



1-800-TEXTILES FRANCHISES, LLC
FRANCHISE DISCLOSURE
DOCUMENT

A Georgia limited liability company
110 Brunas Way
Ball Ground, Georgia 30107
800-839-8453
info@1800Textiles.com
www.1800textiles.com

The franchise is to operate a textiles restoration, bagging, cleaning, and permanent climate-controlled storage business under the service mark “1-800-TEXTILES” (a “**Franchised Business**”).

The total investment necessary to begin operation of a Franchised Business is different depending on which 1-800-Textiles Franchise you choose:

Spoke First Responder: \$58,200 to \$156,000. This includes a \$45,000 Initial Franchise Fee that must be paid to the franchisor or an affiliate.

Hub Production Plant: \$196,200 to \$739,500. HPPs will work directly with 1-800-Textiles corporate. This includes a \$159,000 Initial Franchise Fee that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Development at 110 Brunas Way, Ball Ground, Georgia 30107, 1-800-839-8453.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer's Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at

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

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

Issuance Date: April 28, 2023

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	ITEM 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in ITEM 20 or <u>Exhibit F</u> .
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 <u>Exhibit C</u> 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 1-800-TEXTILES business in my area?	ITEM 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items ITEM 3 and ITEM 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 1-800-TEXTILES franchisee?	ITEM 20 or <u>Exhibit F</u> lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

WHAT YOU NEED TO KNOW ABOUT FRANCHISING GENERALLY

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

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

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

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

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

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

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

SOME STATES REQUIRE REGISTRATION

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

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

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

1. The franchise agreement and other agreements require you to resolve disputes with us by litigation only in our home state (currently Georgia). Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Georgia than in your own state.
2. The franchise agreement provides that if you do not achieve a minimum sales quota in any year, we may temporarily or permanently reduce the size of your territory or temporarily or permanently suspend your exclusive rights within the territory. If you do not achieve a minimum sales quota in three consecutive years, we may terminate the franchise agreement.
3. You must pay us a population fee of \$1,000 each month even if you have no revenue.
4. There may be other risks concerning this franchise.

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

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

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

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

- a. A prohibition on the right of a franchisee to join an association of franchisees.
- b. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- c. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- d. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- e. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- f. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- g. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (2) The fact that the proposed transferee is competitor of the franchisor or sub franchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G. Mennen Williams Building
525 West Ottawa Lansing, Michigan 48933
(517) 373-7177

TABLE OF CONTENTS

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

ITEM 2 BUSINESS EXPERIENCE2-1

ITEM 3 LITIGATION3-1

ITEM 4 BANKRUPTCY 4-1

ITEM 5 INITIAL FEES5-1

ITEM 6 OTHER FEES..... 6-1

ITEM 7 ESTIMATED INITIAL INVESTMENT7-1

ITEM 7 ESTIMATED INITIAL INVESTMENT7-2

ITEM 7 ESTIMATED INITIAL INVESTMENT7-3

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....8-1

ITEM 9 FRANCHISEE’S OBLIGATIONS.....9-1

ITEM 10 FINANCING 10-1

ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND
TRAINING 11-1

ITEM 12 TERRITORY 12-1

ITEM 13 TRADEMARKS..... 13-1

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION..... 14-1

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
FRANCHISED BUSINESS..... 15-1

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL..... 16-1

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 17-1

ITEM 18 PUBLIC FIGURES 18-1

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS 19-1

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION20-1

ITEM 21 FINANCIAL STATEMENTS21-1

ITEM 22 CONTRACTS.....22-1

ITEM 23 RECEIPT23-1

EXHIBITS

- Exhibit A – Franchise Agreement
- Exhibit B – State Addenda and Agreement Riders
- Exhibit C – Financial Statements
- Exhibit D – Manuals’ Table of Contents
- Exhibit E – List of State Agencies/Agents for Service of Process
- Exhibit F – Current and Former Franchisees
- Exhibit G – General Release
- Exhibit H – Lease Rider

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

The Franchisor

The franchisor is 1-800-Textiles Franchises, LLC. For ease of reference in this disclosure document, 1-800-Textiles Franchises, LLC is referred to as “we,” “us” or “our.” “You” or “Franchisee” means the person or entity who buys the franchise, including all equity owners of a corporation, general partnership, limited partnership, limited liability, or any other type of entity (an “Entity”). If you are an Entity, each individual with direct or indirect ownership interest shall be referred to as an “Owner.”

We are a Georgia limited liability company that was organized in 2020. Our principal business address is 110 Bruner Way Ball Ground, Georgia 30107. To the extent that we have designated agents for service of process in other states, they are listed in Exhibit E. We conduct business under the name 1- 800-Textiles only. We began offering 1-800-Textiles franchises in 2022 and have never offered any other franchises in any other line of business and have never operated businesses of the type being franchised.

Our Predecessor, Affiliates and Prior Business Experience

We do not have predecessors. We are affiliated by common ownership with 1-800-Textiles, LLC (“1-800 Textiles”), a Georgia limited liability company organized in 2020 with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107. 1-800 Textiles may provide products and services to our franchisees but does not and has not offered franchises in any line of business. Our parent is Textiles Holdco, LLC, a Georgia limited liability organized in 2020, with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107. This parent does not and has not offered franchises in any line of business. This parent is owned by FS PEP Holdco, LLC, an affiliate of Princeton Equity Group, LLC, a private equity firm based in Princeton, New Jersey and in Dallas, Texas.

Our affiliate, Five Star Bath, L.L.C. offers bathroom renovation franchises, from its principal address of 761 W. Spring Creek Pl., Springville UT 84663. It has offered such franchises since 2015. As of December 31, 2022, it had 75 franchises in operation.

Our affiliate, Gotcha Covered Franchising, LLC offers window covering and treatment franchises, from its principal address of 6251 Greenwood Plaza Boulevard, Suite 170, Greenwood Village, CO 80111. It has offered such franchises since 2009. As of December 31, 2022, it had 145 franchises in operation.

Our affiliate, Ringside Development Company offers hazardous material cleaning service franchises, from its principal address of 6251 Greenwood Plaza Boulevard, Suite 170, Greenwood Village, CO 80111. It has offered such franchises since 2010. As of December 31, 2022, it had 127 franchises in operation.

Our affiliate, 1-800-Packouts Franchise LLC offers contents restoration service franchises, from its principal address of 110 Bruner Way, Ball Ground GA 30107. It has offered such franchises since 2015. As of December 31, 2022, it had 68 franchises in operation.

Our affiliate, Mosquito Shield Franchise, LLC offers mosquito and pest control franchises, from its principal address of 500 E. Washington St. #24, North Attleboro, MA 02760. It has offered such franchises since 2013. As of December 31, 2022, it had 345 franchises in operation.

Our affiliate, D1 Sports Franchise, LLC offers athletic performance training facility

1-800-Textiles Franchises, LLC
Franchise Disclosure Document (2023)

franchises, from its principal address of 7115 S. Springs Dr., Franklin TN 37067. It has offered such franchises since 2015. As of December 31, 2022, it had 83 franchises in operation.

Our affiliate, SB Oil Change Franchising, LLC offers quick-service engine oil change facility franchises, from its principal address of 301 North Main Street, Suite 2605, Winston Salem, NC 27101. It has offered such franchises since 2019. As of December 31, 2022, it had 139 franchises in operation.

Our affiliate, CMY Franchising, LLC offers franchises providing rental services for the set-up and display of celebratory yard signs and customized messages, from its principal address of 2009 Ranch Road 620 N., Suite 420, Austin TX 78734. It has offered such franchises since 2017. As of December 31, 2022, it had 512 franchises in operation.

Our affiliate, Ellie Fam LLC has offered outpatient counseling and therapy clinic franchises since 2021, from its principal business address of 1370 Mendota Heights Road, Mendota Heights, Minnesota 55120. As of December 31, 2022, it had 38 franchises in operation.

Our affiliate International Franchise Professionals Group, LLC operates a franchise consultant network from its principal business address of 499 Ernston Rd., Parlin NJ 08859. As of December 31, 2022 it had 0 franchises in operation.

Our affiliate Career Transition Leads, LLC offers franchise consultant lead generation services from its principal business address of 499 Ernston Rd., Parlin NJ 08859, As of December 31, 2022 it had 0 franchises in operation.

Our affiliate Career Transition Leads, LLC offers franchise consultant lead generation services from its principal business address of 499 Ernston Rd., Parlin NJ 08859, As of December 31, 2022 it had 0 franchises in operation.

Our affiliate, Five Star Connect, Inc. has been in the business of delivering support services to franchise systems since 2015, including to us and some of our affiliates, with such services including call center, software, and marketing services, from its principal address of 761 W. Spring Creek Pl., Springville UT 84663.

The Franchise Offered

We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee, to develop and operate a business which specializes in the bagging, storage, and restoration of textiles or materials comprised of textiles in significant part, after an event or disaster causing water, fire, storm, or other damage (the “**Franchised Business**”) in a designated territory (the “**Territory**”). The Franchised Business uses a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”). The distinguishing characteristics of the System include, but are not limited to, our facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

Two franchise options are available for purchase:

1. Spoke First Responder (**SFR**)
2. Hub Production Plant (**HPP**)

A Franchised Business operates under the 1-800-TEXTILES mark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos (collectively, the “**Marks**”). We may designate other trade names, service marks, and trademarks as Marks.

If you operate an HPP Franchised Business, you must develop and operate a facility that includes laundry cleaning equipment, climate-controlled storage, racking storage systems, and an office that meets our minimum specifications (a “**Facility**”) within your Territory. If you operate an SFR Franchised Business, you must operate a SFR to include van(s) adequate to your needs and meeting our specifications. If you elect to purchase a 1-800-TEXTILES franchise and we offer you the opportunity to do so, we and you will execute a Franchise Agreement (the “**Franchise Agreement**”). Our current form of Franchise Agreement is included as Exhibit A to this Disclosure Document. You will have no obligation, nor any right, to open any additional Franchised Businesses outside of your Territory. The Territory in which you operate the Franchise Business may have a population of no more than 250,000 people for an SFR and 1,500,000 for an HPP.

You must designate an Owner to serve as the “**Operating Principal**.” The Operating Principal must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. In addition, you may appoint a trained manager (the “**Manager**”) to manage the day-to-day business of your Franchised Business.

Competition

Franchised Businesses offer services to residential, commercial, and industrial customers. The general market for textile cleaning and restoration services is established and competitive. You will need to compete with a variety of businesses offering these services, which may include local, regional, or national businesses. Your competitors may include franchisees of other franchised systems. Some businesses combine these services with other general contractor or specialized restoration or reconstruction services. The market for our services is year-round but may fluctuate based on weather patterns and the water, storm, and disaster risks within your Territory.

Industry Specific Regulations

You will have to comply with laws and regulations that are applicable to business generally (such as workers’ compensation, OSHA, and Americans with Disabilities Act requirements). Federal, state and local governmental laws, ordinances and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state and local governmental requirements. You should consult with your attorney about laws and regulations that may affect your Franchised Business. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the Facility. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files.

ITEM 2
BUSINESS EXPERIENCE

President and Chief Executive Officer - Kevin Loner

Mr. Loner has served as President and Chief Executive Officer of 1-800-Textiles since its inception in 2020. He founded 1-800-Packouts Franchise, LLC and was its President and CEO from July 2013 to January 2022. He has also served as the Chief Executive Officer for Nivek Services, Inc. during the period from August 2006 to the present. Mr. Loner serves in his present capacities in Ball Ground, GA.

Vice President of Operations – Ian Carson

Mr. Carson has served as our Vice President of Operations since May 2022. Prior to that role, he was our Marketing Coordinator and Graphic/Web Designer for 1-800-Textiles from its inception until May 2022, and for our affiliate, 1-800-Packouts, beginning in February 2020. Prior to this role, Mr. Carson served as the Digital Manager for American Media Products from 2013 to 2019 in Roswell, GA and as Digital Manager for Encore Atlanta from 2019 to 2020. Mr. Carson serves in his present capacities in Ball Ground, GA.

Marketing Director – Rance Parker

Mr. Parker has served as our Marketing Director and Graphic Marketing Designer for 1-800-Textiles since May 2022. He was head of the design team for our affiliate, 1-800-Packouts, since its July 2013 inception through May 2022. Mr. Parker serves in his present capacities in the Headquarter office in Ball Ground, GA.

Franchise Development – Jerry Jones

Mr. Jones has served in Franchise Development at 1-800-Textiles since February 2022. Prior to this role, Mr. Jones was a salesman with Chevrolet from 2013-2017. He was a franchise developer for the Neighborly Brands, in Waco, Texas, from 2017-2022. Mr. Jones serves in his present capacities in Waco, TX.

Chief Growth Officer - J. Andrew Mengason

J. Andrew Mengason is our Chief Growth Officer, working out of Springville, Utah, and has held this role since February 2022. He is CEO and President of Madison Range Investments, located in Birmingham, Michigan and has held such role since May 2018. His prior roles included President and Chief Operating Officer of Mesa Systems, LLC, in Salt Lake City, Utah, from January 2019 to January 2021; and Chief Operating Officer for BELFOR Franchise Group, in Ann Arbor, Michigan from February 2013 to May 2018.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

If you are starting a new Franchised Business, you must pay a lump sum initial franchise fee of \$45,000 for a SFR or of \$159,000 for a HPP (the “**Initial Franchise Fee**”) at the time that you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable and must be paid in a lump sum via EFT – ACH draft or wire.

We provide our initial training program (“**System/Procedure Training**”) at no additional cost for up to two trainees. If the number of trainees exceeds two, there is a fee of \$500 per additional trainee, which is non-refundable and must be paid in lump sum via EFT – ACH draft or wire.

You will pay us a \$1,000 Annual Conference Registration Deposit, due within ninety (90) days of signing your franchise agreement or before you attend training, which will be applied to the actual attendance fee for your first attendance at the first annual conference available to you after you have completed your training. If any portion of this deposit is not required as part of that annual conference attendance or registration fee, it will be credited to you on your invoice following the annual conference. You will not be required to pay more than one conference registration, regardless of the number of franchises you own.

**ITEM 6
OTHER FEES**

Type of Fee ¹	Amount	Due Date	Remarks
Population Fee	\$1000 per month based on the population in your Territory per franchise. See Note 2.	Payable on the 7 th day of each month.	If the population of your Territory changes, we will provide you with 30 days' notice before requiring you to pay a revised Population Fee.
Royalty Fee	SFR: 3% of Adjusted Sales; 10% of Gross Sales on National or Regional Accounts (N.O.R.A.s); HPP: 8% of Adjusted Sales	Due upon receipt of payment from client. Payable on the 7 th day of each month.	May be collected on an accrual basis for 120 day periods. If an HPP also owns any SFR, the 3% royalty fee for each SFR shall be excluded. Royalties are calculated from Adjusted Sales, after adjusting for the 70/30 HPP/SFR split.
Advertising Cooperative Contributions	Established by regional advertising cooperative (“Cooperative”) members	Established by Cooperative members and, if established, paid to us.	You must become a member of and contribute to any Cooperative that is established in your area
Interest on Late Payments	Rate of 1.5% per month or the highest rate permitted by law, whichever is less	As incurred	Charged on any late payments of any amounts due to us or our affiliates.
Returned Check Fee	\$150 per returned check	As incurred	Payable if any check in payment of any amounts due us is returned because of insufficient funds in your account.

Additional Orientation Training Fee	\$500 per additional trainee	As incurred	We provide System/Procedure Training to four trainees at no charge. Payable for any additional trainees, subsequent trainees, or trainees repeating System/Procedure Training. You are responsible for the travel and living expenses of you and your trainees.
Additional Training Programs	Our then-current fee for additional training programs and conferences, which will vary based on our costs and expenses in conducting training. Currently, if we provide on-site training, you must pay \$500 per trainer per day.	As incurred	We may require you, your manager and key personnel to attend additional training programs or conferences. You are responsible for the travel and living expenses incurred by your trainees or our trainers (if we provide on-site training).

Type of Fee¹	Amount	Due Date	Remarks
Annual Conference Fee	\$1,000 per franchise location you own	February 1st each year.	We will host annual conferences. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or other attendees.
On-Site Opening Assistance	Our then-current reasonable fees. Currently, \$500 per trainer per day, for a maximum of 5 days.	As incurred	If we provide on-site opening assistance at your request, you must pay our reasonable fees and reimburse us for the travel, lodging, and per diem expenses of any personnel providing on-site assistance. If we provide on-site opening assistance and you do not request it, we will not require you to pay these fees and expenses.
Additional Guidance and Assistance	Per diem fees and charges we establish	As incurred	Payable if we provide additional guidance or assistance upon your request.
Testing Fee for Products and Services	Our then-current reasonable fees. Currently, we intend to charge our actual cost of testing the proposed product or evaluating the proposed service, including personnel and travel costs.	Upon demand	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved, whether or not we approve the item or service.
Renewal Fee	SFR - \$2,500 per ownership HPP - \$5,000 per franchise	At the time of renewal	Payable if you enter into a renewal term for your license

Type of Fee¹	Amount	Due Date	Remarks
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Transfer fee	The greater of i) \$10,000 or ii) 5% of the purchase price for the transfer. Note, any sales commission owed as a result of your transfer shall remain your obligation, in addition to the Transfer Fee.	At the time of transfer	Payable upon transfer of the Franchise Agreement, the Franchised Business, or a controlling interest in you.
Advisory Council Fees	Will vary based on programs	As incurred	If we establish a franchisee advisory council, you must participate in it and pay any dues assessed for administration of related programs.
Non-Reporting Fee	\$25 per day	Each day that you have failed to deliver reports or records due to us.	You will be charged this fee for each report or record which you have agreed to deliver to us, per day, beginning the first day following the due date on which you have not reported, and continuing through the date when you deliver such reports or records.
Audit Expenses	Cost of audit and inspection, including any travel expenses and reasonable accounting and attorneys' fees	Upon receipt of invoice	Payable if audit shows an underpayment of at least 3% in amounts owed for any period covered by the audit.
De-identification Expenses	Our reasonable cost of de-identifying your Franchised Business	Upon demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Franchised Business, and we take steps to do so.
Incomplete Job Fee	\$5,000 per uncompleted job	Upon demand	If this Agreement is terminated or expires, you must pay us this fee for each job that has not been fully performed, in addition to any actual damages that we incur.

Liquidated Damages	(i) The average of your monthly Royalty Fees and Operating Percentage Fees due for the last 36 months (or for such shorter period of time that the Franchised Business has been open) before our delivery of the notice of default, (ii) multiplied by the lesser	As incurred	Payable if we terminate the Franchise Agreement based on your default or if you terminate in violation of its terms.
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Type of Fee ¹	Amount	Due Date	Remarks
	of 36 or the number of months remaining in the then-current term, (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.		
Technology and Software Fee	Fees will vary based on technology and similar software or software as a service subscriptions, ranging from \$500 to \$1,500 per month, currently, and adjusted to then-current rates of the approved suppliers.	7 th Day of each month	This fee, paid for the services of third-party vendors or received by us to pay to such vendors, covers the cost of technology and software services and subscriptions, at the rates established by such vendors.
Brand Fee	2% of gross sales	7 th Day of each month	National ad fund used at corporate discretion (i.e. trade shows). You must contribute the Brand Fee to a Brand Fund that we will operate (the “Brand Fund”). See Item 11 for information regarding the brand fund.
Out of Territory Fee	10% of all claims by SFRs that are located outside their owned territory.	Due upon receipt of payment from client.	Fee for operating in a currently owned territory.

Notes:

- Except as noted, all fees are uniform and are imposed by and payable to us or our affiliates. All fees are non-refundable. We may require that you participate in an electronic funds transfer program by which payments due us are paid or directed electronically from your bank.
- The Population Fee will be determined based on the number of people located in Your Territory in accordance with the following chart:

Hub (HPP)

Population of Territory	Monthly Population Fee
SFR - 1 to 1,500,000	\$1,000

Spoke (SFR)

Population of Territory	Monthly Population Fee
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SFR - 1 to 250,000	\$1,000
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The maximum initial population permitted in any Territory is 250,000 people per SFR and 1,500,000 per HPP. In order to determine current population we use territory mapping software. In the event the population in the Territory exceeds 250,000 people per SFR or 1,500,000 per HPP, you shall be required to pay an additional \$0.22 per person in your Territory as an addition to your Initial Franchise Fee and/or purchase additional franchise(s) as applicable.

Should the population exceed 250,000 people per SFR or 1,500,000 per HPP during the term of your agreement you will be required to purchase additional territory or an additional franchise(s) to adhere to the limit of 250,000 people per SFR or 1,500,000 per HPP.

