President without cause, the President is entitled to severance compensation equal to one month of pay for each year of employment with the Company. The contract automatically renews every year until terminated.

Note 9. Concentrations and Contingencies

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

The COVID-19 outbreak in the United States has caused disruptions to businesses and organization through mandated and voluntary closures. While these disruptions are expected to be temporary, there is considerable uncertainty about the duration of the outbreak, the federal and state government responses, and the impact on the economy and the Company's vendors and customers. While the Company has experienced little change in its revenues and expenses during the year, the extent of the impact on the Company's future operations and cash flows is uncertain.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Cumulative Effect Adjustment

In the year ended December 31, 2020, the Company implemented new guidance related to Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. The implementation required a disclosure of the effect of applying the guidance to each item included in the consolidated financial statements. The cumulative effect adjustment is from an increase in deferred revenue due to implementation, an increase that decreased members' equity as shown on the consolidated statements of income and changes in members' equity.

EXHIBIT D

LIST OF CURRENT FRANCHISEES

(as of December 31, 2022)

First Name	Last Name	State	Address 1	Address 2	City	State	Zip	Phone
John	Adams	NY	53 Assembly Drive	#421	Mendon	NY	14506	585-739-6625
Megan	Allen	CO	1905 E. Davies Pl		Centennial	CO	80122	303-437-8989
Jack	Armstrong	NJ	214 Bridge Street	Building D	Metuchen	NJ	8840	732-494-1411
John	Armstrong	NJ	214 Bridge Street	Building D	Metuchen	NJ	8840	212-946-2615
Dan	Aronoff	TN	231 Venture Circle		Nashville	TN	37228	615-202-0225
Linda	Belford	FL	5918 Woodfield Parkway		Grand Blanc	MI	48439	407-393-0548
Amanda	Berry	KY	4500 Bowling Blvd	Suite 100	Louisville	KY	40207	502-320-3703
Richard	Bock	MD	321 Victory Gallop Ct.		Havre de Grace	MD	21078	410-459-3890
Grant	Bullington	Canada	1055 West Hastings Street	Suite 300	Vancouver, BC	Canada	V6E 2E9	604-609-6165
Mark	Cory	MI	638 Westchester Road		Grosse Pointe	MI	48230	313-821-5060
Merri	Cronk	TX	15513 Spillman Ranch Loop		Bee Cave	TX	78738	512-382-9446
Ted	Fireman	OH	2670 Wellesley Road		Columbus	OH	43209	614-440-0038
Mike	Hall	NC	6629 Wakehurst Rd.		Charlotte	NC	28226	704-904-8998
Pam	Johnson	FL	7947 Bernard Street		Tallahassee	FL	32317	850-508-8411
Leslie	Kuban	GA	3445 Stratford Rd NE	3408	Atlanta	GA	30326	404-236-9115
Greg	Lard	GA	6 Longwood Cir		Savannah	GA	31405	912-224-5045
Liz	Lewis	LA	PO Box 353		Mandeville	LA	70470	504-723-0364
Charles	Magee	WA	9610 85th Drive NE		Marysville	WA	98270	360-489-2153
Scott	Majeski	IL	1237 Arnold Ct		Downers Grove	IL	60516	312-806-9963
Blake	Martin	NE	12020 Shamrock Plaza	Suite 200	Omaha	NE	68154	402-415-3651
Blair	Nicol	OR	5200 Meadows Road	Suite 150	Lake Oswego	OR	97035	503-726-5935
Page	Nicol	CA	74104 Imperial Court West		Palm Desert	CA	92211	858-442-8822
Todd	Pfister	OH	8180 Corporate Park Dr.	Ste. 245	Cincinnati	OH	45242	513-543-3325
Bruce	Phillips	IL	152 N. Scoville Ave	2N	Oak Park	IL	60302	801-403-3053
Gary	Prenevost	Canada	3975 Beacham Street		Mississauga, ON	Canada	L5N6S9	905-405-6300
Tracy	Rickman	OH	13296 Eckel Junction		Perrysburg	OH	43551	419-206-7927
Weston	Roper	MN	18945 Explorer Trail		Eden Prairie	MN	55347	612-223-2621
Heather	Rosen	VA	10033 Glencroft Court		Vienna	VA	22181	703-291-0939
Michael	Rosen	CT	8 Birch Road		West Simsbury	CT	6092	860-431-0107
Paige	Ryan	AZ	35825 N. 17th Avenue		Phoenix	AZ	85086	619 573-5422
Katie	Small	CA	5 Talbott Court		Ladera Ranch	CA	92694	805-452-2756
Lee	Smithson	Canada	242 Briscoe St E		London	Canada	N6C 1X6	519-878-6764
Ken	Stein	NY	185 Roslyn Road		Roslyn Heights	NY	11577	516-626-2211
Jenny	Sutter	FL	1281 Robin Hood Ln		Dunedin	FL	34698	727-278-6094
Ben	Terrill	MO	5933 South Highway 94	Suite 102	Weldon Spring	MO	63304	314-323-4090
Jose	Torres	FL	1305 San Ignacio Ave		Coral Gables	FL	33146	305-972-3014
Diana	Trondsen	TX	1226 Wakefield Drive		Houston	TX	77018	832-215-2903
John	Tubridy	PA	193 Freedom Lane		Sewickley	PA	15143	412-259-8660
Toni	Wagner	PA	177 Windgate Drive		Chester Springs	PA	19425	610-314-1781
Sara	Waskow	TX	6340 Davis Blvd	Suite 200	North Richland Hills	TX	76180	817-821-7997
Ryan	Wesner	FL	11954 Narcoossee Rd	Suite 2 - 206	Orlando	FL	32832	813-928-9508