3. **“Gross Sales”** means all receipts generated by the Franchised Business from any source, including, but not limited to, all sales of products and services to customers of the Franchised Business, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged. Gross Sales shall additionally include sales, rentals, vending, exchanges, repairs, services, labor, service charges, service contracts, any other type of remuneration, gift, contra-deal, barter of products or services charity, payment in kind, or any other benefit or value that is received or deferred to be received, and excludes discounts, refunds, and sales taxes. Credit transactions will be included in Gross Revenue as of the date of the transaction without

deduction for uncollected credit accounts or accounts payable. The proceeds from any business interruption insurance benefit or eminent domain recovery you receive will be included in Gross Revenue. Gross Revenue will be calculated for relevant calendar periods, as applicable.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT FOR SPOKE FIRST RESPONDER

Type of Expenditure¹	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	\$45,000	Lump sum	When the Franchise Agreement is signed	Us
Vehicles and Wrap ⁷	\$5,000 - \$65,000	As agreed	Before opening	Third party vendors
Business Licenses and Permits ⁸	\$200 to \$1,000	As agreed	Before opening	Municipalities and other Government Entities
Professional Fees ⁹	\$500 to \$2,500	As agreed	Before opening	Accountants, Lawyers, other Third Parties
Initial Inventory and Supplies ¹⁰	\$500 to \$3,000	As agreed	Before opening	Third party vendors
Insurance ¹¹	\$7,500 to \$12,500	As agreed	Before opening	Insurance Agents/Brokers
Training Travel Expenses ¹²	\$2,500 to \$5,000	As agreed	Before opening	Corporate Training, Airlines, Hotels, Restaurants, etc.
Marketing ¹³	\$500 to \$2,000	As agreed	Before opening	Third party vendors
Additional Funds – First 3 months ¹⁴	\$10,000 to \$20,000	As agreed	As incurred	Employees, Suppliers, Utility Companies, and Third party vendors
Total Estimated Initial Investment¹⁵	\$71,700 to \$156,000			

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT FOR HUB PRODUCTION PLANT

Type of Expenditure¹	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	\$159,000	Lump sum	When the Franchise Agreement is signed	Us
Rent, Security Deposit, and Utility Deposits ²	\$3,000 to \$10,000	As agreed	Before opening	Lessor and Utilities
Leasehold Improvements ³	\$25,000 to \$100,000	As agreed	Before opening	Contractors and Third-party vendors
Equipment ⁴	\$150,000 to \$300,000	As agreed	Before opening	Third party vendors
Signage ⁵	\$1,000 to \$5,000	As agreed	Before opening	Third party vendors
Furniture, Office Equipment, and Software ⁶	\$2,500 to \$10,000	As agreed	Before opening	Third party vendors
Vehicles ⁷	N/A	N/A	N/A	N/A
Business Licenses and Permits ⁸	\$200 to \$2,500	As agreed	Before opening	Municipalities and other Government Entities
Professional Fees ⁹	\$500 to \$2,500	As agreed	Before opening	Accountants, Lawyers, other Third Parties
Initial Inventory and Supplies ¹⁰	\$2,500 to \$7,500	As agreed	Before opening	Third party vendors
Insurance ¹¹	\$1,500 to \$20,000	As agreed	Before opening	Insurance Agents/Brokers
Training Travel Expenses ¹²	\$1,000 to \$10,000	As agreed	Before opening	Corporate Training, Airlines, Hotels, Restaurants, etc.
Marketing ¹³	\$1,000 to \$5,000	As agreed	Before opening	Third party vendors
Additional Funds – First 3 months ¹⁴	\$20,000 to \$30,000	As agreed	As incurred	Employees, Suppliers, Utility Companies, and Third party vendors
Total Estimated Initial Investment¹⁵	\$381,200 to \$739,500			

Notes:

1. This table estimates the initial three-month investment period for start-up Franchised Businesses only. All fees and payments are non-refundable unless otherwise stated in this Disclosure Document or unless otherwise arranged between you and any third parties. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.
2. We expect that you will either purchase or lease the real estate for the Facility. This estimate assumes that an HPP will operate a facility between 5,000 and 10,000 square feet. We expect most HPP Facilities will be approximately this size, but we may approve smaller Facilities in our sole discretion. Your rent may differ based on market factors in your area. We do not lease or sell space to you.
3. This estimate includes a snapshot of the cost of constructing or remodeling a Facility to meet our specifications and trade dress, including the cost of fixtures, interior and exterior painting, and landscaping. Your Facility must include hanging rack systems and must have climate-controlled storage. You must purchase certain items of fixtures, which must comply with our specifications in the Manuals. Actual costs depend on location, the condition of the premises being remodeled, economic factors, and the Facility's size.
4. You must purchase equipment to clean and restore customer's personal, textile, property. The equipment must meet our specifications, as discussed in greater detail in our Manuals, and must be purchased from an approved supplier. The cost of the equipment will vary based on the size of your Facility and the models of equipment that you elect to purchase.
5. This estimate is for the cost of obtaining signage for your Facility that meets our specifications.
6. This estimate includes the cost of the management system, computer hardware, mobile devices, applications, GPS tracking devices, and software (the "**Management and Technology Systems**"), furniture, and other office equipment necessary to operate the Franchised Business. The Management Systems include the cost of at least one iPad, computer, and printer/copier. More hardware may be necessary based on the size of your Franchised Business. The cost of furniture will vary based on the size of your building and the quality of furniture that you select.
7. We require you to purchase at least one high roof van that is new or used approved by corporate. If you already own a van(s) that meet our specifications, you may modify and rebrand them and then use them in the Franchised Business, provided that they are dedicated for use in the Franchised Business. The vehicles must be wrapped in accordance with our specifications. A van remodeling requirement must be met for all vehicle wraps on or before the sixth anniversary of the initial wrap, at your expense, to maintain current brand standards. This estimate assumes that you will lease the vehicles and includes the down payment, three months of leasing expenses, and the cost of painting the vehicle to include our signage.
8. The range given provides our best estimate of the costs you will incur for business permits and licenses.
9. We recommend that you consult an attorney of your own choosing to review this disclosure document and the Franchise Agreement, as well as an independent accountant to review the attached financial statements, before signing the Franchise Agreement. The costs of these professional fees will vary depending on your location and the professionals that you select.

10. You must purchase an initial inventory of textile cleaning supplies, including but not limited to cleaning chemicals, hangers, boxes, packing materials, and uniforms that meet our specifications. The size of your initial inventory will vary based on the size of your Territory and Facility.

11. You must carry insurance. The amount set forth above represents an estimate of the premiums required for general liability, workers' compensation, public liability and property damage, professional liability, bailee's coverage, business interruption coverages during the Franchised Business' first year of operation. We may periodically increase or decrease the amount of coverage required under the insurance policies and require different or additional kinds of insurance at any time. You should consult with your insurance agent or broker before purchasing a franchise.

12. We provide our SFR training program for up to three trainees at no additional cost, and you must pay the travel and living expenses for your trainee(s) during training. The amounts set forth above assume up to 5 days of training for up to one trainee. There is an additional fee for more than three SFR trainees.

13. You are required to do local marketing. Your marketing efforts will need to be tailored to your community and competitive situation. The cost of your marketing will vary based on local market conditions. You are required to have a designated Marketing Representative.

14. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, utilities, payroll taxes (including payroll to cover the pre-opening training period for your staff), Royalty Fees, Population Fees, Operating Percentage Fees, legal and accounting fees, additional advertising, health and workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means intended to be exhaustive of the extent of possible categories of expenses. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. It is best to contact your accountant or financial advisor for further guidance.

15. We relied on the experience of our affiliate in operating an Affiliated Corporate Training Location to compile these estimates. Your costs may vary based on a number of factors discussed above.

We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should review these figures with a business advisor before making any decision to purchase the franchise. We contemplate that certain of our franchisees will be existing owners of textiles and/or restoration businesses who convert their businesses to a Franchised Business. If you are a franchisee who converts an existing business to a Franchised Business, your estimated initial investment may vary from the estimated initial investment listed above.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products, Services, and Suppliers. We have the right to require that furniture, fixtures, signs, and equipment (the “**Operating Assets**”) and products, supplies, software, and other services that you purchase for resale or purchase or lease for use in your Franchised Business: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from us or our affiliates or suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

You must offer all services and products we prescribe for a Franchised Business and must not offer or sell any services or products other than services and products that we have approved in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

Relationship With Suppliers. Our affiliate, ProNexis, provides call center, call tracking, and online marketing services and support and is an approved supplier of such services and of telephone numbers to our franchisees. Except as disclosed, neither we nor our affiliates currently are approved suppliers or the only approved suppliers of any products or services to franchisees, though we reserve the right to require you to purchase items from us or our affiliates in the future. None of our officers owns any interest in any supplier with whom you are currently required or recommended to do business.

Prototype and Construction Plans and Specifications. We will review and approve plans and specifications to confirm they meet our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Facility. It will be your responsibility to ensure that the plans and specifications comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site for the Facility. You must submit final construction plans and specifications to us for approval before construction begins at the Facility, and the Franchised Business must be constructed in accordance with those approved plans. There is no time limit for the completion of our review, but we anticipate completing our review within 10 days of your submission. By approving your plans we in no way represent or warrant the Facility will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of a Facility that is constructed in accordance with plans that we approve.

Management and Technology Systems. You must use in the development and operation of the Franchised Business the Management and Technology System that we specify from time to time. As part of the Management and Technology Systems, we may require you to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We may also require that all or parts of the Management and Technology Systems be purchased or contracted through us or our designee. The Management and Technology Systems we require provide a business advantage over other systems and allow us to ensure uniformity across the franchise system. In addition, some TPA’s will require use of certain software, if this occurs we reserve the right to require you to use the software the TPA is requiring.

Insurance. You must obtain and maintain in force insurance coverage necessary to comply with all laws and as is customary for similar businesses in the state or jurisdiction in which the Franchised

Business operates or as we may reasonably prescribe from time to time. We currently require you to maintain the following insurance coverage: (i) commercial general liability insurance (\$1 million per occurrence, \$2 million general aggregate limit, and \$2 million products-completed operations limit, (ii) contractor's environmental liability (\$1 million per occurrence and \$2 million aggregate limit (aggregate may be shared with CGL policy)), (iii) property insurance (100% of replacement value of Facility and contents), (iv) bailee legal liability coverage (\$1 million limit), (v) vehicle liability insurance (\$1 million coverage, including hired and non-company owned auto coverage), (vi) workers' compensation coverage, (vii) cyber liability coverage (\$1 million limit), (viii) employment practices liability coverage (\$1 million limit), and (ix) excess liability coverage (over and above CGL, vehicle liability and employer liability) of \$1 million. The insurance coverage must be maintained under one or more policies of insurance of the types and containing such terms and conditions and minimum liability protection in such amounts, as we specify and as are issued by insurance carriers rated not less than "A-" by A.M. Best Company.

You must maintain these policies during the entire term of your Franchise Agreement. We may increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us (and our officers, directors and employees) as additional insureds, contain a waiver by the insurance carrier of all subrogation rights against us, and must provide that we will receive 30 days advance written notice of any material modification, cancellation, or termination or expiration of the policy. You must provide us with a copy of the certificate of or other evidence of the procurement, renewal or extension of each insurance policy within 30 days after signing the Franchise Agreement and each year thereafter, which certificate shall list us as a named additional insured.

Approval Process. If you propose to purchase any brand, type, and/or model of products, supplies, services, and Operating Assets which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings, samples, and/or other information for a determination by us of whether the brand, type, and/or model of products, supplies, services, and Operating Assets complies with our specifications and standards, which determination will be made and communicated to you within a reasonable time (typically, within 30 days). We do not make our criteria for approving suppliers available to franchisees, but generally we will evaluate the quality and appearance of proposed products and the reputation, quality controls, and distribution capabilities of a proposed supplier. We may approve or disapprove a supplier or item in our sole discretion. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase items from such supplier. Currently, we intend to charge our actual cost of testing the proposed product or evaluating the proposed service, including personnel and travel costs, and intend to communicate our decision to you within 30 days after receiving all of the information that we request. If we do not provide a notice of approval within thirty (30) days the supplier or item is disapproved. Upon our approval of your proposed item and/or supplier, we will permit you to contract with the alternative supplier. We may revoke approval of a supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

Issuance of Specifications and Standards. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you of any changes to our Manuals, specifications, or standards in writing, which we may transmit to you electronically.

Proportion of Purchases Subject to Specifications. We estimate that the cost to purchase and lease all equipment, inventory and other items and services that we require you to obtain from us or our affiliates, from designated suppliers, or in accordance with our specifications ranges from 90% to 100% of the total cost to purchase and lease equipment, inventory, and other items necessary to establish a

Franchised Business and 90% to 100% of the total cost to purchase and lease equipment, inventory, and other items to operate a Franchised Business.

Revenue from Purchases. We or our affiliates may receive revenues or profits or other material consideration from the purchases you make from us, our affiliates, or from other approved suppliers. We intend to earn revenue from your purchase of certain items that we may specify from time to time. We may retain any rebates or other payments we receive from suppliers.

During our last fiscal year ended December 31, 2022, we did not receive any revenue from the required purchase of products and services by our franchisees. We have not yet established any arrangements with suppliers which would require the supplier to make payments to us based on our purchases, but we reserve the right to do so.

Cooperatives and Purchase Arrangements. We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have negotiated purchase arrangements with suppliers for the benefit of our franchisees for certain packing supplies and vehicles.

Material Benefits. We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

**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	3.B	N/A
(b) Pre-opening purchases/leases	3	5, 7 and 11
(c) Site development and other pre-opening requirements	3	N/A
(d) Initial and ongoing training	4	6 and 7
(e) Opening	3.F	9
(f) Fees	9	5 and 6
(g) Compliance with standards and policies/Operations Manual	4.G, 10.C, and 10.D	8 and 14
(h) Trademarks and proprietary information	5	13
(i) Restrictions on products/services offered	10.A and 10.B	15 and 16
(j) Warranty and customer service requirements	Not Applicable	15
(k) Territorial development and sales quotas	1.B, 1.E	12
(l) On-going product/service purchases	10	6 and 7
(n) Insurance	10.I	8
(o) Advertising and Promotion	11	11 and 14
(p) Indemnification	8	N/A
(q) Owner's participation/management/staffing	10.G	9 and 15
(r) Records/reports	12	N/A
(s) Inspections/audits	13	N/A
(t) Transfer	14	17
(u) Renewal	2.B	17
(v) Post-termination obligations	16	17
(w) Non-competition covenants	7 and 16.E	15 and 17
(x) Dispute resolution	17	Special Risks and 17

ITEM 10
FINANCING

We do not offer direct or indirect financing nor do we guarantee your note, lease or other obligations.

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

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

Our Pre-Opening Obligations

Before you open the Franchised Business, we or our designee will:

- (1) Review and approve or disapprove the terms of the lease or purchase contract for the premises of the Franchised Business. Your proposed location will be approved based upon factors including adequate parking for your vehicle (including any truck, van, or trailer you use) and adequate space for the storage of items which your operations require you to store for customers. It must also be of adequate size to support your operations and must have high-speed internet access for you and any staff member(s) you retain. Outside of these factors, and the location being situated within your Franchise Territory, we do not consider other factors in approving or disapproving your site. We generally do not own the premises or lease the premises to you. The lease for the Facility must allow for the installation of all equipment and other items necessary to operate the Franchised Business. In addition, the lease shall provide, if required by us, that it be assignable to us or our designee at our option, upon termination or expiration of this Agreement, and shall also contain such terms and provisions as are reasonably approved by us. Currently, we do not specify other required lease terms. There is no time limit for the completion of our review of your lease or purchase contract, but we anticipate completing our review within 10 days of your submission. If we do not approve the terms of the lease or purchase contract and you are unable to locate another site with satisfactory lease or purchase terms in enough time to open the Franchised Business within 180 days after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement, in which case you will forfeit your Initial Franchise Fee. (Franchise Agreement – Section 3.A)
- (2) Review and approve or disapprove plans and specifications and final construction plans complying with our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Facility. (Franchise Agreement – Section 3.B)
- (3) Specify the Management Systems for the Franchised Business. (Franchise Agreement – Section 3.D)
- (4) Provide System/Procedure Training. (Franchise Agreement – Section 4.A)
- (5) Provide you with advice, guidance and support in connection with the opening and initial operation of the Franchised Business. If you request on-site assistance and we are able to schedule such assistance at a mutually agreeable time, you will be required to pay our reasonable fees for such on-site assistance and will be responsible for the reasonable travel, lodging and per diem expenses incurred by our personnel in providing such on-site assistance. (Franchise Agreement – Section 4.C)

Provide you with access to our Manuals. Our Manuals may be modified to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses in our sole discretion. You will be required to adopt any modifications into your Franchised Business (Franchise Agreement – Section 4.G)

- (7) Approve the opening of your Franchised Business, provided that you have met all of our

requirements for opening. We estimate that the typical length of time between signing a Franchise Agreement and opening your Franchised Business is approximately 180 days. Factors affecting this length of time include, among others: ability to select a site and negotiate a satisfactory lease; hiring of the requisite employees; successful completion of System/Procedure Training; local ordinances or community requirements; delivery of Operating Assets; issuance of all necessary licenses, permits and approvals; and procuring required insurance. (Franchise Agreement – Section 3.F)

Ongoing Assistance

During the operation of the Franchised Business, we or our designee will:

- (1) Give you guidance and assistance in the following areas: (1) methods and techniques for operation of a Franchised Business; (2) national advertising and promotion; (3) the establishment of administrative, bookkeeping, accounting and general operating procedures for the proper operation of the Franchised Business; and (4) any changes in the Franchised Business, authorized services, standards or operating procedures we prescribe for Franchised Businesses. (Franchise Agreement – Section 4.F)
- (2) At your request and expense, provide additional guidance and assistance to you for an hourly charge. (Franchise Agreement – Section 4.F)
- (3) Provide additional training programs, seminars and/or conferences. (Franchise Agreement – Section 4.D)
- (4) Revise the Manuals as we deem necessary to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses. (Franchise Agreement – Section 4.G)
- (5) Review and approve suppliers and distributors you would like to use. We have the right to charge a fee to make this evaluation. (Franchise Agreement – Section 10.B.)
- (6) Administer the Brand Fund. (Franchise Agreement – Section 11.E.)

Advertising

Our Marketing. We are not contractually obligated to conduct or develop any advertising or marketing programs for the System. We may, but are not obligated to, periodically formulate, develop, produce, and conduct advertising or promotional programs in such form and media as we determine to be most effective. We may, at our option, make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We currently produce marketing materials which you may purchase from us or through an approved vendor.

We have conducted media advertising for 1-800-TEXTILES. If we conduct media advertising, we are not required to spend any amount on advertising in the market in which your Franchised Business is located.

Brand Fund. You must contribute the Brand Fee an amount designated by us up to 2% of your Gross Profit to the Brand Fund. We will administer the Brand Fund. The affiliate corporate training facility or our affiliates will contribute to the Brand Fund but does not have a set amount it contributes.

We will determine, in our sole discretion, when, how and where the payments deposited into the Brand Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the Brand Fund. We use or may use the following media: print, radio, television, telephone, smart phone, social media, and Internet. We may also use the funds for general public relations, for business development, and to otherwise obtain and build brand awareness. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies. We may use the Brand Fund to grow the entire organization system-wide, through community giveback programs (TC), target marketing, new franchise sales for spoke and hub placements.

The Brand Fund will be held in an account separate from our other funds. We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Brand Fund in that year. If we do not use all the funds in the Brand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the Brand Fund to borrow from us or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We may collect for remission to the Brand Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. All interest earned on monies contributed to the Brand Fund will be used to pay advertising costs of the Brand Fund before other assets of the Brand Fund are expended. Sums paid by you to the Brand Fund may be used by us to defray any of our operating expenses and overhead reasonably related to the administration, direction or operation of the Brand Fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Brand Fund and will make it available to you on written request.

The Brand Fund is intended to enhance recognition of the Marks and patronage of Franchised Businesses. We are a nationwide brand and intend to use the fund to help promote the image and good will of the entire brand through local, regional and national marketing campaigns. Although we will endeavor to use the Brand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Fund by Franchised Businesses operating in that geographic area or that any Franchised Business will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials. We assume no direct or indirect liability or obligation to you or any other Franchised Business in connection with the maintenance, direction, or administration of the Brand Fund.

We have the right, in our sole discretion, to terminate the Brand Fund upon 30 days' written notice to you. All unspent monies on the date of termination will be distributed to us and our franchisees in proportion to the respective contributions to the Brand Fund during the preceding 12-month period. We will have the right to reinstate the Brand Fund upon the same terms and conditions set forth in the Franchise Agreement.

Local Marketing. You are required to do local marketing in your area. We require that you assign an employee or member of the business to be dedicated to performing marketing in the local market for your Franchised Business. We may require you to participate in certain advertising or marketing programs at your expense, though we do not currently require you to do so.

You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. You must submit samples of all advertising and promotional materials to us for our prior approval, if we have not prepared or previously approved the materials. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials at any

time.

Digital Marketing. We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or AdWord purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “Digital Marketing”) that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business.

Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or that relates to the Franchised Business or the network. If we do permit you to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time. We will also hold you responsible for the actions of any employees. Should we discover any employees are performing Digital Marketing or posting any private information on social media you will be held liable for their breaches. **You are the employer for any employees and you are responsible for actions of employees.**

You are not authorized to have a website for your Franchised Business. As part of our Digital Marketing, we or one of our designees will operate and maintain the 1-800-Textiles website, which will include basic information related to the Franchised Business. Currently, we permit you to have various social media profiles dedicated to your Franchised Business but we reserve the right to review the content and require changes should we, in our sole discretion, deem it necessary.

Advertising Cooperatives. We currently do not have any Cooperatives. However, if we choose to, we may designate a geographic area in which 2 or more Franchised Businesses are located as a region in order to establish a Cooperative. The Cooperative’s members in any area will include all of the Franchised Businesses operating in that area (including us or our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative will operate in accordance with a written governing document which we may amend at any time upon written notice to the Cooperative’s members. Each Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. You must become a member of any Cooperative whose area includes your Franchised Business and must contribute to the Cooperative the amounts determined by the Cooperative. These amounts will be credited toward your local advertising expenditures.

Advertising Councils. We currently have no advisory council composed of franchisees to advise us on our advertising policies. If we elect to establish an advisory council, you agree to participate in its activities and to pay any dues we may assess for administration of advisory council programs, and you will be responsible for your expenses incurred in connection with advisory council programs. You will be permitted to vote for franchisee representatives on the advisory council in accordance with guidelines that we may establish from time to time. Furthermore, we will have the option to modify or eliminate any advisory council that we may establish from time to time.

Management Systems and Computer Hardware and Software

As part of the Management and Technology Systems, a HPP and SFR may be required to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We currently require a HPP to obtain our approved insurance repair estimating software and inventory software for processing insurance claims and at least one iPad, office computer, and printer/copier. A HPP is also required to use our approved software for managing the cleaning workflow of a job. For inventory purposes a HPP is required to use our approved inventory software. A SFR may be required to use our approved inventory software for on-site inventory. If a TPA or carrier requires the use of some other estimating software, we may require the HPP to use the software requested by the TPA. We also require both a HPP and SFR to purchase and use our approved account reporting software. In addition, you must install a firewall and have up-to-date anti-virus installed on all computer hardware used in conjunction with the Franchised Business.

The cost to purchase the Management Systems will range from \$500 to \$5,000, depending on the size of your Franchised Business and the equipment that you already own. This estimate includes the cost of licensing the software required to be used in the Management Systems. Neither we nor our affiliates currently act as vendors or suppliers of any components of the Management Systems, but we and our affiliates reserve the right to do so in the future.

Our modification of the specifications for the components of the Management Systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware, mobile devices, and/or software and to obtain service and support for the Management Systems during the term of the Franchise Agreement. There are no limitations on the frequency and cost of these obligations of yours. We cannot estimate the future costs of the Management Systems (or additions or modification to the Management Systems) and the cost to you of obtaining the Management Systems (including software licenses) (or any additions or modification) may not be fully amortizable over the remaining term of the Franchise Agreement. Nonetheless, you must incur these costs in obtaining the computer hardware, mobile devices, and software comprising the Management Systems (or additions or modification). We have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that is licensed to you and other maintenance and support services that we or our affiliates provide to you related to the Management Systems.

We may require you to enter into any maintenance, updating, upgrading, or support contracts related to the Management Systems. Vendors may be able to offer optional maintenance, updating, upgrading, or support contracts to you, but the charges would vary by vendor and cannot be reasonably estimated by us.

We will have independent access to data on the Management Systems, including gross sales figures. There are no contractual limitations on our right to access this information and data. We also will not be able to change or modify any data on the Management Systems.

We may, as outlined in the Operations Manual, require you to use certain designated software, including for accounting or bookkeeping and other purposes. Your use of such software is a condition to your franchise, and in connection with such use, you must furnish to us no less than Viewing access to such software, together with all required reports as set forth herein. If we designate required accounting software, you must use such software from any designated vendor(s) as set forth in the Operations Manual. Such software use may include fees paid directly to such vendor(s), on such terms that they set, and with updates or changes to such terms as may be established between you and each vendor. Our Affiliate, ProNexis, is currently an approved or designated vendor for services including supplying your telephone numbers, call center services, call tracking, and digital marketing.

Training

SFR System/Procedure Training. A SFR will be provided a SFR System/Procedure Training program of approximately three (3) days in the operation of a Franchised Business at a location and time designated by us for up to two trainees. In addition, one Owner of the Franchised Business must attend the training offered for the entire duration with the trainees from your Franchised Business. We will conduct training programs on an as-needed basis. The training program will include classroom instruction and Franchised Business operation training in the use of the System at our National Training HPP Center in Jasper, Georgia or at an operating business that we designate. If any trainees repeat SFR System/Procedure Training, if more than four trainees attend SFR System/Procedure Training, or if subsequent trainees attend SFR System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee to attend attending SFR System/Procedure Training.

We will provide SFR System/Procedure Training, including all related training materials, to up to two initial trainees at no additional cost. You will be responsible for all wages and travel and living expenses incurred by the trainee in connection with such SFR System/Procedure Training. If any trainees repeat SFR System/Procedure Training, if more than three trainees attend System/Procedure Training, or if subsequent trainees attend SFR System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee to attend attending SFR System/Procedure Training.

HPP System/Procedure Training. A HPP will be provided a HPP System/Procedure Training program of approximately five (5) days in the operation of a Franchised Business at a location and time designated by us for four trainees. In addition, one Owner of the Franchised Business must attend the training offered for the entire duration with the trainees from your Franchised Business. We will conduct training programs on an as-needed basis. The training program will include classroom instruction and Franchised Business operation training in the use of the System at our National Training HPP Center in Jasper, Georgia or at an operating Business that we designate.

We will provide HPP System/Procedure Training, including all related training materials, to your two initial trainees at no charge. You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such HPP System/Procedure Training. If any trainees repeat HPP System/Procedure Training, if more than four trainees attend HPP System/Procedure Training, or if subsequent trainees attend HPP System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee to attend attending HPP System/Procedure Training.

Our System/Procedure Training currently consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Hands-On Job Training	Location
Orientation to the Company	1/2	1/2	Jasper, Georgia
Company Objectives	1/2	1/2	Jasper, Georgia
New Office Development	1	0	Jasper, Georgia
Services Overview	1	2	Jasper, Georgia
Operations	2	38	Jasper, Georgia

Support Systems & Computer Systems	1	0	Jasper, Georgia
Sales	2	0	Jasper, Georgia
Marketing & Advertising	2	0	Jasper, Georgia
People Management	1	4	Jasper, Georgia
Tours/Vendor Information	0	2	Jasper, Georgia
Certification Testing, Graduation, and Sendoff	1	1	Jasper, Georgia
Totals	12	48	

Our Manuals, videos, and other handouts comprise the instructional materials for our training program. Our training program will be led by Kevin Loner, and Ian Carson but we may involve other employees of us or our affiliates or other industry experts from time to time. Mr. Loner has been our President and CEO since our inception and has operated a restoration business since July 1996.

At any time before the Franchised Business opens for business, you (or your Operating Principal) and your Manager (if you appoint one) must complete System/Procedure Training to our satisfaction. If we determine in our sole discretion that you or your Manager are unable to satisfactorily complete System/Procedure Training, we may, at our option, require you or them to retake System/Procedure Training or terminate this Agreement upon written notice to you, in which case we will not refund any fees paid by you.

Additional Training. We may require that you, your Manager, and/or other key personnel that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings relating to the operation of Franchised Businesses at locations we select. There are certain certifications which you may desire to have your employees obtain. Having employees with various certifications can provide certain benefits to your Franchised Business. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or your trainees related to any such programs and conferences. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training.

Training By You. You must hire all employees and staff of the Franchised Business, be exclusively responsible for the terms of their employment and compensation, and be exclusively responsible for ensuring that such employees and staff are trained in accordance with the System in the proper operation of the Franchised Business. **You acknowledge that you, and not us, are the employer for any employees or personnel of the Franchised Business. We will not provide any hiring assistance, advice or guidance.**

ITEM 12 TERRITORY

You will be granted a territory (“**Your Territory**”). Your Territory will not be exclusive. You may face competition from other franchisees, from company-owned businesses, or from other channels of distribution or competitive brands that we control. Your Territory will be described in an exhibit to the Franchise Agreement and will be determined in our sole discretion based upon population density, demographics, and other Franchised Business operations in the market. An SFR Territory may not exceed a population of 250,000 people; in the event the SFR population exceeds 250,000 people you will be required to purchase an additional SFR franchise or pay an additional per-person fee of \$0.22 per person. HPP Territories may not exceed a population of 1,500,000 people; in the event the population exceeds 1,500,000 people you will be required to purchase an additional HPP franchise or pay an additional per-person fee of \$0.22 per person. We retain the right to assign you a specific territory chosen by us. Territory populations will be determined according to our designated mapping software, which will be the definitive count of population at the time of your Agreement.

Rights Within Your Territory. You have an exclusive right to operate a Facility in Your Territory. You have a non-exclusive right to market to, and provide services to, any customers located in Your Territory. Provided you are in compliance with the Franchise Agreement and any other agreements with us, (i) we or our affiliates will not establish or authorize any person or Entity other than you to establish a Franchised Business or Facility in Your Territory during the term of the Franchise Agreement and (ii) if we or our affiliates receive any leads related to jobs in Your Territory, we will promptly provide you with the relevant information.

Operations Outside of Your Territory. In certain circumstances, you may conduct certain activities outside of Your Territory, provided that (i) you are in full compliance with this Agreement and any other agreement between you and us or our affiliates and (ii) you adhere to our conditions and policies in connection with such activities, which we may modify from time to time. Specifically, in a territory owned by us, our affiliates, or other franchisees (an “**Excluded Territory**”):

- you may only market to and solicit referrals from insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources (“**Referral Sources**”) located in such Excluded Territory if they have customers, clients, or residential or commercial properties located within Your Territory and you inform them that you are only seeking referrals for customers, clients, or residential or commercial properties located within Your Territory or an Unowned Territory (as defined below); and
- you may only provide services to customers located in such Excluded Territory if (i) a Referral Source or customer contacts you directly to request that you provide such services; (ii) we authorize you to provide such services to a System Account (as defined below).
- If you are an HPP, you may operate temporarily as an HFR (HUB First Responder) to process single-claim transactions only in the absence of an authorized SFR in such location, and only on the condition that ongoing customer relationships shall be transferred to such SFR as may be authorized to operate in that location.

You may not operate a Facility in an Excluded Territory or advertise in or directly market to customers (other than Referral Sources as provided above) located in an Excluded Territory. You may not use other channels of distribution, such as the Internet, telemarketing, or other direct marketing, to make sales in an Excluded Territory. When marketing to Referral Sources, you may not ask the Referral Source to refer customers located within an Excluded Territory.

In a territory that has not been assigned to us, our affiliates, or other franchisees (an “**Unowned Territory**”), until we provide you with notice that such Unowned Territory has been purchased by another franchisee or reserved for operation by us or an affiliate:

- you may market to anyone located in such Unowned Territory, including Referral Sources and customers; and
- you may provide services to customers located in such Unowned Territory.
- You may not operate a HPP Facility in an Unowned Territory.

Reserved Rights. We and our affiliates reserve all other rights within and outside Your Territory. Outside of Your Territory, we and our affiliates have the right to conduct, or grant others the right to conduct, any business activities without any limitation. Inside of Your Territory, we, our affiliates, our other franchisees, and our designees may conduct certain activities in the following circumstances (by way of example only and not as a limitation):

- (1) We, our affiliates, our other franchisees, and our designees have the right to use the Marks to market to and solicit referrals from Referral Sources located inside Your Territory.
- (2) We, our affiliates, our other franchisees, and our designees have the right to provide products and services using the Marks and the System to customers located inside Your Territory if (i) there is a Catastrophic Event, (ii) you are not participating in our System Accounts program (as defined below), or (iii) a customer or Referral Source requests that they provide such services.
- (3) We and our affiliates have the right to advertise or promote Franchised Businesses and/or related products and services using the Marks in Your Territory, including at home shows, trade fairs, exhibitions, and similar events.
- (4) We and our affiliates have the right to offer dissimilar, similar, or identical products and services, or grant others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through channels of distribution in Your Territory other than a Franchised Business.
- (5) We and our affiliates have the right to operate, or grant others the right to operate, businesses or outlets in Your Territory offering dissimilar products or services under trademarks or service marks other than the Marks.

We, our affiliates, our franchisees, or our designees need not compensate you if we or they engage in these activities. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell products or services similar to those you will sell. However, we reserve the right to do so in the future.

Relocations. There is no provision in the Franchise Agreement for relocation of the Franchised Business during the term or for the establishment of additional Franchised Businesses. You may not relocate the Facility without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the Franchised Business’ best interest and what is in the System’s best interest. Permission to relocate is granted in our sole discretion and may be withheld for any reason.

Modifications to Territory. Beginning in the third year of your Franchise Agreement, in each Agreement Year, your Franchised Business must achieve a minimum amount of Gross Sales equal to \$1 per person in Your Territory (the “**Minimum Sales Quota**”). Each “**Agreement Year**” shall begin on the

anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date. When you execute your Franchise Agreement we will provide you with a population for your territory. If our population data provider, Territory Mapping Software, provides us with revised population data, we will provide you with notice of the revised population of your Territory, which will be used to determine the Minimum Sales Quota for the next Agreement Year. If you fail to reach your Minimum Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of Your Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within Your Territory. If you fail to reach your Minimum Sales Quota for three consecutive years, you commit a non-curable default under the Franchise Agreement, or fail to cure a curable default, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in Your Territory, or adjust the size of your Territory. Other than in the scenarios described in the previous two sentences, we will not modify your Territory.

National or Regional Accounts (NORA). We may, but are not obligated to, negotiate and enter into agreements with insurance companies or other businesses with multiple locations for us and/or our franchisees to provide the products and services offered by the Franchised Businesses to such insurance companies or business or their customers in accordance with the terms of such agreements (“**National Accounts**”). We have sole discretion as to whether to designate a particular customer as a National Account, the terms and conditions of the National Account agreement, and the allocation of the National Account business among Franchised Businesses. We may designate any of your current or prospective customers as National Accounts without paying you any compensation. If we establish any National Accounts in your Territory, you have the right to participate in our National Accounts program, which will allow you to service the National Account customers in your Territory on our behalf. You must service National Account customers in accordance with the pricing and other terms that we have negotiated, which may be less than your standard pricing, and any rules that we have prescribed, including rules requiring response times of less than 24 hours. You must not enter into conflicting arrangements with National Accounts.

If you decline to service any National Account or fail to satisfy the conditions, rules, and obligations of any National Account or upon a National Account’s request, we, in our sole discretion, may remove you from the entire National Account program. You may terminate your participation in the National Account program at any time by giving us at least 30 days’ prior written notice. If you terminate your participation in the National Account program or we remove you from the National Account program, we have the right to service and/or authorize others to service all National Account customers within your Territory without any compensation to you, including National Account customers that you have previously been serving. If you are subsequently willing and able to provide service within your Territory, we have no obligation to readmit you to the program or to transfer any National Account customer to you.

Additional Territory. You have no options or rights or rights of first refusal to purchase additional Franchised Business franchises or territories, but we will consider any requests to obtain additional territories on a case-by-case basis.

Affiliate Territory. If you acquire a franchise from our affiliate, 1800Packouts Franchise, LLC, you agree that the operations of these two franchises will be inextricably linked, and agree that such acquisition of the affiliate franchise concurrent with ownership of this franchise requires as a condition that your later-acquired agreement’s territory share in the boundaries of the your existing territory; or if a Spoke territory is later acquired from our affiliate, it must be situated entirely within your already-owned territory under this Agreement and share identical boundaries with any Spoke territory owned with our affiliate. To achieve this, you agree that we may adjust the boundaries accordingly, and agree to pay the associated territory adjustment fees as are commensurate with the revised territory boundaries at that time, and at the then-current rates.

ITEM 13 TRADEMARKS

We grant you the right and obligation to use the Marks that we make available to you, for providing products and services at the Franchised Business.

1-800-Textiles Franchises, LLC owns the following Mark that has been registered on the Principal Register of the USPTO:

Mark	Registration No.	Registration Date
	6571814	11/30/2021
1-800-TEXTILES	6488309	9/14/2021
	(Application No.) 97265207	(Application Date) 02/14/2022
	(Application No.) 97862462	(Application Date) 03/29/2023

We do not have a federal registration for the following marks. If our right to use the trademark is challenged, you may have to change the marks that you use. We or our parent have filed all required affidavits and renewals with respect to these registrations. No state trademark registrations have been filed.

Mark
THE NATION'S BEST SOURCE FOR TEXTILE CARE We clean for the insurance restoration industry We use clean soap

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, and no pending infringement, opposition, or cancellation proceedings or material federal or state court litigation, involving the Marks. There are no agreements in effect which materially affect our rights to use or license the use of the Marks in a manner material to the franchise. We do not actually know of either superior rights or infringing uses that could materially affect your use of the Marks in any state. We have not renewed or filed any affidavits with respect to the Marks, because none of the Marks have been eligible for renewal or for the filing of affidavits of use.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable specifications, standards and operating procedures we prescribe during the term of the franchise. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your usage of the Marks and any goodwill established thereby will be for our exclusive benefit and the Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trademarks, service marks, commercial symbols, designs, artwork and logos authorized for use by and licensed to you under the Franchise Agreement. You may not at any time contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

You must use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark with the sale of any unauthorized service or in any other manner we have not expressly authorized in writing. You must prominently display the Marks on or with Franchised Business posters and displays, service contracts, stationery, other forms we designate, and in the manner we prescribe, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark or service mark, and you may not communicate with any person other than us and our counsel about such infringement, challenge or claim. We will have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Marks or to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks. We will have sole discretion to take such action as we deem appropriate and the right exclusively to control any litigation or USPTO or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of our or our affiliates' counsel, be necessary or advisable to protect and maintain our interests in any such litigation or USPTO or other proceeding or to otherwise protect and maintain our interests in the Marks.

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no rights in, or licenses to, any patents or patent applications.

Although we have not filed an application for a copyright registration for the Manuals, we claim a copyright in our Manuals, advertising, marketing and promotional materials and similar items used in the franchise. The information in the Manuals is proprietary, confidential, and constitutes our trade secrets. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. There are currently no effective material determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. We are not obligated to protect or defend copyrights. There are no agreements currently in effect which significantly limit our rights to use or license the use of the copyrighted materials in any manner material to you.

Prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, our Facilities, or the construction, management, operation, or promotion of the Franchised Business (collectively, “**Confidential Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. You will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of the Franchised Business during the term of the Franchise Agreement. You may not, nor may you permit any person or Entity to, use or disclose any Confidential Information (including any portion of the Manual) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Franchised Business. You must take reasonable precautions necessary to protect Confidential Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Confidential Information and their related responsibilities and obligations. At our request, you will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third party beneficiary of such covenants with the independent right to enforce the agreement. You will be responsible for any unauthorized disclosure of Confidential Information by any person to whom you have disclosed Confidential Information.

All ideas, concepts, techniques, or materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign ownership of that item, and all related rights to that item, to us and agree to sign, and cause your employees and other agents to sign, whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

We own all intellectual property and other rights to the names, contact information, financial information and other personal information of or relating to the Franchised Business' customers and prospective customers.

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

The Franchised Business must be under your direct supervision or the direct supervision of a qualified Operating Principal or Manager at all times. If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business, must have the power to bind you in all dealings with us, and must be directly involved in the daily operations of the Franchised Business. The Operating Principal must be disclosed when you sign the Franchise Agreement. If the Operating Principal changes you will be required to inform us in writing of the change. In addition, you may appoint a Manager to supervise the operation of the Franchised Business. Your Manager is not required to have any ownership interest in you, but must successfully complete Orientation Training.

You, your Operating Principal, and the Manager must at all times faithfully, honestly and diligently perform all obligations under the Franchise Agreement and continuously exert your and his or her full time and best efforts to promote and enhance the Franchised Business. You must hire employees and you will be exclusively responsible for the terms of their employment, their compensation, and for the proper training of the employees in the operation of the Franchised Business.

Neither you or your Owners can engage in any other business or activity that may conflict with your or their obligations under the Franchise Agreement. We will require that you and your Owners enter into a Non-compete agreement at the time you sign the Franchise Agreement. You or your Owners, officers, directors, or Managers may engage in the business of fire/water/mold/impact mitigation and/or related construction (a “**Mitigation Business**”), provided however that (i) any portion of the services offered by the Mitigation Business that overlaps with the services provided by the Franchised Business must be performed by the Franchised Business and (ii) we must have access to the books, records, and invoices of the Mitigation Business.

You, your Owners, officers, directors, Managers, and employees must maintain our confidential information and trade secrets. We may also require you to obtain from your officers, directors, Managers, your Owner’s spouses, and other individuals that we may designate executed agreements containing nondisclosure and noncompetition covenants in a form acceptable to us, such as the form attached to the Franchise Agreement, which specifically identify us as having the independent right to enforce them.

If you are an Entity, all of your Owners must sign a Guaranty (which is attached to the Franchise Agreement) agreeing to be bound by and guaranteeing the obligations under the Franchise Agreement. If the Franchise Agreement is subsequently assigned to a corporation, partnership or limited liability company, your owners must agree to be bound by the terms of the Franchise Agreement and guarantee the obligations under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchised Business must offer all services and products that we designate for a Franchised Business and will not offer or sell any services or products other than authorized services and products. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. There are no limitations on our right to modify the authorized services or products. You must offer all products or services that we designate as mandatory. You may not offer or use on-site storage containers or pods. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards). We may revoke approval of a previously-approved supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

We impose no restrictions on the customers that you may serve, provided that they are located in Your Territory. You do not have the right to offer products or services through other channels of distribution such as the Internet.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.A	10 years.
b. Renewal or extension of the term	2.B	10 year on-going renewal terms so long as in good standing.
c. Requirements for franchisee to renew or extend	2.B	<p>You must: give us written notice of an election to renew not less than 60 days nor more than 6 months prior to the end of the term or renewal term of the Franchise Agreement; not be in material breach of any of your obligations under the Franchise Agreement or any other agreement with us; have substantially complied on a timely basis with all of the conditions and requirements of the Franchise Agreement and any other agreements with us or our affiliates; sign a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees (if state law allows); sign our then current form of franchise agreement (which may contain materially different terms than your original Franchise Agreement), and all other agreements, instruments and documents then customarily used by us in granting franchises or renewal franchises for Franchised Businesses; and pay a renewal fee in the amount of \$10,000 per franchise.</p> <p>The terms of our then current form of franchise agreement that you sign for renewal of the franchise may differ from any and all of those contained in the Franchise Agreement attached to this disclosure document, except that the term will be 10 years.</p>

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	15.A	If we commit a material breach and fail to cure such breach within 60 days after written notice of the breach is delivered to us; or if such breach cannot be reasonably cured within 60 days after our receipt of such notice, undertake within 60 days after receipt of such notice, and continue until completion, reasonable efforts to cure such breach, you may terminate the Franchise Agreement effective 10 days after delivery of written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	15.B	We may terminate the Franchise Agreement only upon written notice to you.
g. “Cause” defined — curable defaults	15.B	You have 10 days to cure a payment default. You have 5 days to cure a default if such failure relates to the use of any Mark, the quality of the services offered by the Franchised Business or the promotion or sale of services outside Your Territory without our prior written approval. You have 30 days after written notice to cure a default other than those specified in 17.h.
h. “Cause” defined — non-curable defaults	15.B.	You fail to maintain required licenses or permits for the Franchised Business or such licenses or permits are suspended or revoked or otherwise not maintained; you fail to begin operating the Franchised Business within 180 days after signing the Franchise Agreement; you or your Operating Principal and your Manager fail to satisfactorily complete our training program; you abandon or do not actively operate the Franchised Business unless the Franchised Business has been closed for a purpose we approved; you or your owners make an unauthorized transfer of the franchise or an ownership interest in you; you or your owners make an unauthorized disclosure of the Confidential Information; you fail to pay the required taxes related to the Franchised Business; you or your owners are convicted of a felony or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the Franchised Business and the goodwill of the Marks; you provide any services or conduct any marketing outside of Your Territory in violation of the Franchise Agreement; you fail to

Provision	Section in Franchise Agreement	Summary
		maintain accurate books and records or make any misrepresentations or material omissions in any communications with us; you fail on 3 or more occasions within any consecutive 12 month period to comply with the Franchise Agreement, whether or not such failures to comply are corrected after notice is given to you; or you fail to achieve the Minimum Sales Quota in three consecutive Agreement years.
i. Franchisee's obligations on termination/nonrenewal	16	<p>You must: pay us all amounts owed within 10 days after termination or expiration of the Franchise Agreement; refrain from using the Marks; return to us or destroy, as we specify, all forms and materials bearing the Marks or relating to a Franchised Business; notify your telephone service of the termination or expiration of your right to use the telephone number; de-identify the premises; return the Operating and Training Manuals and any other Confidential Information; cease using all Confidential Information; and abide by the post-term non-compete.</p> <p>In the event you intend not to renew your franchise, you must provide us with 6 months' notice of nonrenewal.</p>
j. Assignment of contract by franchisor	14.A	The Franchise Agreement is fully transferable by us.
k. "Transfer" by franchisee—defined	14.B	Transfer includes any voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition of any interest in the Franchise Agreement, an ownership interest in you, or the Franchised Business.
l. Franchisor approval of transfer by franchisee	14.B	We will not unreasonably withhold approval of any transfer of the Franchise Agreement.

m. Conditions for franchisor approval of transfer	14.C	New owner must have sufficient business experience, aptitude and financial resources to operate the Franchised Business; you must pay all amounts due us and our affiliates; new owner must complete our training program to our satisfaction; you must pay us a transfer fee of 50% of our then current initial franchise fee; you and your transferring owners must sign a general release in favor of us and our affiliates and our and their officers, directors, employees and agents (if state law allows); you and your transferring owners have signed a non-competition covenant in favor of us; you and your transferring owners have agreed that
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Provision	Section in Franchise Agreement	Summary
		you will not identify as a current or former Franchised Business or franchisee, and use any Mark or other indicia of a Franchised Business; and we were properly offered the opportunity to exercise our right of first refusal and we declined to exercise it.
n. Franchisor's right of first refusal to acquire franchisee's business	14.G	We have 30 days to match any offer.
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable.
p. Death or disability of franchisee	14.E	Executor, administrator, conservator, or other personal representative must transfer interest of franchisee or principal owner within 6 months. All transfers are subject to provisions in the Franchise Agreement regulating transfers.
q. Non-competition covenants during the term of the franchise	7.A	Neither you nor your owners, without our prior written approval, may: have any interest, direct or indirect, in any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or any business which franchises or licenses others to offer or provide such services or products (each, a " Competitive Business "); do acts injurious to our goodwill; use vendor relationships established through your associations with us for any other purpose besides the operation of your Franchised Business; or solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.

r. Non-competition covenants after the franchise is terminated or expires	7 and 16.E	For two years after the expiration of termination of your Franchise Agreement, you and your Owners may not (i) be involved in any Competitive Business that is located or operating within Your Territory or the territory of another Franchised Business or within a 100-mile radius from the borders of Your Territory, or within a 100-mile radius of a Facility operated by us or our affiliates or (ii) solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.
s. Modification of the	18.B	No modifications unless written agreement signed by

Provision	Section in Franchise Agreement	Summary
agreement		both parties.
t. Integration/merger clause	18.A	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	Not applicable
v. v. Choice of forum	17.A	All actions must be brought in federal or state courts located in the state in U.S. The federal or state courts in Utah County, Utah or federal or state courts with jurisdiction over the county in which our principal office is located at the time any litigation commences (subject to applicable state law).
w. Choice of law	17.B	Utah law governs (subject to applicable 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 provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in ITEM 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Affiliated Corporate Training Location

The 1-800-Textiles of Georgia (TOGA) location is owned and managed by a group of owners who have been in the insurance restoration industry for many years. It represents the combined operations of the (TOGA) Territories, and it is not directly company-owned by us. 1-800-Textiles of Georgia (TOGA) is contracted by us to perform certain duties relating to the initial training of new franchisees and help assist on any subsequent or supplemental franchisee training, as needed. The incurred expense by TOGA for initial training and corporate initiatives as well as the TOGA royalties and fees depart from system wide standards. As a result of its agreement with us making it an Affiliated Corporate Training Location, it is indirectly affiliated with us. Additionally, TOGA performs live training in their current active HPP plant and also provides ongoing supplemental franchisee training as needed by us for current franchisees. Some of TOGA's development initiatives include testing new marketing approaches, marketing materials, plant design, layouts and cleaning processes before system-wide releases. In addition to operating all of its territories in substantially the same manner as our system wide franchised outlets, its performance is provided here because its reporting has been refined to include a more comprehensive chart of accounts which omits TOGA owner-level expenses in significant part for the training as agreed with us. This location is not operated in a manner anticipated to be different from your Franchise Business.