EXHIBIT E

LIST OF FORMER FRANCHISEES

(as of December 31, 2022, and within 10-weeks of the Issuance Date of this Disclosure Document)

Marshall Reddy, 320 North First Street, Suite 613, Jacksonville Beach, FL 32250, 904-249-1820

Scott Majeski, 1237 Arnold Court, Downers Grove, IL 60516, 312-504-0933

EXHIBIT F

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EXHIBIT G

STATE SPECIFIC ADDENDUM (IF APPLICABLE)

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF CALIFORNIA

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law still controls.
2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
3. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The franchise agreement requires application of the laws of New Jersey. This provision may not be enforceable under California law.
5. Neither the Franchisor nor any person or franchise broker identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.
6. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
8. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. The Franchise Agreement requires binding arbitration. The arbitration will occur in New Jersey or such other place designated by the Franchisor, with the costs being borne by the party instituting the arbitration procedure, and each party being responsible for their own attorney fees; however, the arbitrator has the discretion to award costs of the arbitration, including reasonable attorney fees against either or both parties in such proportion as the arbitrators determine. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the franchise agreement restricting venue to a forum outside the State of California.

10. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

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

FRANNET, LLC

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF FRANNET, LLC
FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language at the beginning thereof:

"Notice Required By Law

THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON TERMINATION OR NON-RENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/1-44."

2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") and other Illinois law shall supersede any provisions of the Franchise Agreement which are in conflict with the Act or such law. Illinois law governs the agreement between the parties to this franchise.
3. The provisions of Section 27 of the Act ("Periods of Limitation") supersede the provisions of Section 17.12 of the Franchise Agreement that set a limitation period of one year to the extent that claims are brought under Section 26 of the Act.
4. Section 41 of the Illinois Franchise Disclosure Act of 1987 ("Waivers Void") provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of this state is void."
5. With respect to matters not subject to the arbitration clause of Section 17.3 of the Franchise Agreement, the provisions of Section 17.7 of the Franchise Agreement which designates jurisdiction or venue for litigation in a forum outside of Illinois is not applicable.
6. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
7. Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

**AMENDMENT TO THE FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE STATE OF INDIANA**

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-1-2.7-1 to 23-1-2.7-10, the Franchise Disclosure Document of FranNet, LLC for use in the State of Indiana shall be amended as follows:

1. Item 12, under the heading entitled “Territory,” shall be supplemented by the addition of the following language. “We are required by the Franchise Agreement not to compete unfairly with you with the Territory.”

2. Item 17(f), under the heading, “Termination by us with cause,” shall be amended by the addition of the following language: “The conditions under which your Franchise can be terminated may be affected by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.”

3. Items 17(q) and (r), under the headings “Non-competition covenants during the term of Franchise,” and “Non-Competition covenants after the Franchise is terminated or expires,” respectively, shall be amended by the addition of the following language at the end of each Item “Notwithstanding the above, your rights will not in any way be abrogated or reduced pursuant to Indiana Code § 23-2-2.7-1(9), which limits the scope of non-competition covenants to the exclusive area granted in the Franchise Agreement.

4. Item 17(v), under the heading “Choice of forum,” shall be supplemented with the following language: “However, to the extent required by either the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, a Franchise that operates a Franchise office in Indiana may require, at the Franchisee’s option, that litigation concerning such Franchise take place in Indiana.”