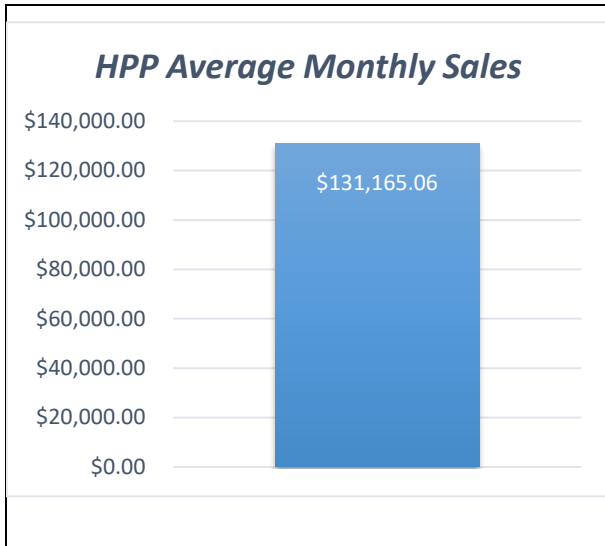
The financial information provided in this Item 19 is based on the information submitted by 1-800-Textiles of Georgia (TOGA). 1-800-Textiles has not audited these amounts but has no reason to doubt the accuracy of the information.

TOGA HPP (Hub) April 2022 – March 2023

Sales Revenue	\$1,534,627	100.0%
Adjuster Revisions	(\$77,564)	-5.1%
Total Income	\$1,457,063	94.9%
Cost of Labor	\$137,344	54.2%
Temporary Labor	\$32,000	12.6%
Miscellaneous Referrals	\$14,602	5.8%
Damaged Items	\$1,012	0.4%
3rd Party Cleaners	\$51,892	20.5%
Job Supplies	\$4,786	1.9%
Plant Supplies	\$12,000	4.7%
Total Cost of Goods Sold	\$253,636	100.0%
GROSS PROFIT	\$1,203,427	82.6%
<u>OPERATING EXPENSES</u>		
Administrative Pay	\$125,388	33.5%
Payroll Taxes	\$14,535	3.9%
Bonus/Incentive Pay	\$7,720	2.1%
Total Payroll Expenses	\$147,643	39.5%
Travel: Hotels & Lodging	\$644	0.2%
Rent Lease	\$37,500	10.0%
Phone/Internet/Cable	\$6,236	1.7%
Water	\$1,489	0.4%
Gas and Electric	\$10,816	2.9%
Security System	\$1,855	0.5%
Total Office Lease and Utilities	\$58,540	15.6%
Uniforms	\$1,278	0.3%
Computer Equipment	\$1,638	0.4%
IT Support	\$2,259	0.6%
Software Expenses	\$4,439	1.2%
Bank Charges & Fees	\$4,085	1.1%
Licenses/State Fees	\$280	0.1%
Building/Property Maintenance	\$4,000	1.1%
Office Supplies	\$5,000	1.3%
Shipping Costs	\$761	0.2%
Accountant	\$3,000	0.8%
Meals & Entertainment	\$2,318	0.6%

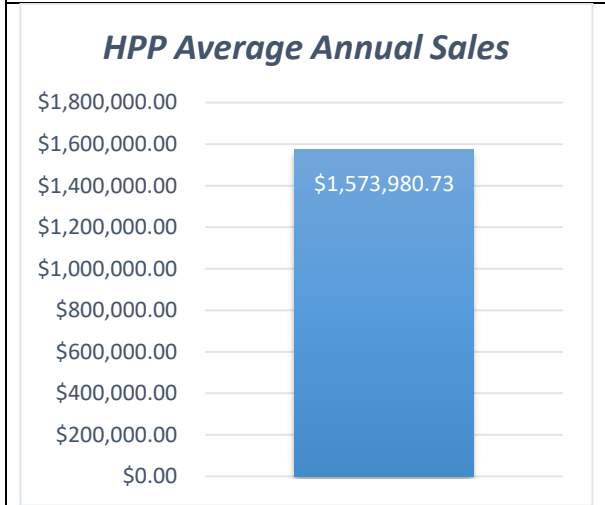
Marketing Costs	\$1,052	0.3%
Bad Debt - Non-paid	\$36,040	9.6%
<u>VEHICLE EXPENSES</u>		
Vehicle Branding	\$3,180	0.8%
Vehicle Fuel	\$17,634	4.7%
Tag/Passes	\$3,752	1.0%
Tickets and Violations	\$14	0.0%
Total Vehicle Expenses	\$58,540	15.6%
<u>INSURANCE EXPENSES</u>		
Auto Insurance	\$28,720	7.7%
Umbrella Policy	\$2,243	0.6%
Worker's Comp	\$5,606	1.5%
Management Liability Insurance	\$4,106	1.1%
Property/Building	\$506	0.1%
Pollution Insurance	\$2,113	0.6%
Total Insurance Costs	\$43,294	11.6%
Total Operating Expenses	\$374,167	100.0%
Payroll Expenses	\$439	0.1%
Wages	\$528	0.1%
NET OPERATING INCOME	\$829,260	
<i>Implied Royalties (8%)</i>	\$116,565	
<i>Brand Fund Royalties (2%)</i>	\$29,141	
ESTIMATED EARNINGS	\$683,554	44.5%

***The above normalized P&L reflects certain adjustments and omissions, specifically set forth below at *, that are directly related to expenses of TOGA contracted with 1-800-Textiles Corporate to provide initial training for new franchisees and supplemental training for existing franchisees.*



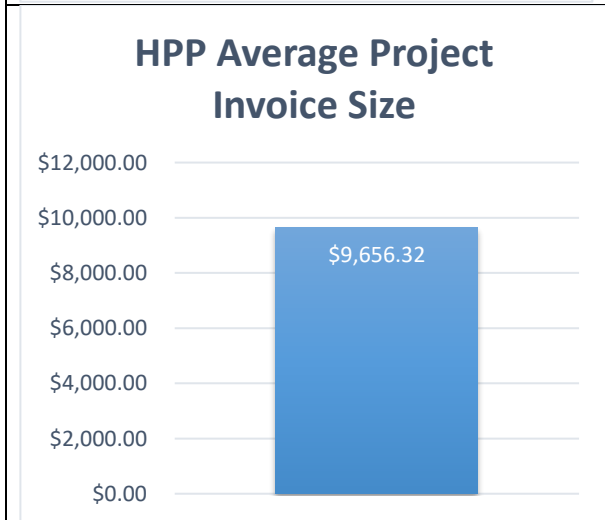
HPP Average Monthly Sales

This is a graph to illustrate TOGA’s Average Monthly Sales. Your individual results may differ. There is no assurance that you’ll receive the quantity, quality, type, and/or size of textile cleaning claims.



HPP Average Annual Sales

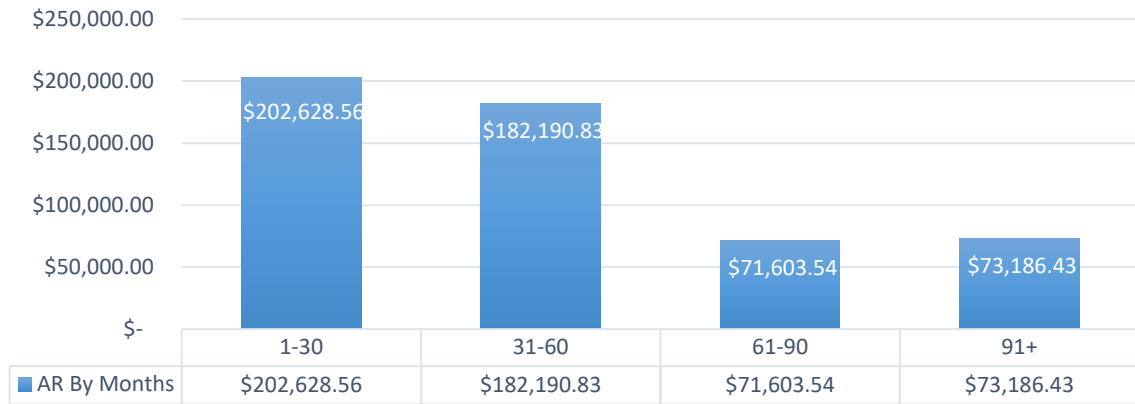
This is a graph to illustrate TOGA’s Average Annual Sales. Your individual results may differ. There is no assurance that you’ll receive the quantity, quality, type, and/or size of textile cleaning claims.



HPP Average Project Invoice Size

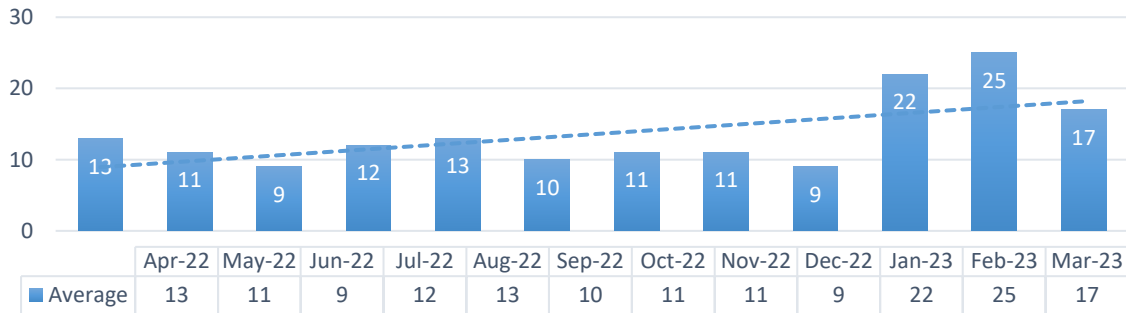
This is a graph to illustrate TOGA’s Average Monthly Sales. Your individual results may differ. There is no assurance that you’ll receive the quantity, quality, type, and/or size of textile cleaning claims.

HPP Current Accounts Receivables



This is a graph to illustrate TOGA’s Current Accounts Receivables and the Aging of the AR. Your individual results may differ. There is no assurance that you’ll sell as much or collect in this timeline.

HPP Total Number of Projects



This is a graph to illustrate TOGA’s Total Number of Projects by the month. Your geographic, climate, and individual results may differ. There is no assurance that you’ll receive the quantity, quality, type, and/or size of textile cleaning claims.

Listed below are actual expense P&L line-item breakdowns from TOGA. These line items may differ from your HUB Production Plant's (HPP) daily operations.

***Breakout of adjustments to TOGA Normalized P&L Statement Included Above**

	TOGA	Normalized	Notes
Temporary Labor	\$64,544.53	\$32,000.00	This adjustment is for a ramp up. The more business, the more labor is needed. The adjustment has been made to half the amount being used at TOGA.
Plant Supplies	\$39,353.00	\$12,000.00	This adjustment is for a considerable portion of the line-item was to purchase supplies directly associated to corporate initiatives, training, and calibrations.
Payroll Taxes	\$33,002.76	\$14,535.00	This adjustment is a direct reflection of the payroll that TOGA has, including a GM, Plant Manager, and other employees that you may or may not need to operate your HPP to system wide standards.
Rent Lease	\$75,000.00	\$37,500.00	This adjustment has been made that in most circumstances the size of the HPP you will operate may be considerably smaller and a slow ramp up of storage capacity may be needed as potential business opportunities grow.
Gas and Electric	\$18,772.17	\$10,816.00	This adjustment has been made due to the amount of equipment that is being used versus the optional start-up equipment. If you order different quantities, size, or supporting equipment, your cost will directly reflect the utility usages. Also, depending on your geographic location your utility rates will be different from TOGA.
Software Expenses	\$8,878.17	\$4,439.00	This adjustment is a direct reflection of the number of licenses per software. Additional software's that is being used on a trial basis. These may or may not be needed in the quantities or capacity TOGA uses for affiliate training.
Building/Property Maintenance	\$52,917.86	\$4,000.00	This adjustment is a direct reflection of buildouts, plant setup, and layouts for affiliated corporate training. These amounts may not be needed when building out your HPP due to you not being an affiliated corporate training facility.

Office Supplies	\$22,408.45	\$5,000.00	This adjustment has been normalized to reflect a more realistic supply number. TOGA expense in this line-item is direct for being the affiliated corporate training facility.
Vehicle Fuel	\$17,634.20	\$2,000.00	This adjustment is that TOGA owns the entire state of Georgia and has multiple SPOKE franchises. The fuel adjustment is that TOGA owns multiple vehicles and travels longer distances that may not be typical for the HPP & SFR model that is system wide standard.
Auto Insurance	\$28,719.69	\$2,500.00	This adjustment is that TOGA owns multiple vehicles for its operation and for providing affiliated corporate training. This number will vary on your decision of owning more than the required one vehicle(van) for the Hub First Responder.
Worker's Comp	\$5,606.37	\$2,242.00	This adjustment is a direct reflection of the number of employees you will have. TOGA has additional employees to assist in training and testing production and marketing strategies.

The non-normalized 1-800-Textiles of Georgia P&L adjustments are available upon request for your review.

Breakout of Omissions to TOGA Normalized P&L Statement Included Above

	Omitted	Notes
Management Pay	\$97,534.84	This item was omitted to normalize TOGA's P&L to reflect a more typical HPP. You may or may not employ a general manager and a plant manager. This omission is to remove one manager. You may be an owner/operator which may remove both manger rolls.
Printed Materials	\$6,961.50	This item has been omitted to normalize TOGA's P&L. This line-item is reflective of TOGA owning multiple SFR's. These are typically purchased by the SFR after the SFR has received the initial marketing package directly from corporate.
Community/Networking	\$12,703.70	This item has been omitted to normalize TOGA's P&L. This line-item includes TOGA participating in specific marketing tradeshow and events to test corporate initiatives.
Gifts	\$161.05	This item has been omitted to normalize TOGA's P&L. This line-item of gifts is a nominal amount and not a typical item.

Marketing Meals	\$268.76	This item has been omitted to normalize TOGA's P&L. This line-item of marketing meals will normally be an optional expense from an SFR during their marketing strategy.
Giveaways	\$1,034.75	This item has been omitted to normalize TOGA's P&L. This line-item of giveaways was an initiative test of a marketing project. This is an optional expense for an SFR during their marketing strategy.
Advertising	\$607.35	This item has been omitted to normalize TOGA's P&L. The line-item advertising is a nominal amount and not a typical amount.
Depreciation Expense	\$166,669.26	This item has been omitted to normalize TOGA's P&L. These line-items of depreciation and amortization are part of GAP accounting and are usually dropped below the line.
Amortization Expense	\$4,426.32	This item has been omitted to normalize TOGA's P&L. These line-items of depreciation and amortization are part of GAP accounting and are usually dropped below the line.
Machinery Repair and Maintenance	\$4,184.00	This item has been omitted to normalize TOGA's P&L. This line-item of machine repair & maintenance is based on corrections needed after buildout that normally wouldn't be typical for new equipment.
Bad Debts - Temporary	\$17,635.79	This item has been omitted to normalize TOGA's P&L. TOGA uses this category for any accounts receivable after 90 days.
Melio Credit card fee	\$19.50	This item has been omitted to normalize TOGA's P&L. This line-item of Melio credit card fee in nominal and was removed.
QuickBooks Payments Fees	\$515.00	This item has been omitted to normalize TOGA's P&L. This fee from QuickBooks will vary.
Uncategorized Expense	\$3,163.34	This item has been omitted to normalize TOGA's P&L. These are random and miscellaneous amounts not typical.

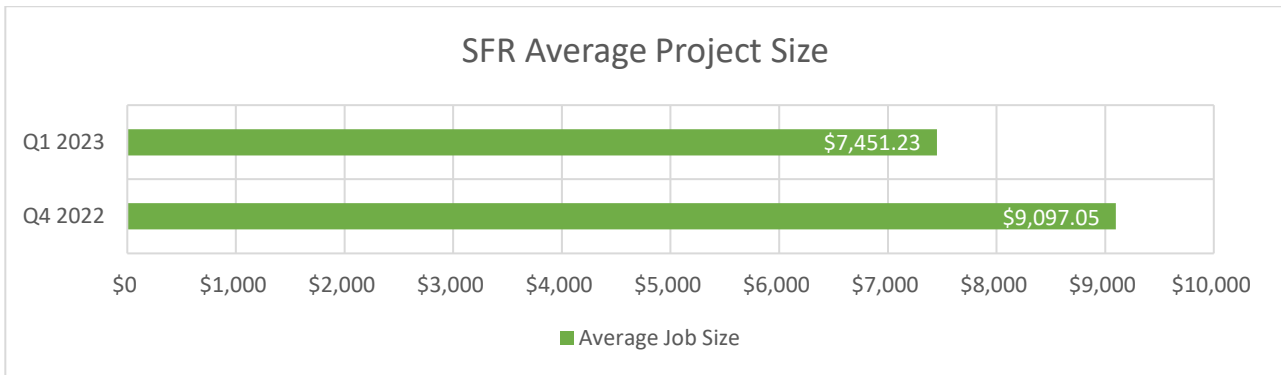
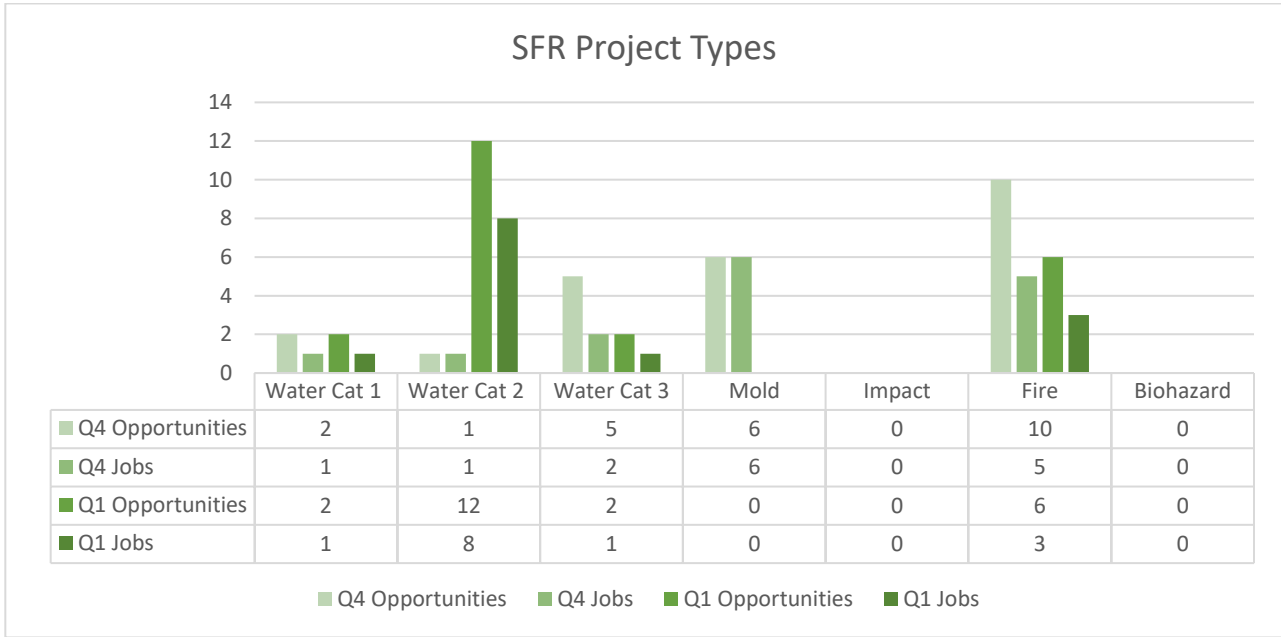
The non-normalized 1-800-Textiles of Georgia P&L omissions are available upon request for your review.

TOGA (SFR) Spoke First Responder
October 2022 – March 2023

<u>REVENUE</u>		
Water Jobs	\$102,774	40.2%
Fire Jobs	\$152,902	59.8%
Total Income	\$255,675	100.0%
Gross Profit (30% to Spoke)	\$76,703	30.0%
<u>OPERATING EXPENSES</u>		
Vehicle	\$3,814	35.4%
Vehicle Insurance	\$1,108	10.3%
Fuel	\$3,063	28.5%
Vehicle Maintenance	\$670	6.2%
Cellular Phone	\$240	2.2%
iPad Data	\$240	2.2%
Market Networking	\$1,628	15.1%
Total Expenses	\$10,763	100.0%
<i>Implied Population Fee</i>	\$6,000	
<i>Implied Spoke Gross Profit Royalty (3%)</i>	\$2,301	
First 6 months Estimated Earnings	\$52,269	

1-800-Textiles of Georgia (TOGA) owns multiple spoke territories. This data provided to us is from the area manager performing the same duties as a conventional Spoke First Responder (SFR) and operating as the training location for Spoke territories.

TOGA Spoke First Responder Key Performance Indicators



Written substantiation for this financial performance representation is available to you upon reasonable written request.

Your individual results may differ. There is no assurance that you'll receive the quantity, quality, type, and/or size of textile cleaning claims.

Other than the preceding financial performance representation, 1-800-Textiles Franchises, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kevin Loner at 110 Bruner Way, Ball Ground, GA 30107, 800-839-8453, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

All 2020, 2021, and 2022 numbers appearing in the tables below in this ITEM 20 are as of December 31 of each year.

Table No. 1
Systemwide Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	53	53
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	0	0	0
	2021	0	0	0
	2022	0	53	53

Table No. 2
Transfers of Outlets From Franchisees To New Owners (other than the Franchisor)
For years 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total Outlets	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
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

Arizona	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	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
Delaware	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Florida	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Georgia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	44	0	0	0	0	44
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Iowa	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Indiana	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Kentucky	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Massachusetts	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	0	0	0	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 York	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
North Carolina	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
Ohio	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
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
South Carolina	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	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Virginia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Washington, D.C.	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	53	0	0	0	0	53

Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022

State	Year	Outlets at	Outlets	Outlets	Outlets	Outlets Sold	Outlets at
		Start of the Year	Opened	Reacquired From Franchisee	Closed	to Franchisee	End of the Year
Georgia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 5
Projected Openings As of December 31, 2020
For Fiscal Year Ending December 31, 2022

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Stores in the New Fiscal Year
Totals	0	0	0

Set forth on Exhibit F are (i) the names of all current franchisees and the address and telephone number of each of their Franchised Businesses, and (ii) the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Franchised Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

ITEM 21
FINANCIAL STATEMENTS

We have not been in business for the requisite time period, and did not commence operations until 2022. An audited opening balance sheet report is attached, for February 17, 2022. Also included are the audited financial statements from our fiscal year ending December 31, 2022. In future years, we will include additional audited financial reports.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this disclosure document:

Franchise Agreement (Exhibit A)

Nondisclosure and Noncompete Agreement (Appendix C to Exhibit A)

Guaranty and Assumption of Obligations (Appendix D to Exhibit A)

State Agreement Riders (Exhibit B)

General Release (Exhibit G)

**ITEM 23
RECEIPT**

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document. Please sign and return one copy to us and keep the other copy for your records.

EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

EXHIBIT B



FRANCHISEE:

TERRITORY:

SFR or HPP:

DATE OF AGREEMENT:

1.	GRANT AND RENEWAL OF FRANCHISE	2
	A. GRANT OF FRANCHISE	2
	B. TERRITORIAL RIGHTS	2
	C. OPERATIONS OUTSIDE OF TERRITORY	3
	D. CATASTROPHIC EVENT.....	4
	E. RESERVATION OF RIGHTS	4
	F. MINIMUM SALES QUOTA	5
	G. NATIONAL OR REGIONAL ACCOUNTS	5
2.	TERM	5
	A. INITIAL TERM.....	5
	B. RENEWAL OF FRANCHISE	5
3.	DEVELOPMENT AND OPENING OF FACILITY	6
	A. FACILITY/ HUB PRODUCTION PARTERN/SPOKE FIRST RESPONDER	6
	B. PROTOTYPE AND CONSTRUCTION PLANS AND SPECIFICATIONS	7
	C. DEVELOPMENT OF THE FRANCHISED BUSINESS.....	7
	D. MANAGEMENT SYSTEMS.....	8
	E. OPERATING ASSETS	8
	F. FRANCHISED BUSINESS OPENING.....	9
	G. MODIFICATION OF THE FRANCHISE PROCESS.....	9
4.	TRAINING AND GUIDANCE	9
	A. SYSTEM/PROCEDURE TRAINING	9
	B. SATISFACTORY COMPLETION OF TRAINING.....	9
	C. OPENING ASSISTANCE	10
	D. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES	10
	E. HIRING AND TRAINING OF EMPLOYEES.....	10
	F. GUIDANCE AND ASSISTANCE	10
	G. OPERATING AND TRAINING MANUALS	11
5.	MARKS.....	11
	A. OWNERSHIP AND GOODWILL OF MARKS.....	11
	B. LIMITATIONS ON YOUR USE OF MARKS.....	11
	C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS	12
	D. DISCONTINUANCE OF USE OF MARKS.....	12
6.	CONFIDENTIAL INFORMATION.....	12
	A. RECEIPT OF CONFIDENTIAL INFORMATION	12
	B. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.....	12
	C. CUSTOMER INFORMATION	13
7.	COVENANTS NOT TO COMPETE.....	14
	A. DURING TERM.....	14
	B. AFTER TERMINATION, EXPIRATION, OR TRANSFER.....	14
	C. EXCEPTIONS	14
	D. COVENANTS OF OWNERS AND EMPLOYEES	15
	E. ENFORCEMENT OF COVENANTS.....	15
8.	INDEMNIFICATION	15
	A. INDEMNIFICATION BY YOU	15
	B. INDEMNIFICATION PROCEDURE	16
	C. WILLFUL MISCONDUCT OR GROSS NEGLIGENCE	16
9.	FEES AND OTHER CHARGES.....	16

A.	INITIAL FRANCHISE FEE.....	16
B.	POPULATION FEE.....	16
C.	OPERATING PERCENTAGE FEES, ROYALTIES.....	17
D.	PAYMENT SCHEDULE.....	18
E.	INTEREST ON LATE PAYMENTS.....	18
F.	APPLICATION OF PAYMENTS.....	18
G.	TAXES.....	18
H.	CALL CENTER FEE.....	18
I.	OUT OF TERRITORY FEE.....	18
10.	OPERATING STANDARDS.....	19
A.	HPP STANDARDS.....	19
B.	PRODUCTS AND SERVICES OFFERED.....	19
C.	SOURCING RESTRICTIONS.....	20
D.	SYSTEM STANDARDS.....	20
E.	MODIFICATION OF SYSTEM STANDARDS.....	21
F.	COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.....	22
G.	MANAGEMENT OF THE FRANCHISED BUSINESS.....	22
H.	INDEPENDENT PROFESSIONAL JUDGMENT OF STAFF.....	23
I.	INSURANCE.....	23
J.	INNOVATIONS.....	23
11.	ADVERTISING AND PROMOTION.....	24
A.	ADVERTISING BY FRANCHISEE.....	24
B.	COOPERATIVE ADVERTISING.....	24
C.	OUR ADVERTISING.....	24
D.	ADVISORY COUNCIL.....	25
E.	DIGITAL MARKETING.....	25
F.	CO-BRANDED ADVERTISING.....	25
12.	RECORDS AND REPORTS.....	25
A.	ACCOUNTING AND RECORDS.....	25
B.	REPORTS AND TAX RETURNS.....	26
13.	INSPECTIONS AND AUDITS.....	26
14.	TRANSFER.....	26
A.	TRANSFER BY FRANCHISOR.....	26
B.	TRANSFER BY FRANCHISEE.....	26
C.	CONDITIONS FOR APPROVAL OF TRANSFER.....	27
D.	TRANSFER TO A WHOLLY-OWNED CORPORATION, PARTNERSHIP LIMITED LIABILITY COMPANY.....	28
E.	YOUR DEATH OR DISABILITY.....	28
F.	EFFECT OF CONSENT TO TRANSFER.....	28
G.	OUR RIGHT OF FIRST REFUSAL.....	29
15.	DEFAULT AND TERMINATION.....	29
A.	BY FRANCHISEE.....	29
B.	BY FRANCHISOR.....	29
C.	OTHER REMEDIES.....	31
D.	EXERCISE OF OTHER REMEDIES.....	32
16.	OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT.....	32

	A.	PAYMENT OF AMOUNTS OWED TO US.....	32
	B.	OUR RIGHT TO PURCHASE ASSETS.....	32
	C.	DE-IDENTIFICATION.....	34
	D.	CONFIDENTIAL INFORMATION	35
	E.	COVENANT NOT TO COMPETE	35
	F.	LIQUIDATED DAMAGES.....	35
	G.	CONTINUING OBLIGATIONS.....	35
17.		DISPUTE RESOLUTION	35
	A.	JURISDICTION AND VENUE.....	35
	B.	GOVERNING LAW.....	36
	C.	WAIVER OF PUNITIVE DAMAGES	36
	D.	WAIVER OF JURY TRIAL.....	36
	E.	REMEDIES NOT EXCLUSIVE	36
	F.	OUR RIGHT TO INJUNCTIVE RELIEF	36
	G.	LIMITATIONS OF CLAIMS.....	36
	H.	ATTORNEYS' FEES AND COSTS.....	36
18.		MISCELLANEOUS	37
	A.	ENTIRE AGREEMENT.....	37
	B.	AMENDMENTS AND MODIFICATIONS.....	37
	C.	SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.....	37
	D.	WAIVER OF OBLIGATIONS	38
	E.	FORCE MAJEURE.....	38
	F.	YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.....	38
	G.	NO THIRD PARTY BENEFICIARIES	38
	H.	BINDING EFFECT	38
	I.	ADDITIONAL OR INCONSISTENT TERMS	38
	J.	SURVIVAL	38
	K.	INDEPENDENT CONTRACTOR RELATIONSHIP	39
	L.	EXECUTION IN COUNTERPARTS.....	39
	M.	CONSTRUCTION	39
19.		NOTICES AND PAYMENTS.....	39
20.		ACKNOWLEDGEMENTS AND ENTITIES.....	40
	A.	ACKNOWLEDGMENTS	40
	B.	ENTITIES.....	40

APPENDICES

APPENDIX A - FRANCHISEE-SPECIFIC TERMS

APPENDIX B - OWNERS AND MANAGER

APPENDIX C - NONDISCLOSURE AND NONCOMPETE AGREEMENT

APPENDIX D - GUARANTY AND ASSUMPTION OF OBLIGATIONS

1-800-TEXTILES FRANCHISES, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between 1-800-Textiles Franchise, LLC, a Georgia limited liability company with its principal place of business at 110 Bruner Way, Ball Ground, Georgia 30107 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Agreement, “**we,**” “**us,**” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

RECITALS

A. We and our affiliates have accumulated knowledge and experience in the textiles restoration and insurance restoration industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of textiles restoration businesses specializing in bagging, cleaning and climate controlled storage of personal property under the service mark “1-800-TEXTILES”. The distinguishing characteristics of the System include, but are not limited to, our Facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

B. We identify the businesses operating under the System by means of the mark 1-800-TEXTILES® and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos that we specify (the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “**Marks.**”

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix B. If you are an Entity, the individual Owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal.**” The term “**Manager**” shall mean the person referred to in Section 10.F (Management of the Franchised Business) of this Agreement.

D. You have applied for a franchise to operate a 1-800-TEXTILES business using the System and the Marks (a “**Franchised Business**”), and we are willing to grant to you a license to open and operate a Franchised Business on the terms and conditions of this Agreement.

A1. HUB PRODUCTION PLANT AND SPOKE FIRST RESPONDER DISTINCTION

- a. Hub Production Plant (a “HPP”)
 - i. HPPs are facilities that clean and process textile jobs.
 - ii. HPPs must operate cleaning systems, devices, and services under standards provided by us.
 - iii. HPPs must operate a facility (a “facility”) that is at least 10,000sqft.
 - iv. HPPs must process all current Spoke First Responders (reference section 2.b.)
 - v. HPPs will work directly with 1-800-Textiles Corporate.
 - vi. HPPs will operate a Hub First Responder (a “HFR”) that can retrieve claims from the field if a SFR rejects first right of refusal, if no SFR is authorized to be in operation in such location, or if no SFR has been organized for such location (with the right to ongoing customer interactions associated with any subsequent claim remaining the right of the SFR, if any, and the HPP agreeing to transfer the same to the SFR).
 - vii. HPPs must not process any textiles brought to them by a non-1-800- Textiles franchise.
 - viii. HPPs are required to own and operate one Spoke First Responder

- b. Spoke First Responder (a “SFR”)
 - i. SFRs are responsible for taking textiles from client location(s) to a HPP facility. They are then responsible for picking the textiles up from that HPP and returning them to the client.
 - ii. SFRs must operate at least one approved van to transport textiles from claims to HPP facility and back.
 - iii. SFRs must only take textiles to HPP approved by us.
 - iv. SFRs will operate in separate territories but may use the same HPP as other franchises.
 - v. SFRs are not required to own or operate an HPP.

1. GRANT AND RENEWAL OF FRANCHISE

A. GRANT OF FRANCHISE

Subject to the provisions of this Agreement, we hereby grant to you a non-exclusive license (the “**License**”) to own and operate a Franchised Business in the territory specified in Appendix A (“**Your Territory**”) and to use the Marks and the System in the operation of the Franchised Business. Termination or expiration of this Agreement will constitute termination or expiration of the License. We reserve the right to assign you a territory specified by us.

B. TERRITORIAL RIGHTS

You have an exclusive right to operate in Your Territory a facility that meets our minimum specifications, also known as a facility (a “**Facility**”). You have a non-exclusive right to market to, and provide services to, any customers located in Your Territory. Except as otherwise provided in this Agreement and subject to your full compliance with this Agreement and any other agreement between you

[EXHIBIT A]

1-800-Textiles Franchises, LLC
Franchise Disclosure Document (2023)

and us or our affiliates, (i) we or our affiliates will not establish or authorize any person or Entity other than you to establish a Franchised Business or Facility in Your Territory during the term of this

Agreement and (ii) If we receive any leads relating to jobs located in Your Territory, we will promptly provide you with the relevant information.

i. **Affiliate Territory.** If you acquire a franchise from our affiliate, 1-800Packouts Franchise, LLC, you agree that the operations of these two franchises will be inextricably linked, and agree that such acquisition of the affiliate franchise concurrent with ownership of this franchise requires as a condition that each agreement's territory share in the boundaries of the other territory. To achieve this, you agree that we may adjust the boundaries accordingly, and agree to pay the associated territory adjustment fees as are commensurate with the revised territory boundaries at that time, and at the then-current pro rata rates.

C. OPERATIONS OUTSIDE OF TERRITORY

In the following circumstances, you may conduct certain activities outside of Your Territory, provided that (i) you are in full compliance with this Agreement and any other agreement between you and us or our affiliates and (ii) you adhere to our conditions and policies in connection with such activities, which we may modify from time to time:

(1) In a territory owned by us, our affiliates, or other franchisees (an "**Excluded Territory**"):

(a) you may NOT market to and solicit referrals from insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources ("**Referral Sources**") located in such Excluded Territory even if they have customers, clients, or residential or commercial properties located within Your Territory.

(2) In a territory that has not been assigned to us, our affiliates, or other franchisees (an "**Unowned Territory**"), until we provide you with notice that such Unowned Territory has been purchased by another franchisee or reserved for operation by us or an affiliate:

(a) you may market to anyone located in such Unowned Territory, including Referral Sources and customers; and

(b) you may provide services to customers located in such Unowned Territory.

For the avoidance of doubt, you may not (i) operate a Facility in an Excluded Territory or Unowned Territory, (ii) advertise in or directly market to customers (other than Referral Sources as provided in Section 1.C(1)(a)) located in an Excluded Territory, or (iii) ask a Referral Source to refer customers located within an Excluded Territory.

(3) No Responsibility of Franchisor to Police or Supervise.

(a) We have no responsibility or liability to any party with respect to supervising and/or regulating the actions related to marketing and/or providing service to clients allegedly performed by any other franchisee and/or any non-1-800-Textiles party in your Territory. With written notification from you of any allegations of unauthorized actions related to marketing and/or providing service to clients in your Territory, we may investigate such allegations and take all action, if any, that we deem appropriate and necessary, at our discretion, to ensure all 1-800-Textiles franchises are operating to the

standards agreed to upon execution of their respective Franchise Agreement. Any monitoring and/or actions taken are up to the sole discretion of us and may from time to time differ depending on the situation.

D. CATASTROPHIC EVENT

(1) HPP (HUB Production Plant)

(a) We will assign the HPP that is closest to the Catastrophic Event Zone as the Designated Hub (the “Designated Hub”) that all textiles from within the Catastrophic Event Zone must be brought to in order to process. We reserve the right to assign an HPP that may not be the closest but that we as best fit to serve as the designated hub. We reserve the right to assign additional HPPs as designated hubs if the original cannot process all claims. An HPP must be given permission by us to act as a Designated Hub.

(2) SFR (SPOKE First Responder)

(a) All SFRs can go into an area designated by us as a “Catastrophic Event Zone” only when given permission by us. SFRs may follow their leads into owned or unowned territory once they have been given permission by us to do work in a Catastrophic Event Zone. All SFRs that are given permission to process claims from within the Catastrophic Event Zone must take all textiles to and only to the Designated Hub. SFRs may be entitled to charge for mobilization fees if the payee or we allow. SFRs will report to us all out-of-territory revenue.

(3) HFR (HUB First Responder)

(a) HFRs must get permission from us to go into a Catastrophic Event Zone that is owned or unowned territory. HFRs from a Designated Hub will have first right of refusal, with first right of refusal continuing to the next closest HFR geographically to the Catastrophic Event Zone. If the Designated Hub reaches capacity, all HFRs may travel to Catastrophic Event Zone and process textiles at their own. HFRs may take textiles to the Designated Hub or their own HPP or HPP-C but must inform us of which they choose before processing begins. HFRs will report to us all out-of-territory revenue.

E. RESERVATION OF RIGHTS

Except as provided in Section 1.B, the rights granted to you under this Agreement are non-exclusive, and we and our affiliates have and retain all other rights with respect to Franchised Businesses, the Marks, and the System within and outside Your Territory, including (by way of example only and not as a limitation):

(1) Outside of Your Territory, we and our affiliates have the right to conduct, or grant others the right to conduct, any business activities without any limitation.

(2) Inside of Your Territory:

(a) We, our affiliates, our other franchisees, and our designees have the right to use the Marks to market to and solicit referrals from Referral Sources located inside Your

Territory;

(b) We, our affiliates, our other franchisees, and our designees have the right to provide products and services using the Marks and the System to customers located inside Your Territory if (i) there is a Catastrophic Event, (ii) you are not participating in our National Accounts program, or (iii) a customer or Referral Source requests that they provide such services;

(c) We and our affiliates have the right to advertise or promote Franchised Businesses and/or related products and services using the Marks in Your Territory, including at home shows, trade fairs, exhibitions, and similar events;

(d) We and our affiliates have the right to offer dissimilar, similar, or identical products and services, or grant others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through channels of distribution in Your Territory other than a Franchised Business; and

(e) We and our affiliates have the right to operate, or grant others the right to operate, businesses or outlets in Your Territory offering dissimilar products or services under trademarks or service marks other than the Marks.

(f) We and our affiliates have the right to operate, or grant others the right to operate, businesses or outlets in Your Territory during a Catastrophic Event, classified as such by us.

F. MINIMUM SALES QUOTA

Beginning in the third Agreement Year, in each Agreement Year, your Franchised Business must achieve a minimum amount of Gross Sales equal to \$1 per person in Your Territory (the “**Minimum Sales Quota**”). Each “**Agreement Year**” shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date. The initial population of Your Territory is specified in Appendix A. If our population data provider provides us with revised population data, we will provide you with notice of the revised population of Your Territory, which will be used to determine the Minimum Sales Quota for the next Agreement Year. If you fail to achieve the Minimum Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of Your Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within Your Territory.

G. NATIONAL OR REGIONAL ACCOUNTS

We may, but are not obligated to, negotiate and enter into agreements with insurance companies or other businesses with multiple locations for us and/or our franchisees to provide the products and services offered by the Franchised Businesses to such insurance companies or business or their customers in accordance with the terms of such agreements (“**N.O.R.A.s**”). We have sole discretion as to whether to designate a particular customer as a N.O.R.A.s, the terms and conditions of the N.O.R.A.s agreement, and the allocation of the N.O.R.A.s business among Franchised Businesses. We may designate any of your current or prospective customers as N.O.R.A.s without paying you any compensation. If we establish any

N.O.R.A.s in Your Territory, you have the right to participate in our N.O.R.A.s program, which will allow you to service the N.O.R.A.s customers in Your Territory on our behalf. You must service N.O.R.A.s customers in accordance with the pricing and other terms that we have negotiated, which may be less than your standard pricing, and any rules that we have prescribed, including rules requiring response times of less than 24 hours. You must not enter into conflicting arrangements with N.O.R.A.s. If you decline to service any N.O.R.A.s or fail to satisfy the conditions, rules, and obligations of any N.O.R.A.s or upon a N.O.R.A.'s request, we, in our sole discretion, may remove you from the entire N.O.R.A.s program. You may terminate your participation in the N.O.R.A.s program at any time by giving us at least 30 days' prior written notice. If you terminate your participation in the N.O.R.A.s program or we remove you from the N.O.R.A.s program, we have the right to service and/or authorize others to service all N.O.R.A.s customers within Your Territory without any compensation to you, including N.O.R.A.s customers that you have previously been serving. If you are subsequently willing and able to provide service within Your Territory, we have no obligation to readmit you to the program or to transfer any N.O.R.A.s customer to you.

2. TERM

A. INITIAL TERM

The initial term of the License (the “**Initial Term**”) shall begin on the Agreement Date and expire on the 10th anniversary of the Agreement Date.

B. RENEWAL OF FRANCHISE

You may, at your option, renew the License for an additional 10-year term (the “**Renewal Term**,” and collectively, with the Initial Term, the “**Term**”), provided that:

- (1) You have given us written notice of an election to renew not less than 60 days nor more than 6 months prior to the end of the initial term and any renewal term of this Agreement;
- (2) You are not at such time in material breach of any of your obligations under this Agreement or any other agreement with us;
- (3) You have substantially complied on a timely basis with all of the conditions and requirements of this Agreement and any other agreements with us or our affiliates throughout the terms of such agreements; and
- (4) Subject to applicable law, you and your Owners execute a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees.

Each renewal will be effectuated by execution of our then-current form of franchise agreement, and all other agreements, instruments and documents then customarily used by us in granting franchises for Franchised Businesses, the terms of which may differ from this Agreement. In such renewal franchise agreement, you will not receive the right to enter into an additional renewal term. A renewal fee in the amount of \$10,000 for each franchise will be payable upon renewal of the License.

3. DEVELOPMENT AND OPENING OF FACILITY

A. HUB PRODUCTION PLANT AND SPOKE FIRST RESPONDER

(1) Hub Production Plant (“HPP”)

(a) An HPP must operate your Franchised Business from a Facility of between five thousand and ten thousand (5,000-10,000) square feet located in Your Territory. You agree that you will not execute a lease or purchase contract for a Facility without our prior written approval. The lease for the Facility must allow for the installation of all equipment and other items necessary to operate the Franchised Business. In addition, the lease shall provide, if required by us, that it be assignable to us or our designee at our option, upon termination or expiration of this Agreement, and shall also contain such terms and provisions as are reasonably approved by us. You acknowledge that our acceptance of the location for the Facility does not constitute any assurance that the Franchised Business will be profitable at the location or more profitable at the location in comparison to other premises. Our acceptance is only an indication that the particular location for the Facility meets our minimum criteria.

(b) All HPPs must own and operate a HUB First Responder (HFR). The HFR will act as an SFR in the event that any SFR rejects its right of first refusal for a claim in its respectively owned territory. HFRs are intended to be utilized in territory not owned by any franchisee, and all HFRs must afford a right of first refusal to all claims within the territory owned by any SFR.

(c) HPPs will process SFRs within the purchased territory, with a max of 500,000 population being served. The population cap will be decided by us upon signing of this document.

(2) Spoke First Responder (“SFR”)

(a) You are not required to maintain a business facility, but you must maintain a clean and professional vehicle.

(b) All SFRs will be assigned a designated HPP to operate with by us.

B. PROTOTYPE AND CONSTRUCTION PLANS AND SPECIFICATIONS

We will review and may, in our sole discretion, approve plans and specifications reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Facility. It will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site for the Facility. You must submit final construction plans and specifications to us for approval before construction begins at the Facility, and the Franchised Business must be constructed in accordance with those approved plans. Unless we otherwise agree, all plans and specifications including final construction plans and specifications, will be our property (and you will take all steps necessary to ensure such plans and specifications are our property) and shall not be reproduced, including digitally, without our prior written consent. Our review of

your plans will be limited to ensuring that they comply with our design specifications, which are not based upon any structural or scientific studies. By approving your plans we in no way represent or warrant the Facility will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of a Facility that is constructed in accordance with plans that we approve.

C. DEVELOPMENT OF THE FRANCHISED BUSINESS

You agree at your own expense to do the following within a reasonable time after you have obtained possession of the Facility, but in any event by such period as may be provided in any lease we have approved: (1) secure all financing required to fully develop the Franchised Business; (2) obtain all required building, utility, sign, health, sanitation, and any other required permits and licenses; (3) construct the Facility according to the construction plans and specifications we have approved; (4) decorate the Facility in compliance with plans and specifications we have approved; (5) purchase and install all required equipment, furniture, furnishings, and signs; (6) purchase a **new** vehicle(s) and get approval of purchased vehicles and brand the vehicle(s) in compliance with our specifications; and (7) purchase an opening inventory of all required products, supplies and materials; (8) have a valid U.S. driver's license (9) purchase and install front and rear facing cameras on all vans/trucks that you operate which we reserve the right to have access to. We may from time to time access the film/pictures from the cameras and retain the right to pull them/ask you to submit them to us at any time.