5. Item 17(w), under the heading “Choice of Law,” shall be supplemented with the following language: “This provision may be enforceable under Indiana Law.”

6. Each provision of the Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana, Code § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practice Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum to the Offering Circular.

**ADDENDUM TO THE FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document of FranNet, LLC for use in the State of Maryland shall be amended as follows:

1. Items 17(c) and 17(m), under the headings, "Requirements for you to renew or extend" and "Conditions for our approval of transfer," shall be supplemented by adding the following language at the end of each Item: "However, a general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."
2. Item 17(v), under the heading entitled "Choice of forum" shall be supplemented by adding the following language at end of this Item: "except that you may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure must be brought within 3 years after the grant of the Franchise under the Franchise Agreement."
3. The provisions of the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

NOTICE REQUIRED BY 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 the franchise documents, the provision are void and cannot be enforced against you.

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

- (a) A prohibition on the right of a Franchisee to join an association of Franchisees.
- (b) A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in this act. This shall not preclude a Franchisee, after entering into a Franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a Franchise agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a Franchisor to refuse to renew a Franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the 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 transferee to meet the Franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the Franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this Notice should be directed to the Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF FRANNET, LLC
FOR THE STATE OF MINNESOTA**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT (“Addendum”), sets forth modifications to the Franchise Disclosure Document (“FDD”) for purposes of offering franchises in the State of Minnesota (the “State”).

1. WHEREAS, the State has certain laws and regulations affecting the sale of franchises; and

2. WHEREAS, **FranNet, LLC** desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws:

1. ITEM 17 is modified by adding the following paragraph:

Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

2. ITEM 17 is modified by adding the following paragraph:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. ITEM 12 is modified by adding the following paragraph:

The franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Contours Express name.

4. ITEM 17 is modified by adding the following paragraph:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

5. Minn. Rule 2860.4400D prohibits a franchisee to assent to a general release. Any release assented to by a franchisee must exclude claims under the Minnesota Franchise Law.

6. Notwithstanding the provisions of Section 17.11 of the Franchise Agreement, any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

**ADDENDUM TO FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law;

fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

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

9. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Addendum to the Disclosure Document.

**ADDENDUM TO THE FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of **FranNet, LLC** for use in the State of Rhode Island shall be amended to include the following:

1. Item 5 shall be supplemented with the following language:

Payment of all initial fees will be deferred until the Franchised Business is open and training is complete.

2. Items 17v. and 17w. for each chart shall be supplemented with the following language:

However, you may sue FranNet, LLC in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

4. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

EXHIBIT H

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

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

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I

RECEIPTS

RECEIPT

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

If **FranNet, LLC** offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If **FranNet, LLC** does not deliver this Franchise Disclosure Document on time or if it contains false or misleading statements, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your State's regulator agency listed on Exhibit A.

The franchisor is **FranNet, LLC**, located at 6844 Bardstown Road, Unit 645, Louisville, KY 40291. Its telephone number is 502-753-2380.

The name address and telephone number of each franchise seller is:

Jania Bailey, 6844 Bardstown Road, Unit 645, Louisville, KY 40291; (502) 753-2380.
Molly Whiting, 6844 Bardstown Road, Unit 645, Louisville, KY 40291; (859) 470-5202.

The issuance date of this Franchise Disclosure Document is March 15, 2023.

FranNet, LLC authorizes the agencies or agent listed on Exhibit "A" to receive service of process for **FranNet, LLC**.

I have received a disclosure document dated March 15, 2023 that included the following Exhibits:

- A. Table of State Administrators For Service of Process
- B. Franchise Agreement
- C. Financial Statements
- D. List of Current Franchisees
- E. List of Former Franchisees
- F. Table of Contents of Operations Brand Standards Manual
- G. State Specific Addendum (If Applicable)
- H. State Effective Dates
- I. Receipt Pages

Date

Prospective Franchisee's Signature

Prospective Franchisee's Printed Name

Two copies of this page are provided. Please date, sign and return one copy to the franchisor and keep one copy for your records.

RECEIPT

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

If FranNet, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If **FranNet, LLC** does not deliver this Franchise Disclosure Document on time or if it contains false or misleading statements, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your State's regulator agency listed on Exhibit A.

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- G. State Specific Addendum (If Applicable)
- H. State Effective Dates
- I. Receipt Pages

Date

Prospective Franchisee's Signature

Prospective Franchisee's Printed Name

Two copies of this page are provided. Please date, sign and return one copy to the franchisor and keep one copy for your records.