D. MANAGEMENT SYSTEMS

(1) You agree to use in the development and operation of the Franchised Business the management system, computer hardware, mobile devices, applications, and software ("**Management Systems**") that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Management Systems from time to time. As part of the Management Systems, we may require you to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We may also require that all or parts of the Management Systems be purchased or contracted through us or our designee. Our modification of such specifications for the components of the Management Systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware, mobile devices, and/or software and to obtain service and support for the Management Systems during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Management Systems (or additions or modifications thereto) and that the cost to you of obtaining the Management Systems (including software licenses) (or additions or modifications thereto) may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Management Systems (or additions or modifications thereto). You further acknowledge and agree that we have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Management Systems. We shall have independent access to data on your Management Systems, including Gross Sales figures. There are no contractual limitations on our right to access this information and data; however, we will not be able to change or modify any data on the Management Systems.

(2) You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards

for the implementation of technology in the System, and you agree to abide by those reasonable new standards we establish as if this Section 3.D were periodically revised by it for that purpose.

(3) You also must comply, at your expense, with all laws, industry standards, and payment card provider standards relating to the security of the Management Systems and data collected from customers, including, without limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded, if the Management Systems (or any of its components) fails to operate on a continuous basis or as we or you expect, or if there is a data breach.

E. OPERATING ASSETS

You agree to use in the development and operation of the Franchised Business only those brands, types, and/or models of equipment, furniture, vehicles, fixtures, furnishings and signs (collectively, “**Operating Assets**”) we have approved, and also agree to purchase them from suppliers we have designated or approved. You further agree to place or display at the Facility and on any vehicles only the signs, emblems, lettering, logos and display materials that we approve in writing, including any signs we designate to reflect the fact that you are a franchisee. You further agree that all vehicles must be five (5) years old or newer. Once your vehicle wrap(s) has reached 6 years of age, you must replace it (them) with vehicle wraps(s) that conform to our then-current design and color standards. For avoidance of confusion, this includes conforming to all standards regarding discoloration, wear, and tear. See Section 10.B. (Sourcing Restrictions) for additional sourcing requirements.

F. FRANCHISED BUSINESS OPENING

You agree not to open the Franchised Business for business until: (1) all of your obligations under Sections 3.A through 3.E have been fulfilled; (2) we determine that the Franchised Business has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have approved; (3) you (or your Operating Principal) and your Manager (if you appoint one) have completed System/Procedure Training to our satisfaction; (4) the initial franchise fee and all other amounts due to us have been paid; and (5) you have furnished us with copies of all insurance policies required by Section 10.H. (Insurance) of this Agreement. You shall open the Franchised Business and commence business within 180 days after the execution of this Agreement, unless you obtain a written extension of such time period from us.

G. MODIFICATION OF THE FRANCHISE PROCESS

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best, to vary the System for, and to provide different levels of service to, any franchisee based upon the peculiarities of any condition or factors that we consider important to that franchisee’s successful operation. You have no right to require us to grant you a similar variation or accommodation or to provide the same level of service.

4. TRAINING AND GUIDANCE

A. SYSTEM/PROCEDURE TRAINING

HPP Training - We will furnish to you (or your Operating Principal, if you are an Entity) and up to three additional trainees, at no additional cost to you, an initial training program (“**System/Procedure Training**”) of up to five (5) days in the operation of a Franchised Business at a location and time designated by us. We

will provide System/Procedure Training, including all related training materials, to up to four initial trainees. The initial trainees must be managers or supervisors at your location. **YOU, NOT US, ARE RESPONSIBLE FOR TRAINING ANY EMPLOYEES YOU HIRE.** You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such System/Procedure Training. In addition, you or if you are an entity, one Owner, must attend and complete the training offered for the entire duration with the trainees from you Franchised Business. If any trainees repeat System/Procedure Training, if more than four trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee attending System/Procedure Training. Our training is intended to be instructive in nature and is intended to assist you in operating a Franchised Business. We will not be liable to you for any claims that may occur as a result of you or your employees following the training that we teach.

SFR Training - We will furnish to you (or your Operating Principal, if you are an Entity), and up to one additional trainee an initial training program (“**System/Procedure Training**”) of up to three (3) days in the operation of a Franchised Business at a location and time designated by us. We will provide System/Procedure Training, including all related training materials, to your initial trainee (up to one) at no additional cost. Payment must be received by us by no later than 30 days prior to the start date of your training. The initial trainees must be managers or supervisors at your location. **YOU, NOT US, ARE RESPONSIBLE FOR TRAINING ANY EMPLOYEES YOU HIRE.** You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such System/Procedure Training. In addition, you or if you are an entity, one Owner, must attend and complete the training offered for the entire duration with the trainees from you Franchised Business. If any trainees repeat System/Procedure Training, if more than three trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee attending System/Procedure Training. Our training is intended to be instructive in nature and is intended to assist you in operating a Franchised Business. We will not be liable to you for any claims that may occur as a result of you or your employees following the training that we teach.

B. SATISFACTORY COMPLETION OF TRAINING

You (or your Operating Principal, if you are an Entity) and your Manager (if you appoint one) must complete System/Procedure Training to our satisfaction. If we determine in our sole discretion that you, your Operating Principal or your Manager are unable to satisfactorily complete System/Procedure Training, we may, at our option, require you or them to retake System/Procedure Training or terminate this Agreement upon written notice to you. We may require any of your trainees to receive additional remedial training at your expense. Prior to you or your trainees attending any of our training programs, you must first supply us with executed copies of any non-disclosure and non-compete agreements that we may require from you or your trainees.

C. OPENING ASSISTANCE

We will provide advice, guidance and support in connection with the opening and initial operation of the Franchised Business. If we provide you with on-site assistance, you will be required to pay our reasonable fees, presently \$500 per trainer, per day, for a maximum of five days, for any on-site opening assistance and will be responsible for the reasonable travel, lodging and per diem expenses incurred by our personnel in providing such on-site assistance. You agree to participate in and cooperate with us in connection with such on-site assistance.

D. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES

We may require that you, your Operating Principal, your Manager, and/or employees that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings, huddles, and meetings relating to the operation of Franchised Businesses at locations we select. We may require designated employees to obtain certifications that we specify. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. You must pay our then-current registration fee, per owned franchise annually for the Annual Conference. This amount will be due by February 1st each year. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or your trainees related to any such programs, conferences and/or Annual Conference/Retreat that we require. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training.

From time to time we will inform you about additional third party trainings that are available for special certifications which some companies may require you or your employees to have. You may decide, at your discretion, whether to require any employees to obtain these certifications. We will not require employees to be certified, this is solely your decision. We do however encourage you to evaluate these opportunities for how they may enhance your Franchised Business.

E. HIRING AND TRAINING OF EMPLOYEES

You must hire all employees and staff of the Franchised Business, be exclusively responsible for the terms of their employment and compensation and be exclusively responsible for ensuring that such employees and staff are trained in accordance with the System in the proper operation of the Franchised Business. Your Franchised Business must be adequately staffed to meet reasonably anticipated demand for services. In the event your Manager ceases to be employed by you and you or your Operating Principal cannot supervise on-site the day-to-day operation of the business, you must have a new manager attend and successfully complete System/Procedure Training within 60 days of such termination. **You agree that we are not the employer for any employees you hire. All management, personnel and training requirements are at your discretion and are your responsibility. We will hold you solely liable and responsible for any breach of this agreement or failure to follow our System by any employees.**

F. GUIDANCE AND ASSISTANCE

We will furnish you with guidance in connection with: (1) methods and techniques for operation of a Franchised Business; (2) advertising and promotion; (3) the establishment of administrative, bookkeeping, accounting and general operating procedures for the proper operation of the Franchised Business; and (4) any changes in the Franchised Business, authorized services, standards or operating procedures we prescribe for Franchised Businesses. Such guidance will be furnished in the Manuals, bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications and/or consultations at our offices or at the Franchised Business. If requested by you, we will provide additional guidance and assistance at the Franchised Business at the per diem fees and hourly charges we establish from time to time.

G. OPERATING AND TRAINING MANUALS

We will loan you, or provide you with access to, one copy of our Manuals. The Manuals will contain mandatory and suggested specifications, standards, and operating procedures which we prescribe from

time to time for Franchised Businesses, as well as information relative to other obligations you have in the operation of the Franchised Business. You agree that your compliance with the Manuals is a condition to your license and to your operation of the Franchised Business, and agree that requirements pertaining to approved, preferred, or designated vendors as contained therein are among these conditions, together with all associated financial obligations by and between you and your vendors, whether approved, preferred, designated, or otherwise. The Manuals may be modified from time to time to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses. You must keep your copy of the Manuals current by immediately inserting all modified pages we furnish to you. We may provide access to the Manuals via a paper hard copy, on a restricted website or intranet or extranet or via other means we specify. If a dispute develops with respect to the contents of the Manuals, the master copy we maintain at our principal office will be controlling. **You agree that you will not at any time copy any part of the Manuals, permit any part of it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating the Franchised Business, or remove it from your office without our permission.**

5. MARKS

A. OWNERSHIP AND GOODWILL OF MARKS

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to your conduct of business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by us from time to time during the Term. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established thereby will inure to our exclusive benefit and you acknowledge that this Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols that we subsequently authorize you to use in conjunction with the Franchised Business. You may not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

B. LIMITATIONS ON YOUR USE OF MARKS

You agree to use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized service or in any other manner not expressly authorized in writing by us. You agree to prominently display the Marks on or in connection with the Franchised Business, contracts, stationery, other forms we designate, and in the manner we prescribe, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation or

Patent and Trademark Office or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of counsel selected by us, deem necessary or advisable to protect and maintain our interests in any such litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintain our interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you agree, at your expense, to comply with our instructions within a reasonable time after notice from us.

6. CONFIDENTIAL INFORMATION

A. RECEIPT OF CONFIDENTIAL INFORMATION.

You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, our Facilities, or the construction, management, operation, or promotion of the Franchised Business (collectively, “**Confidential Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. “Confidential Information” does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of you, (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (iii) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

B. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.

We and our affiliates own all right, title, and interest in and to the Confidential Information. You will not, nor will you permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Franchised Business. You acknowledge that your use of the Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. You will be liable to us for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom you disclose Confidential Information. You will take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third party beneficiary of such covenants with the independent right to enforce the agreement.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the

disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under an Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

C. CUSTOMER INFORMATION

(1) You must comply with our System Standards, other directions from us, and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Information on your Management Systems or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Information. “**Customer Information**” means names, contact information, financial information and other personal information of or relating to the Franchised Business’ customers, prospective customers, and referral sources. If there is a suspected or actual breach of security or unauthorized access involving your Customer Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Information was compromised or disclosed. You are responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Customer Information in your control or possession.

(2) You agree that all Customer Information that you collect from customers and potential customers in connection with your Franchised Business is deemed to be owned by us, and must be furnished to us at any time that we request it. In addition, we and our affiliates may, through the Management Systems or otherwise, have independent access to Customer Information.

(3) You have the right to use Customer Information while this Agreement or a successor franchise agreement is in effect, but only to market products and services under the Marks to customers in accordance with the policies that we establish periodically and applicable law. You may not sell, transfer, or use Customer Information for any purpose other than marketing products and services under the Marks. We and our affiliates may use Customer Information in any manner or for any purpose, except, during the Term, we and our affiliates will not use the Customer Information that we or they derive from your Franchised Business to market similar products and services for another brand that competes directly with the Franchised Business. You must secure from your customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit Customer Information to us and our affiliates, and for us and our affiliates to use that Customer Information, in the manner that this Agreement contemplates.

7. COVENANTS NOT TO COMPETE

A. DURING TERM

You acknowledge that you will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the 1-800- TEXTILES concept. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity (e.g., through an affiliate, spouse, child, or other relative):

- (1) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (a) any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or (b) any business which franchises or licenses others to offer or provide such services or products (collectively, each, a “**Competitive Business**”) at any location anywhere, except for a 1-800 Packouts Franchise on the conditions set forth herein;
- (2) divert or attempt to divert any business or customer or potential business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;
- (3) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;
- (4) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Business; or
- (5) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.

B. AFTER TERMINATION, EXPIRATION, OR TRANSFER

- (1) For two years after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, (a) directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are located within (i) Your Territory or any territory of another Franchised Business, (ii) a 100-mile radius from the borders of Your Territory, or (iii) a 100-mile radius from any Facility operated by us or our affiliates or (b) solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees. With respect to the Owners, the time period in this Section 7.B. will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first.

C. EXCEPTIONS

Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 7. In addition, you or your Owners, officers, directors, or Managers may now or in the future be engaged in the business of fire/water mitigation and/or related construction (a “**Mitigation Business**”), provided however that (i) any portion of the services offered by the Mitigation Business that overlaps with the services provided by the Franchised Business must be performed by the Franchised Business and (ii) we must have access to the books, records, tax returns, and invoices of the Mitigation Business to verify compliance with this provision.

D. COVENANTS OF OWNERS AND EMPLOYEES

The Owners personally bind themselves to this Section 7 by signing this Agreement or the attached Guarantee. We may, in our sole discretion, require you to obtain from your officers, directors, Managers, Owners’ spouses, and other individuals that we may designate executed nondisclosure and noncompete agreements in the form attached as Exhibit C or in another form that we designate or approve in writing. Such agreements will specifically identify us as having the independent right to enforce them.

E. ENFORCEMENT OF COVENANTS

You and your Owners acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Section 7 are reasonable and necessary for the protection of our legitimate business interests; (ii) you and they have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you or they of your or their personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 12 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 12. You acknowledge that any breach or threatened breach of this Section 12 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 12. Such injunctive relief will be in addition to any other remedies that we may have.

8. INDEMNIFICATION

A. INDEMNIFICATION BY YOU

You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the Franchised Business’ operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Franchised Business’ construction, design or operation, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (v) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 8.C. (Willful Misconduct or Gross Negligence). “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants’, arbitrators’, mediators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

B. INDEMNIFICATION PROCEDURE

You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 8.A.(i) through (v) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross

negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 8 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 8.C. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8. Your obligations in this Section 8 will survive the expiration or termination of this Agreement.

C. WILLFUL MISCONDUCT OR GROSS NEGLIGENCE

Despite Section 8.A., you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 8.B.) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this Section 8.C. limits your obligation to defend us and the other Indemnified Parties under Section 8.B.

9. FEES AND OTHER CHARGES

A. INITIAL FRANCHISE FEE

You agree to pay to us a nonrecurring initial franchise fee of \$45,000 for SFR or \$159,000 for HPP (reference Appendix A upon the execution of this Agreement (the "**Initial Franchise Fee**"). The Initial Franchise Fee will be fully earned by us and nonrefundable when paid except as otherwise provided in this Agreement. Should your Territory exceed the applicable population limits to territory size (250,000 for SFR or 1,500,000 for HPP), you will pay an additional initial franchise fee in the amount of \$0.22 per person in excess of such size limits.

B. ANNUAL CONFERENCE REGISTRATION DEPOSIT

You will pay us a \$1,000 Annual Conference Registration Deposit, due within ninety (90) days of signing your franchise agreement or before you attend training, which will be applied to the actual attendance fee for your first attendance at the first annual conference available to you after you have completed your training. If any portion of this deposit is not required as part of that annual conference attendance or registration fee, it will be credited to you on your invoice following the annual conference. You will not be required to pay more than one conference registration, regardless of the number of franchises you own.

C. SFR POPULATION FEE

If you choose the SFR franchise option, you must pay us a monthly population fee of \$1,000 per 250,000 territory population.

The initial population of Your Territory is specified in Appendix A. If our population data provider

provides us with updated data for Your Territory, we will notify you of any change in your Population Fee at least 30 days before you must begin paying the revised Population Fee.

You agree that the maximum initial population permitted in any Territory is 250,000 people. In order to determine current population we use territory mapping software. In the event the population in the Territory exceeds 250,000 people, you shall be required to pay \$0.22 per person as an addition to your Initial Franchise Fee.

Should the population exceed 250,000 people during the term of your agreement we will notify you and you will have to purchase additional franchise(s) to maintain the 250,000 limit within an amount of time specified by us.

C. HPP POPULATION FEE

The \$1,000 monthly franchise support payment provides the Hub Production Plant (HPP) with continuous assistance and benefits from the franchise network. This support includes operational guidance, training programs, and access to established supply chains.

D. ROYALTY FEES, BRAND FUND FEES, AND OPERATING PERCENTAGE FEES

- (1) SFR: All SFRs must pay us a monthly royalty fee (the “**Royalty Fee**”) equal to 10% of Gross Sales from any N.O.R.A.s we have referred to you. The percentage may be adjusted at our discretion. “**Gross Sales**”, in this documents, refers to all revenue which you receive in connection with your entering into this Agreement, including all revenue of the Franchised Business that is collected through N.O.R.A.s, which may include sales of products and services to customers of the Franchised Business, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds actually paid to customers. If we reasonably determine any fee based upon your Gross Sales is not permissible under applicable law, then we and you will negotiate an alternative basis for payment and, if we and you cannot agree, we or you may terminate this Agreement, but all of your post-termination obligations under Section 16 (Obligations Upon Termination or Expiration of the Agreement) shall apply upon any such termination. The Royalty Fees do not represent payment for the referral of customers to you, and you acknowledge and agree that the services we offer to you and our other franchisees do not include the referral of customers.

- (2) HPP: HPPs must pay us a monthly operating percentage fee (the **Operating Percentage Fee, OPF**) 10% of all Gross Sales received by the HPP during the previous month. Said OPF may be adjusted by us not more than twice per calendar year. If we reasonably determine any fee based upon your Gross Sales is not permissible under applicable law, then we and you will negotiate an alternative basis for payment and, if we and you cannot agree, we or you may terminate this Agreement, but all of your post-termination obligations under Section 16 (Obligations Upon Termination or Expiration of the Agreement) shall apply upon any such termination. The OPFs do not represent payment for the referral of

customers to you, and you acknowledge and agree that the services we offer to you and our other franchisees do not include the referral of customers.

- (3) All HPPs will operate at a designated revenue split percentage 70\30% with each SFR. All work that is outsourced by the HPP will be billed before the percentage split with SFR and will not be included in the revenue split. HPP will produce all outsourced work invoices at SFR request for transparency. Revenue split is conducted after all final job amounts have been decided. SFRs may not request revenue splits on estimates, only final payment amounts.
- (4) You must contribute as a “**Brand Fee**” two per cent (2%) of your monthly Gross Profit of the Franchised Business to a national Brand Fund (the “Brand Fund”) which we will administer. See supra, 11.E, “Brand Fund.”

E. PAYMENT SCHEDULE

Royalty Fees, Populations Fees, and OPFs will be due and payable by Electronic Funds Transfer (“EFT”), or such other method as we may prescribe, when payment is received from the client. You must complete an authorization form (a “**Authorization Form**”) in which you choose your method of payment. The Authorization Form provides details for when payment will be initiated. We reserve the right to change when and how frequently we require payment. Standard practice is a month’s fees will be processed on the 15th of the following month. We may require that you authorize us to initiate debit or credit entries and/or credit collection entries to your bank and that you make funds available for withdrawal by EFT no later than the due date for payment. We reserve the right to collect these fees on a weekly basis if you are delinquent in any Royalty Fees, Population Fees, or OPFs payment three times in any 12-month period. We may collect royalties from N.O.R.A. claims on an accrual basis over a 120-day period. Payments will be due to us via EFT on or before the last day of 120-day period.

F. INTEREST ON LATE PAYMENTS

All amounts which you owe to us will bear interest after the due date at the rate of 5% per month or the highest rate permitted by law, whichever is less. If any payment of any amounts due to us is returned or declined because of insufficient funds in your account, we have the right to charge you \$150 for each returned check or declined withdrawal. You acknowledge that this Section 9.F. does not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to, or otherwise finance your operation of, the Franchised Business. Further, you acknowledge that your failure to pay all amounts when due will constitute grounds for termination of this Agreement, as provided in Section 15 (Default and Termination), notwithstanding the provisions of this Section 9.F.

G. METHOD AND APPLICATION OF PAYMENTS

We will have sole discretion to apply any payments from you to any of your past due indebtedness for Royalty Fees, Population Fees, OPFs, interest or any other indebtedness. You must make payments with the approved method of payment, including use of any designated authorization, as set forth in the operations manual.

H. TAXES

You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any Royalty Fee, not including any tax measured on our income.

I. TECHNOLOGY FEE

Unless we approve your direct payment to vendors, you agree to pay a monthly fee equal to the accumulation of any software or other technology or call center vendor costs that incurs to us (the “**TECHNOLOGY FEE**”).

J. OUT OF TERRITORY FEE

You agree to pay us a fee of 10% of all claims if you operate your SFR outside of your owned territory in an unowned territory. If you follow a lead into an owned territory, you must report it to us and pay us 5% and the owner of the territory 5% of the claim. This will be due to us upon payment from client.

10. OPERATING STANDARDS

A. HPP AND SFR OPERATING REQUIREMENTS

- (1) HPPs will be required to process all current SFRs.
- (2) HPPs will not process any jobs/services from any non-1-800-Textiles SFR.
- (3) SFR must not use any processing facility other than a HPP or a facility approved by us. If an SFR uses a facility other than one approved by us they will incur a fine of \$50,000 paid to us.
- (4) In the event that a HPP becomes unable to provide service to SFRs due to an uncontrollable reason, i.e., storm damage, fire, flood, etc., we will not be held liable for any loss of revenue. In the circumstance that the HPP closest to SFR becomes unable to provide service, all affected SFRs will not have to pay the Population Fee until a solution is reached by us. The SFRs will be required to take all inventory to the next closest HPP, or a facility approved exclusively by us.

B. PRODUCTS AND SERVICES OFFERED

You agree that the Franchised Business must offer all services and products we prescribe for a Franchised Business and will not offer or sell any services or products other than services and products that we have approved in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

C. SOURCING RESTRICTIONS

- (1) We have the right to require that products, supplies, services, and Operating Assets that you purchase for resale or purchase or lease for use in your Franchised Business: (a) meet specifications that

we establish from time to time; (b) be a specific brand, kind, or model; (c) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (d) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). Specifications may include minimum standards and requirements for quantity, design, appearance, function, performance, serviceability and warranties. To the extent that we establish specifications, require approval of suppliers or service providers (including any specialty third-party service provider), or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. You agree to participate in any purchasing or distribution cooperatives that we may establish.

(2) If you propose to purchase any brand, type, and/or model of products, supplies, services, and Operating Assets which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings, samples, and/or other information for a determination by us of whether the brand, type, and/or model of products, supplies, services, and Operating Assets complies with our specifications and standards, which determination will be made and communicated to you within a reasonable time. We do not make our criteria for approving suppliers available to franchisees. We may approve or disapprove a supplier or item in our sole discretion. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase items from such supplier. Upon our approval of your proposed item and/or supplier, we will permit you to contract with the alternative supplier. We may revoke approval of a supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

(3) We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with you and other franchisees and to use all amounts they receive without restriction for any purposes they deem appropriate. You also understand that, if we or our affiliates sell items to you, we and they may make a reasonable profit on the items.

D. SYSTEM STANDARDS

(1) You acknowledge that the development and operation of the Franchised Business in accordance with our System Standards is essential to preserve the reputation and high standards of quality and service of Franchised Businesses and the goodwill associated with the Marks. You must develop and operate the Franchised Business in accordance with each and every System Standard, as periodically modified or supplemented by us. System Standards may govern any and all aspects of the development and operation of the Franchised Business, including, without limitation, the following:

- (a) design, layout, décor, color schemes, graphics appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements and Operating Assets; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;
- (b) delivery of services;
- (c) collection and storage of customer's property;
- (d) sale of authorized products;

- (e) approved third-party contractors or vendors (including specialty contractors or vendors)
- (f) appearance of vehicles and Facilities;
- (g) qualifications, training, dress and appearance of Franchised Business employees (subject to applicable law);
- (h) use of the Marks and protection of Confidential Information;
- (i) materials and supplies used in the Franchised Business;
- (j) sales, marketing and promotional materials and programs;
- (k) use of standard formats and similar items;
- (l) use of the Management Systems and other computer software;
- (m) adoption of technological developments or advances;
- (n) the addition or deletion of new products and/or services;
- (o) customer invoicing timing and procedures;
- (p) hours of operation; and
- (q) such other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Franchised Business and other Franchised Businesses.

(2) You acknowledge that accurate and appropriately timed invoicing of customers is a key System Standard necessary to protect the reputation of Franchised Businesses. You may not invoice, bill, or otherwise charge a customer for returning their contents from your Facility to a customer's location (which we refer to as a "delivery") until after the delivery has been completed.

(3) You may only store customers' property in permanent, non-mobile, secure, climate controlled storage, racking storage systems, and units designed in accordance with our specifications at your Facility. You may not use storage pods or off-site storage units of any kind.

E. MODIFICATION OF SYSTEM STANDARDS

We periodically may modify System Standards (including modifications that require you to offer additional or different products or services) and any elements of the System and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. You agree to implement any changes in System Standards or the System within the time period we request at the time that the modifications are communicated to you, as if they were part of this Agreement as of the Agreement Date.

F. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to medical, chiropractic and physical therapy treatment (as applicable), occupational hazards, health, workers' compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. We make no representation to you regarding any legal requirements that you, your Manager or the Franchised Business must satisfy or comply with in connection with the Franchised Business or your business under this Agreement. You shall be solely responsible for investigating and complying with all applicable legal requirements.

(2) In connection with your compliance with applicable legal requirements, you and your Owners certify, represent, and warrant that none of your or any of your Owner's property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term "Anti-Terrorism Laws" means any laws against terrorism or terrorist activities or acts of war applicable to Your Territory, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), and the USA PATRIOT Act. You further certify that neither you nor your Owners are listed on the Annex to Executive Order 13244 (the Annex is available at <http://www.treasury.gov>) and will not become so listed, hire any person so listed or have dealings with a person so listed. You agree to immediately notify us if you or any of your Owners become so listed. If you, your Owners, your Manager or your employees violate any of the Anti-Terrorism Laws or become listed on the Annex to Executive Order 13244, we may terminate this Agreement immediately.

(2) All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Franchised Business must in all dealings with its clients, referral sources, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Franchised Businesses. You must notify us in writing within five days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Business and of any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

G. MANAGEMENT OF THE FRANCHISED BUSINESS

If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. If you are an Entity, the Operating Principal must be directly involved in the daily operations of the Franchised Business. In addition, it is recommended that you appoint an operations manager that must successfully complete System/Procedure Training (the "Manager") to supervise the operation of the Franchised Business. The initial Manager is identified on Appendix B of this Agreement. You, your Operating Principal, or your Manager must at all times supervise the on-premises operation of the Franchised Business. You agree that you, your Operating Principal, and your Manager will at all times faithfully, honestly and diligently perform all obligations under this Agreement and will continuously exert your and his or her full time and best efforts to promote and enhance the Franchised Business.

H. INDEPENDENT PROFESSIONAL JUDGMENT OF STAFF

The parties acknowledge and agree that System Standards, Manuals, and any other training, specifications, standards and operating procedures related to the services provided by the Franchised Business are not intended to limit or replace your, your Operating Principal's or your Manager's professional judgment in supervising and performing the services. The Manuals, System Standards and other training, specifications, standards and operating procedures represent only the minimum standards and your Operating Principal, Manager and other professionals are solely responsible for ensuring that the Franchised Business performs services in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate your Operating Principal, Manager or other professionals to perform any act that is contrary to your or their professional judgment; provided, however, that you must notify us immediately upon your determination that any specification, standard or operating procedure is contrary to your or their professional judgment.

I. INSURANCE

(1) During the Term, you will be required to maintain certain insurance. During the Term, you must maintain in force at your sole expense such insurance as is necessary to comply with all laws and as is customary for similar businesses in the state or jurisdiction in which the Franchised Business operates or as we may reasonably prescribe from time to time, including but not limited to workers' compensation, general liability, business interruption, automobile liability, and optional coverage that may include bailees and umbrella coverages. Such insurance coverage must be maintained under one or more policies of insurance of the types and containing such terms and conditions and minimum liability protection in such amounts, as are specified from time to time by us and issued by insurance carriers rated "A-" by A.M. Best Company. We may from time to time increase the minimum amount of coverage required under any policy, and require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies required hereunder must name us and our officers, directors and employees as additional insureds, contain a waiver by the insurance carrier of all subrogation rights against us and must provide that we will receive 30 days' advance written notice of termination, expiration or cancellation or modification of any such policy. A detailed list of our minimum insurance requirements is included in our Manuals, which we may modify from time to time.

(2) You must furnish to us within 30 days after execution of this Agreement and each year thereafter a copy of the certificate of or other evidence of the procurement, renewal or extension of each such insurance policy upon receipt (or binder, pending receipt of each such policy).

(3) Your obligation to obtain and maintain the insurance described above will not be limited in any way by reason of any insurance we maintain, nor will your performance of such obligations relieve you of any obligations under Section 8 (Indemnification) of this Agreement.

J. INNOVATIONS

All ideas, concepts, techniques, or materials relating to a Franchised Business, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to sign, and

cause your employees and other agents to sign, whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

11. ADVERTISING AND PROMOTION

A. ADVERTISING BY FRANCHISEE

(1) During the Term, you are required to do local advertising and marketing. Your advertising should be tailored to your specific Territory. You must assign an employee or member of the business to be dedicated to performing marketing in the local market. This local advertising obligation is in addition to the you must pay to us. We may require you to participate in certain advertising or marketing program at your expense.

(2) You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

B. COOPERATIVE ADVERTISING

You agree that we may designate a geographic area in which two or more Franchised Businesses are located as a region in order to establish a regional advertising cooperative (a “**Cooperative**”). We may form, modify, dissolve, or merge any Cooperative at any time. The Cooperative’s members in any area will include all of the Franchised Businesses operating in that area (including us or our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative shall operate in accordance with our Manuals or a written governing document which we may amend at any time upon written notice to the Cooperative’s members. Each Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. If, as of the time you sign this Agreement, we have established a Cooperative for the geographic area in which the Franchised Business is located, or if we establish a Cooperative in that area during the Term, you agree to sign the documents we require to become a member of the Cooperative and to participate in the Cooperative as those documents require. You agree to contribute to the Cooperative the amounts determined by the Cooperative. Such amounts will not be counted toward your local advertising obligation in Section 11.A. (Advertising By Franchisee).

C. OUR ADVERTISING

We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to such advertising materials.

D. ADVISORY COUNCIL

We may, at our option, establish a franchisee advisory council to facilitate communications between us and our franchisees regarding marketing activities. If we elect to establish an advisory council, you agree to participate in its activities and to pay any dues we may assess for administration of advisory council programs, and you will be responsible for your expenses incurred in connection with advisory council programs. You will be permitted to vote for franchisee representatives on the advisory council in accordance with guidelines that we may establish from time to time. Furthermore, we will have the option to modify or eliminate any advisory council that we may establish from time to time.

E. BRAND FUND

(1) We will determine, in our sole discretion, when, how, and where the payments deposited into the Brand Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the Brand Fund. We use or may use the following media: print, radio, television, telephone, smart phone, social media and Internet. We may also use the funds for general public relations, development of advertising and marketing materials, to pay wages for digital marketing, graphic design, and/or marketing initiatives and to otherwise obtain and build brand awareness such as through trade shows, other events, other channels, or community giveback programs. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies. We may use the Brand Fund to grow the entire organization system-wide, through community giveback programs (TC), target marketing, new franchise sales for spoke and hub placements.

(2) The Brand Fund will be held in an account separate from our other funds. We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Brand Fund in that year. If we do not use all the funds in the Brand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the Brand Fund to borrow from us or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We may collect for remission to the Brand Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. All interest earned on monies contributed to the Brand Fund will be used to pay advertising costs of the Brand Fund before other assets of the Brand Fund are expended. Sums paid by you to the Brand Fund may be used by us to defray any of our operating expenses and overhead reasonably related to the administration, direction or operation of the Brand Fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Brand Fund and will make it available to you on written request.

(3) You understand and acknowledge that the Brand Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although we will endeavor to use the Brand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Fund by Franchised Businesses operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials. Advertising produced by the Brand Fund may be local, regional, or national in nature. Except as described above, we assume no direct or indirect liability or obligation to you regarding the maintenance, direction, or administration of the Brand Fund.

(4) We may terminate the Brand Fund by giving you 30 days' prior written notice. All unspent monies on the date of termination shall be divided between us and franchisees in proportion to the respective contributions during the 12-month period prior to termination. At any time thereafter, we may reinstate the Brand Fund.

F. DIGITAL MARKETING

We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, LinkedIn, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Business or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time. If in any of your marketing, you create any account or website making use of the Marks, you agree to assign or transfer such to us upon termination of this agreement, and to effectuate and execute any agreements or communications necessary to consummate such assignment or transfer.

(1) As part of our Digital Marketing, we or one of our designees will operate and maintain a system website, which will include basic information related to the Franchised Business. You must promptly provide us with any information that we request regarding your Franchised Business for inclusion on the website.

G. CO-BRANDED ADVERTISING

(1) You agree to not advertise your 1-800-Textiles franchise with any other brand or company that you own without prior consent by us. This includes digital marketing, print marketing, video marketing, and all other forms of marketing or advertising.

12. RECORDS AND REPORTS

A. ACCOUNTING AND RECORDS

During the Term, you agree to establish and maintain recordkeeping and accounting systems conforming to the requirements prescribed by us from time to time, including but not limited to all sales checks, purchase orders, invoices and cash receipts. All books and records of the Franchised Business must be maintained at your dedicated office or such other location as we shall approve in writing. All books and records must be managed exclusively through software and systems designated by us, i.e., QuickBooks.

B. REPORTS AND TAX RETURNS

(1) You must furnish to us the following reports: (a) concurrently with the payment of the Royalty Fees, a statement of the Gross Sales for the preceding month; (b) within 10 days after the end of each calendar month, an unaudited statement of profit and loss and financial condition of the Franchised Business for the preceding month; and (c) within 90 days after the end of your fiscal year, a fiscal year-end balance sheet and income statement and statement of changes in financial position of the Franchised Business for such fiscal year, reflecting all year-end adjustments, prepared in accordance with generally accepted accounting principles.

(2) You must furnish to us any other periodic reports we prescribe and such other information and

supporting records as we from time to time prescribe. All reports, financial statements (except audited statements), and information must be on forms prescribed or approved by us and shall be verified and signed by you. You must maintain readily available for inspection by us, and must furnish to us upon our request, exact copies of the electronic file that contains your accounting records in the computer software we require you to use and any state sales tax returns and federal and state income tax returns filed by you that reflect the operation of the Franchised Business.

You must furnish us within 60 days of filing, but in no event later than October 15 of each calendar year, true and correct copies of your federal and state corporate income tax returns for the Franchised Business, if you are an Entity, and true and correct copies of your federal and state personal income tax returns if you are not an Entity.

(4) Within five (5) days of your receipt, you must provide us a copy of any legal notices, legal claims, legal demands, legal proceedings, legal actions, or other litigation, regulatory or administrative proceedings, or similar matters involving you or potentially relating to or relevant to us.

(5) Failure to deliver any of the required or requested records including books, tax returns, banking or other financial institution statements, records of other businesses owned, records of revenue or business done, invoices, receipts, or other reports will result in you incurring a per-day fee for non-reporting in the amount of \$25.00 per report or record, per day. When you have made delivery of the requested records or reports, such fee shall cease to be incurred.

13. INSPECTIONS AND AUDITS

To determine whether you are complying with this Agreement, we will have the right at any time during business hours, and upon reasonable notice to you, to (a) inspect your offices or any other facility or vehicles used by you and (b) inspect and audit, or cause to be inspected and audited, the Franchised Business and accounting records, sales and income tax returns, and other records of the Franchised Business and any Mitigation Business in which you have any interest or involvement in whatsoever. You must cooperate with our representatives and any independent accountants hired by us to conduct any such inspection or audit. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. If the inspection discloses an underpayment of 3% or more of the amount due for any period covered by the audit, you shall, in addition reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies we may have.

14. TRANSFER

A. TRANSFER BY FRANCHISOR

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interest in it.

B. TRANSFER BY FRANCHISEE

(1) You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the License to you in reliance upon our perceptions of your or your Owners' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest herein) nor any ownership or other

interest in you or the Franchised Business may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term “transfer” includes your or your Owners’ voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) an ownership interest in you; or (c) the Franchised Business.

(2) An assignment, sale, gift or other disposition includes the following events: (a) transfer of ownership of capital stock, a membership interest, or a partnership interest; (b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you; (c) any issuance or sale of your stock or any security convertible to your stock; (d) transfer of an interest in you, this Agreement or the Franchised Business in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law; (e) transfer of an interest in you, this Agreement or the Franchised Business, in the event of your death or the death of one of your Owners of, by will, declaration of or transfer in trust or under the laws of intestate succession; or (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Franchised Business or your transfer, surrender or loss of possession, control or management of the Franchised Business.

C. CONDITIONS FOR APPROVAL OF TRANSFER

If you and your Owners are in full compliance with this Agreement, then subject to the other provisions of this Section 14 (Transfer), we will approve a transfer that meets all the applicable requirements of this Section. The proposed transferee and its Owners must be individuals of good character and otherwise meet our then applicable standards for Franchised Business franchisees. A sale or transfer of ownership, possession or control of the Franchised Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement, of the Franchised Business or a controlling interest in you (“**controlling interest in you**” means 33⅓% or more of your voting shares, ownership interests or other voting rights if you are an Entity owned by three or more persons; otherwise, 50% or more of your voting shares or other voting rights or ownership interests), or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement, the Franchised Business or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (1) the transferee has sufficient business experience, aptitude and financial resources to operate the Franchised Business;
- (2) you have paid all Royalty Fees and amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;
- (3) the transferee has agreed to complete System/Procedure Training to our satisfaction;
- (4) the transferee has agreed to execute our then-current form of franchise agreement for the remaining term of this Agreement;
- (5) you or the transferee pay us a transfer fee equal to the greater of i) \$10,000 or ii) 5% of the purchase price, to defray expenses we incur in connection with the transfer;
- (6) you and your transferring Owners have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their shareholders, officers, directors, employees and agents;
- (7) you and your transferring Owners have executed a non-competition agreement in favor of us and

the transferee agrees to be bound, commencing on the effective date of the transfer, by the restrictions contained in Sections 16.C (Confidential Information) and 16.D (Covenant Not to Compete) of this Agreement; and

(8) you and your transferring Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other Franchised Businesses you own and operate) identify themselves or any business as a current or former Franchised Business or as one of our licensees or franchisees or use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION, PARTNERSHIP LIMITED LIABILITY COMPANY

Notwithstanding Section 14.C (Conditions for Approval of Transfer), if you are an individual and are in full compliance with this Agreement, you may transfer this Agreement to a corporation, partnership or limited liability company which conducts no business other than the Franchised Business and, if applicable, other Franchised Businesses, in which you maintain management control and of which you own and control 100% of the equity and voting power of all issued and outstanding capital stock or ownership interests. Transfers of ownership interests in such corporation, partnership or limited liability company will be subject to the provisions of Section 14.C. Notwithstanding any such transfer, you agree to remain personally liable under this Agreement as if the transfer to such corporation, partnership or limited liability company had not occurred.

E. YOUR DEATH OR DISABILITY

Upon the death or permanent disability of you or your Operating Principal, the executor, administrator, conservator, guardian or other personal representative of you or the Operating Principal must transfer this Agreement or such Owner's interest to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer this Agreement or the ownership interest in you within this period of time shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or your Operating Principal from managing and operating the Franchised Business for a period of 3 months from the onset of such disability, impairment or condition in accordance with System Standards.

F. EFFECT OF CONSENT TO TRANSFER

Our consent to a transfer of this Agreement and the Franchised Business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Business or transferee or a waiver of any claims we may have against you or your Owners or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

G. OUR RIGHT OF FIRST REFUSAL

(1) If you or any of your Owners at any time determine to transfer an interest in this Agreement and the Franchised Business or an ownership interest in you, you (or such Owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from

a responsible and fully disclosed offeror (including lists of the owners of record and beneficiary of any corporate offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer. We have the right, exercisable by written notice delivered to you or your selling Owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer.

(2) If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of 3 years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Section 16.D (Covenant Not to Compete).

(3) If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 14.B. (Transfer by Franchisee) and 14.C. (Conditions for Approval of Transfer), provided that, if the sale to such purchaser is not completed within 180 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 180 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

15. DEFAULT AND TERMINATION

A. BY FRANCHISEE

If you are in substantial compliance with this Agreement and we materially breach this Agreement and: (a) fail to cure such breach within 30 days after written notice of that breach is delivered to us; or (b) if such breach cannot reasonably be cured within 60 days after our receipt of such notice, undertake within 60 days after our receipt of such notice, and continue until completion, reasonable efforts to cure such breach, you may terminate this Agreement effective 10 days after delivery to us of notice thereof. Your termination of this Agreement for any reason other than as set forth herein will be deemed a termination by you without cause and a breach of this Agreement.

B. BY FRANCHISOR

We will have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

(1) you fail to maintain any and all licenses or permits required for the Franchised Business or if any such license or permit is suspended or revoked or otherwise not maintained active and in full force and effect;

(2) you fail to begin operating the Franchised Business within 180 days after the execution of this Agreement;

(3) you (or your Operating Principal, if you are an Entity) and your Manager (if you appoint one) fails to satisfactorily complete System/Procedure Training as provided in Section 4.B (Satisfactory Completion of Training);

(4) you surrender or transfer control of the Franchised Business without our advance prior written consent;

- (5) you abandon or fail to actively operate the Franchised Business unless the Franchised Business has been closed for a purpose we have approved;
- (6) you or any of your Owners are convicted of or plead no contest to a felony or are convicted of or plead no contest to any crime or offense that is likely, in our sole discretion, to adversely affect the reputation of the Franchised Business and the goodwill associated with the Marks;
- (7) you or any of your Owners make any unauthorized transfer of the Franchised Business or an ownership interest in you or fail to make a required transfer of this Agreement or of an interest in you in connection with a deceased or disabled Owner, as required in Section 16.E. (Your Death or Disability);
- (8) you or any of your Owners make any unauthorized use or disclosure of the Confidential Information;
- (9) you fail to maintain accurate books and records or make any misrepresentations or material omissions in any communications with us, including failing to report any jobs;
- (10) you fail to pay any amount due to us or our affiliates under this Agreement and do not correct such failure within 10 days after written notice of such failure is delivered to you;
- (11) you fail to pay any federal or state income, sales or other taxes arising from the operation of the Franchised Business as required by this Agreement;
- (12) you fail to achieve the Minimum Sales Quota in three consecutive Agreement Years;
- (13) you provide any services or conduct any marketing or advertisements outside of Your Territory, except as otherwise permitted in this Agreement;
- (14) you fail to comply with any other provision of this Agreement or any System Standard prescribed by us and do not: (a) correct such failure within 5 days after written notice of such failure to comply is delivered to you if such failure relates to the use of any Mark, the quality of the services offered by the Franchised Business or the promotion or sale of services outside Your Territory without our prior written approval; or (b) correct such failure within 30 days after written notice of such failure to comply is delivered to you for any other failure to comply with System Standards not specified in (a), or (c) provide proof acceptable to us of efforts which are reasonably calculated to correct such failure if such failure cannot reasonably be corrected within the applicable time period after written notice of such failure to comply is delivered to you;
- (15) you fail on 3 or more separate occasions within any period of 12 consecutive months to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to you;
- (16) your actions create a substantial or material hindrance to the performance of the System, or result in a decrease in value of the System or of the Marks;
- (17) Where there is more than one agreement in existence between the parties (or their respective affiliates), you agree that we have the right to treat a material breach or default of any one agreement as a material breach or default of all or any of the other agreements and any such material breach or default of any one agreement shall be treated, in respect of any of the other agreements as a material breach or default

of each such agreement; or

(18) you make an assignment for the benefit of creditors or an admission of your inability to pay your obligations as they become due or have a petition filed for corporate or partnership dissolution.

C. OTHER REMEDIES

If any events in Section 15.B. (By Franchisor) occur which give us the right to terminate this Agreement, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of Your Territory or temporarily or permanently suspend your exclusive rights within Your Territory;

(2) temporarily remove information concerning your Franchised Business from the system website and/or stop your or the Franchised Business' participation in any other programs or benefits offered on or through any of our Digital Marketing efforts;

(3) suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement;

(4) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(5) suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;

(6) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement, in which case you will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

(7)

(a) **HPP (HUB Production Plant):** enter the Franchised Business' premises and assume the management of the Franchised Business ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Business. All funds from the operation of the Franchised Business while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of the Franchised Business will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee equal to 3% of the Franchised Business' Gross Sales during the period of management, plus any direct out-of-pocket costs and expenses. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Business incurs, or to any of your creditors for any products or services the Franchised Business purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Business and may, in our sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Business will

continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with you.

(b) **SFR (SPOKE First Responder)**: enter the Franchised Business' premises and assume the management of the Franchised storage facilities and contents within or appoint a third party (who may be our affiliate) to manage the Franchised Business's storage and contents within. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Business incurs, or to any of your creditors for any products or services the Franchised Business purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Business and may, in our sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Business will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with you.

D. EXERCISE OF OTHER REMEDIES

Our exercise of our rights under Section 15.C. (Other Remedies) will not (a) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (b) constitute an actual or constructive termination of this Agreement, or (c) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement (except as set forth in Section 15.C(8) (our assumption of management)) following our exercise of any of these rights. If we exercise any of our rights under Section 15.C., we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

16. OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

A. PAYMENT OF AMOUNTS OWED TO US

You agree to pay us within 10 days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to us are determined, such Royalty Fees, , amounts owed for purchases by you from us or our affiliates, interest due on any of the foregoing and all other amounts owed to us or our affiliates which are then unpaid.

B. OUR RIGHT TO PURCHASE ASSETS

(1) Upon termination of this Agreement for any reason (other than your termination in accordance with Section 15.A. (By Franchisee)) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within 15 days after the date of termination or expiration (the "**Exercise Notice**"), to purchase the inventory, supplies, Operating

Assets, and other assets used in the operation of the Franchised Business that we designate (the “**Purchased Assets**”). We have the unrestricted right to exclude any assets we specify relating to the Franchised Business from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect the Franchised Business and its assets, to determine whether to exercise our option under this Section 16.B. If you or one of your affiliates owns the Facility, we may elect to include a fee simple interest in the Facility and its premises as part of the Purchased Assets or, at our option, lease the Facility from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. You (and your Owners) agree to cause your affiliate to comply with these requirements. If you lease the Facility from an unaffiliated lessor, you agree (at our option) to assign the lease to us or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the lease.

(2) While we are deciding whether to exercise our option under this Section 16.B. (Our Right to Purchase Assets), and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of our purchase or our decision not to complete the purchase, you must continue to operate the Franchised Business in accordance with this Agreement. However, we may, at any time during that period, assume the management of the Franchised Business ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Business pursuant to the terms of Section 15.C(8).

The purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business (but not a Franchised Business). However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, any Confidential Information or our other intellectual property rights, or participation in the network of Franchised Businesses. For purposes of determining the fair market value of all equipment used in operating the Franchised Business, the equipment’s useful life shall be determined to be no more than three years. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price.

(3) If we elect to exercise our purchase option, we will pay the purchase price at the closing, which will take place within 60 days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with the Franchised Business or your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (b) all of the Franchised Business’ licenses and permits which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(4) We may assign our rights under this Section 16.B. (Our Right to Purchase Assets) to any Entity (which may be our affiliate), and that Entity will have all of the rights and obligations under this

Section 16.B.

C. DE-IDENTIFICATION

You agree that, upon the termination or expiration of this Agreement, you, unless we specify otherwise in writing:

(1) may not directly or indirectly at any time or in any manner (a) identify yourself or any business as a current or former Franchised Business or as a franchisee or licensee of ours or our affiliates, (b) use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose, or (c) utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliates;

must, at our option, either return to us or destroy all materials and supplies identified by the Marks or otherwise identifying or relating to a Franchised Business at your cost and without any reimbursement for any of these items;

(2) must immediately take all action required (a) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (b) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Franchised Business or the Marks (collectively, “**Identifiers**”). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 16.B(3), you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer;

must immediately provide us with a listing of all jobs that have not been completed prior to the date of termination or expiration, including information about all contents stored at the Facility. We may require you, in our sole discretion, to (a) complete open jobs at your expense that are capable of being promptly completed, (b) continue to securely store customer textiles at your expense until delivery can be arranged, (c) arrange for the delivery and storage of customers’ textiles at your expense at another secure climate-controlled storage facility that we approve, (d) arrange for the delivery of customers’ contents to their location at your expense using providers that we approve, and/or (e) if we or our designee assume responsibility for any open jobs, pay us a liquidated damages fee of \$5,000 per job in addition to any other actual expenses or damages that we or our designee incur in completing the job that are in excess of \$5,000;

(3) if we do not exercise our right to acquire the lease for the Facility or the Facility, you will make such modifications or alterations to the Franchised Business immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the site from a Franchised Business, including, but not limited to, removing the signs, the Marks, and any trade dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section 16.B(4), we may enter the Franchised Business without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes; and

(4) must furnish us, within 30 days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the foregoing obligations.

D. CONFIDENTIAL INFORMATION

Upon termination or expiration of this Agreement, you must cease using the Confidential Information and any and all materials associated with a Franchised Business. You must immediately return to us, at your expense, all copies of the Manuals, all of your Customer Information, and all other Confidential Information (and all copies thereof) in your possession or control. You may not use any Confidential Information or sell, trade or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under an Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

E. COVENANT NOT TO COMPETE

You and your Owners must comply with the non-compete provisions of Section 7.B. (After Termination, Expiration, or Transfer).

F. LIQUIDATED DAMAGES

In addition to any other claims we may have (other than claims for lost future Royalty Fees), if we terminate this Agreement based on your default or if you terminate this Agreement in violation of its terms, you must pay us liquidated damages calculated as follows: (i) the average of your monthly Royalty Fees due for the last 36 months (or for such shorter period of time that the Franchised Business has been open) before our delivery of the notice of default, (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current term under Section 2 (Term), (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank. You acknowledge and agree that the amount of liquidated damages determined in accordance with the preceding formula reasonably represents our monetary losses of Royalty Fees resulting from the termination of this Agreement.

G. CONTINUING OBLIGATIONS

All obligations of ours and yours which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. DISPUTE RESOLUTION

A. JURISDICTION AND VENUE

You and your Owners must file any suit against us or our affiliates exclusively in the state or federal courts situated in Utah County, Utah, or the closest courts proximate thereto. We or our affiliates may file any suit against you, in the state or federal courts situated in Utah County, Utah. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision and submit to the jurisdiction of such Court of exclusive venue.

B. GOVERNING LAW

This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Utah. In the event of any conflict-of-law question, the laws of Utah shall prevail, without regard to the application of Utah conflict-of-law rules.

C. WAIVER OF PUNITIVE DAMAGES

Except with respect to your obligation to indemnify us pursuant to Section 8 (Indemnification) and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, we and you and your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

D. WAIVER OF JURY TRIAL

We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

E. REMEDIES NOT EXCLUSIVE

Except as provided in Section 17.C. (Waiver of Punitive Damages), no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

F. OUR RIGHT TO INJUNCTIVE RELIEF

Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

G. LIMITATIONS OF CLAIMS

Except for claims arising from your underreporting of Gross Sales or non-payment or underpayment of amounts you owe us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

H. ATTORNEYS' FEES AND COSTS

You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (a) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal

legal proceeding); and (b) in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to you by us (whether or not you initiate a legal proceeding, unless you initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings.

18. MISCELLANEOUS

A. ENTIRE AGREEMENT

This Agreement and the documents referred to herein, including the Manuals, constitute the entire agreement between you and us with respect to the Franchised Business and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the appendices, which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that we delivered to you or your representative.

B. AMENDMENTS AND MODIFICATIONS

This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies that we adopt and implement may be changed by us from time to time.

C. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, and any portion of any of them, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, 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.

(1) If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal to enter into a successor franchise agreement, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable.

D. WAIVER OF OBLIGATIONS

Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

E. FORCE MAJEURE

A party to this Agreement will not be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (a) transportation shortages, inadequate supply of equipment, products, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (b) acts of God; (c) fires, strikes, embargoes, war or riot; or (d) any other similar event or cause. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence.

F. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US

You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder.

G. NO THIRD PARTY BENEFICIARIES

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

H. BINDING EFFECT

This Agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.

I. ADDITIONAL OR INCONSISTENT TERMS

The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

J. SURVIVAL

Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or transfer of this Agreement will survive such expiration,

termination, or transfer, including, but not limited to, Sections 5 (Marks), 6 (Confidential Information), 8 (Indemnification), and 16 (Obligations Upon Termination or Expiration of the Agreement).

K. INDEPENDENT CONTRACTOR RELATIONSHIP

This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, joint employer, partner, employee or servant of each other for any purpose. You must conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of the Franchised Business under a franchise from us and place such other notices of independent ownership on such forms, stationery, advertising and other materials as we may require from time to time. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation or debt, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Franchised Business, including any personal property, operating assets, or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Franchised Business. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We have no relationship with your employees and you have no relationship with our employees.

L. EXECUTION IN COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

M. CONSTRUCTION

- (1) Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your actions that require our approval.
- (2) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.
- (3) The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

19. NOTICES AND PAYMENTS

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Manuals will be deemed so delivered (i) at the time delivered by hand; (ii) one business day after transmission by facsimile or e-mail; (iii) one business day after being placed in the hands of a commercial courier service for next business day delivery; or (iv) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Notices to you will be sent to the address set forth on Appendix A. Notices to us must be sent to:

1-800-Textiles Franchises, Inc.
110 Brunas Way

Ball Ground, Georgia 30107
Attn: Franchise Development
E-mail: info@1800Textiles.com

Either party may change its mailing address or other contact information by giving notice to the other party. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be deemed delinquent.

20. ACKNOWLEDGEMENTS AND ENTITIES

A. ACKNOWLEDGMENTS

(1) You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Franchised Businesses and to protect and preserve the goodwill of the Marks and the System.

(2) You further acknowledge that you have conducted an independent investigation of the Franchised Business contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by Franchised Businesses may evolve and change over time, that an investment in a Franchised Business involves business risks and that the success of a Franchised Business is largely dependent upon the business abilities and efforts of you and your Owners. You also acknowledge and agree that you have investigated the laws applicable to the operation of a Franchised Business, including professional licenses necessary for you to operate a Franchised Business.

(3) We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the franchised business venture contemplated by this Agreement. You further acknowledge that you have no knowledge of any representations made about the franchise by us or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. You further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining the franchise. While we are obligated to refer leads that we receive from customers in Your Territory to you, we make no promises that we will obtain or attempt to obtain any leads whatsoever. You are solely responsible for identifying and securing customers and business for your Franchised Business.

(4) You have applied for a franchise to own and operate a Franchised Business and understand that we have approved your application in reliance upon all of the representations made in that application and in this Agreement.

B. ENTITIES

If you are now or at any time in the future an Entity, you agree and represent that:

(1) You have or will have the authority to execute, deliver and perform your obligations under this Agreement and are or will be duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents recite or will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents

representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(3) Appendix B to this Agreement, as modified from time to time, will completely and accurately describe your Manager and all of your Owners and their interests in you; and

(4) Each Owner will execute an agreement in the form that we prescribe undertaking to be bound jointly and severally by all provisions of this Agreement. You and your Owners agree to execute and deliver to us a revised Appendix B as may be necessary to provide or reflect any changes in the information contained in Appendix B and to furnish such other information about your organization or formation as we may request.

[Signature page follows.]

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

FRANCHISOR

1-800-TEXTILES FRANCHISES, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX A
TO THE
FRANCHISE AGREEMENT**

FRANCHISEE-SPECIFIC TERMS and DATA SHEET

1. **Agreement Date:** _____
2. **Franchisee's Name:** _____
3. **Franchisee's State of Organization** (*if applicable*): _____
4. **Franchise is HPP or SFR** _____
5. **Your Territory (Section 2.A.):** _____

6. **Number of Territories:** _____
7. **Initial Franchise Fee (Section 9.A.):** \$15,000 or, _____
8. **Initial Population (Section 9.B.):** _____

9. **Franchisee's Address and Contact Information for Notices (Section 19):** _____

10. **Additional Terms; Inconsistent Terms** (*if any*) (Section 18.F.): _____

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

1-800-TEXTILES FRANCHISES, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX B
TO THE
FRANCHISE AGREEMENT**

OWNERS AND MANAGERS

**This Appendix B is current and complete
as of _____, 20__**

The following list includes the full name and mailing address of each person who is an Owner of Franchisee (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest.

Owner's Name and Address

Description of Interest

_____	_____
_____	_____
_____	_____
_____	_____

Manager. The Franchisee's Manager (if any has been appointed) is: _____.

**APPENDIX C
TO THE
FRANCHISE AGREEMENT**

NONDISCLOSURE AND NONCOMPETE AGREEMENT

(attached)

NONDISCLOSURE AND NONCOMPETE AGREEMENT

This Agreement is dated [DATE]. The parties are [NAME OF FRANCHISEE] (referred to as “we”, “us”, and “our”), , and [NAME OF OFFICER, DIRECTOR, EMPLOYEE, SPOUSE, OR INDEPENDENT CONTRACTOR] (referred to as “you,” “your,” or “Covenantor”) residing at [ADDRESS]. You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us or our owners.

BACKGROUND

We are a franchisee of 1-800-Textiles Franchises, LLC (“Franchisor”) under a 1-800-Textiles Franchises, LLC Franchise Agreement dated [DATE] (the “Franchise Agreement”). We have a license to operate a 1-800-TEXTILES business (a “Franchised Business”), which uses certain trademarks designated by Franchisor (the “Marks”) and certain policies, procedures, systems, and other Confidential Information developed and owned by Franchisor (the “System”). Franchisor recognizes that, in order for us to effectively operate our business, our officers, directors, employees, and independent contractors whom we retain must have access to certain confidential information and trade secrets owned by Franchisor. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm Franchisor, other franchise owners, and us. Accordingly, Franchisor requires us to have you to sign this Agreement.

AGREEMENT

- 1. Confidential Information.** As used in this Agreement, “Confidential Information” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, marketing and pricing techniques, and other confidential information relating to the Franchised Business, the System, or Franchisor’s business. In addition, Confidential Information includes, without limitation, all marketing plans, advertising plans, business plans, financial information, customer information, employee information, independent contractor information and other confidential information of Franchisor, Franchisor’s affiliates, or us (collectively, the “Interested Parties”) that you obtain during your association with us.
- 2. Nondisclosure.** You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee or as an independent contractor to us. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, Franchisor’s, or Franchisor’s affiliates’ ownership of it. These obligations apply both during and after your association with us.
- 3. Return of Confidential Information.** If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may have in your possession or control. You may not retain any Confidential Information after your association with us ends.
- 4. Noncompete During Association.** You may not, during your association with us, without our prior written consent:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or (ii) any business

which franchises or licenses others to offer or provide such services or products (collectively, each, a “**Competitive Business**”) at any location anywhere, except for franchises of 1-800 Packouts;

(b) divert or attempt to divert any business or customer or potential business or customer of our Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;

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

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in our Franchised Business; or

(e) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, Franchisor or its affiliates, or by any of Franchisor’s franchisees.

5. Noncompete After Association Ends. For two years after your association with us ends for any reason, you may not, without our prior written consent:

(a) directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are located within (i) the territory specified on Exhibit A or any territory of another Franchised Business, (ii) a 100-mile radius from the borders of the territory specified on Exhibit A, or (iii) a 100-mile radius from any 1-800-TEXTILES storage facility operated by Franchisor or its affiliates; or

(b) solicit for employment any person who at any time within the immediate past 12 months has been employed by us, Franchisor or its affiliates, or by any of Franchisor’s franchisees.

6. Remedies. If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

7. Acknowledgements. You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Agreement are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

8. Severability. If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

9. Independent Agreement. The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

10. Third Party Right of Enforcement. You are signing this Agreement not only for our benefit, but also for the benefit of Franchisor and Franchisor’s affiliates. We, Franchisor, and Franchisor’s affiliates have the right to enforce this Agreement directly against you.

11. Not An Employment Agreement. This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or implied, to continue your association with us for any specified period.

12. Modification and Waiver. Your obligations under this Agreement cannot be waived or modified except in writing.

13. Governing Law. This Agreement is governed by the laws of the state in which our principal office is located.

14. Attorney’s Fees. If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorneys’ fees, to the extent that we prevail on the merits.

15. Representation. You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

WITNESS

COVENANTOR

**EXHIBIT A
TO THE
NONDISCLOSURE AND NONCOMPETE AGREEMENT
YOUR TERRITORY**

“Your Territory” is:

STANDARD LEASE RIDER

This Standard Lease Rider (this "Rider") is made and entered into on _____, 20__ by and among _____ (the "Landlord"), _____ (the "Tenant"), and 1-800-Textiles Franchises LLC, ("Textiles").

RECITALS

A. This Rider supplements and forms part of the attached Lease Agreement between Landlord and Tenant dated _____, 20__ (the "Lease") for the premises located at _____ (the "Premises") to be used by the Tenant as a 1-800-Textiles business.

B. This Rider is entered into in connection with Textiles' approval of the location of the Premises as a "1-800-Textiles" business and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____, 20__ (the "Franchise Agreement").

C. As a condition to Textiles granting a franchise to a franchisee, Textiles requires certain provisions to be contained in the leases entered into by its franchisees, and to evidence Landlord and Tenant's agreement to these terms, the parties hereby enter into this Rider.

THE PARTIES HEREBY AGREE:

1. **TEXTILES' NOTICE AND CURE RIGHTS** Concurrently with giving any Notice of Default to Tenant, Landlord also agrees to send a copy of such Notice to Textiles. In the event Tenant fails to cure any default within the time required in the Lease, Landlord shall promptly give written notice to Textiles specifying the nature of Tenant's defaults and granting Textiles an additional thirty (30) days from the date Textiles receives such notice to exercise its right, in Textiles' sole discretion, to either (a) accept an assignment of the Lease upon the same terms (including all renewals) as apply to this Rider; or (b) assign the Lease to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by Landlord).

2. **ASSIGNMENT OF LEASE** Notwithstanding anything in the Lease to the contrary, Landlord agrees that the Lease and the right, title and interest (including all renewal rights) of the Tenant and any subsequent or successor Tenant thereunder, may be assigned to Textiles or its parents, subsidiaries or affiliates (Textiles, its parents, subsidiaries or affiliates are collectively referred to as "Textiles Entities"), or to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by the Landlord). In the event of an assignment to an Textiles entity, Textiles shall at all times have the right to reassign the Lease, without charge and without Landlord's consent being required to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by the Landlord) and Textiles shall thereupon be released from any further liability under the Lease. The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to Textiles or to an authorized franchisee.

3. **USE CLAUSE** Tenant shall only use the Premises for the purpose of operating a "1-800-Textiles" facility that engages in the services authorized in the Franchise Agreement. Landlord agrees that throughout the term of the Lease, including any renewals and extensions and provided Tenant has not experienced any condition of default of the Lease, Landlord shall not permit directly or indirectly, another similar facility to be operated in the surrounding premises owned by Landlord, if any. In the event Landlord breaches such covenant, then Tenant shall be entitled to an immediate reduction of its Rent to One Dollar (\$1.00) per month until such time as this breach is cured if possible or for the remainder of the Lease Term and any renewals if such breach cannot be cured.

4. **SIGNAGE** Tenant has the right to install the customary and usual display signs of Textiles on the building façade as detailed in the signage criteria of the Lease, subject to Landlord's approval which shall not be unreasonably withheld, and subject to applicable government ordinances and restrictive covenants and the shopping center signage criteria attached as an exhibit to the Lease. All signage requires Landlord's prior review and approval before fabrication and installation. Tenant shall be permitted to display signs and

promotional items on the inside of the Premises consistent with Textiles' national standards.

5. PARKING. Landlord shall provide adequate parking to serve the Premises in accordance with applicable local ordinances and required parking ratios.

6. NOTICES. Landlord agrees to return a fully executed original Lease and this Rider within ten (10) days of execution to Textiles. All notices pursuant to this Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the address as any party to this Rider may, by written notice, instruct that notices be given.

7. BY EXECUTING THIS RIDER TO LEASE, PACKOUTS DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL PACKOUTS EXPRESSLY, AND IN A SEPARATE WRITING, AGREES TO ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

Landlord	Tenant	1-800-Textiles Franchises, LLC
By: _____	By: _____	By: _____
Name: _____	Name: _____	Name: _____
Title: _____	Title: _____	Title: _____

**APPENDIX D
TO THE
FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

(attached)

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20__, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the “**Agreement**”) by 1-800-Textiles Franchises, Inc. (“**Franchisor**”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ (“**Franchisee**”) shall 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, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Sections 6 and 7 and Section 16.D.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by an extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this guaranty.

If Franchisor is required to enforce this guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

Guarantor agrees to be personally bound by the dispute resolution obligations under Section 17 of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTORS:

[Signature]

[Print Name]

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT D
TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF
1-800-Textiles Franchises, LLC**

The following are additional disclosures for the Franchise Disclosure Document of 1-800- Textiles Franchises, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently, without reference to these additional disclosures.

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. OUR WEBSITE, www.1800textiles.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

3. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4. The following paragraph is added at the end of ITEM 3 of the Disclosure Document:

Except as disclosed above, neither we nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. Section 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.

5. The following paragraphs are added at the end of ITEM 17 of the Disclosure Document:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of the franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. These provisions might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*)

Covenant not to Compete. The Franchise Agreement contains a covenant not to compete which extend beyond the termination of the franchise. This provision may not be enforceable under California law.

Applicable Law. The Franchise Agreement requires application of the laws of the State of Georgia. This provision might not be enforceable under California law.

Litigation. The Franchise Agreement requires litigation in Georgia. 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) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

6. The following paragraph is added at the end of Item 21 of the Disclosure Document:

The California Department of Business Oversight has required us to submit an undertaking committing to maintaining a balance of at least \$50,000 in business account that we use to meet our pre-opening obligations for the duration of the registration period. We have infused cash into our business account sufficient to meet our pre-opening obligations to franchisees without relying on any additional initial franchise fees.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

1. The “Summary” sections of v of the Franchise Agreement table of the Disclosure Document is amended to read as follows:

All actions must be brought in the State of Illinois.

2. The “Summary” section of w of the Disclosure Document is amended to read as follows:

Illinois law governs.

3. The following language is added at the end of ITEM 17 of the Disclosure Document:

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law; or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

1. The “Summary” sections of c, entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement table of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The “Summary” section of v, entitled **Choice of Forum**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, which is currently Ball Ground, Georgia, although you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The “Summary” section of w, entitled **Choice of law**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

Georgia law governs, except otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added at the end of ITEM 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law; or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

(4) The following language is added at the end of ITEM 13 of the Disclosure Document:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your

right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

(5) The following is added at the end of the chart in ITEM 17 of the Disclosure Document:

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

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

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

(1) The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE 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 to be 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 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.

4. 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.

5. 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

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

(1) The “Summary” sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

(2) The “Summary” sections of i, entitled **Franchisee’s obligations on termination/non-renewal**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

(3) The “Summary” sections of r, entitled **Non-competition covenants during the term of the franchise**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

(4) The “Summary” sections of v, entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

- (5) The “Summary” section of w, entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Except for federal law, North Dakota law governs.

- (6) The following is added to the end of ITEM 17:

The North Dakota Securities Commissioner has determined that requiring a franchisee to consent to a waiver of exemplary and punitive damages or a waiver of trial by jury is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and such requirements may not be enforceable. To the extent that any provision of the Franchise Agreement is inconsistent with the Commissioner's determinations and the North Dakota Franchise Investment Law, such provision will be modified to the extent necessary to ensure that the provision is consistent with the Commissioner's determinations and the North Dakota Franchise Investment Law.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

- (1) The "Summary" sections of v, entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, which is currently Ball Ground, Georgia, except that, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

- (2) The "Summary" section of w, entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Illinois law governs except as otherwise required by the Rhode Island Franchise Investment Act.

ADDENDUM REQUIRED BY THE STATE OF VIRGINIA

- (1) In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the "Summary" section of h, entitled **"Cause" defined – non-curable defaults**, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

- (1) The following paragraph is added at the end of ITEM 5 of the Disclosure Document:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

- (2) The following paragraph is added at the end of ITEM 17 of the Disclosure Document:

The State of Washington has a statute, RCW 19.100.180, which might supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede the

Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any litigation involving a franchise purchased in Washington, to the extent required by the Washington Franchise Investment Protection Act, the litigation site shall be in the State of Washington.

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

To the extent required by the Washington Franchise Investment Protection Act, 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, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

To the extent required by the Washington Franchise Investment Protection Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

[EXHIBIT B]

1-800-Textiles Franchises, LLC
Franchise Disclosure Document (2023)

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of Illinois and the Franchised Business will be located in Illinois, and/or (b) you are a resident of the State of Illinois.

2. **Waiver of Jury Trial.** The following language is added to the end of the second paragraph of Section 17.D of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

3. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

However, nothing in this Section shall shorten any period within which you may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

4. **Waivers Void.** The following language is added as a new Section 17.A of the Franchise Agreement:

Nothing in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the Franchised Business that you will operate under the Franchise Agreement will be located in Maryland.

2. **Releases.** The following language is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

Any general release signed as a condition to transfer or renewal will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Consent to Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

Nothing in this Agreement shall act to reduce the three (3) year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

6. **Acknowledgements.** The following language is added as a new Section 20.C of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Franchised Business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **Releases.** The following is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

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

3. **Renewal and Termination.** The following is added to the end of Sections 2.D and 15.B of the Franchise Agreement:

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

4. **Consent to Jurisdiction.** The following is added to the end of Section 17.A of the Franchise Agreement:

However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibits us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **Governing Law.** The following is added to the end of Section 17.B of the Franchise Agreement:

However, nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **Limitations of Claims.** The following is added to the end of Section 17.G of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchise, Inc., a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Franchised Business in New York.

2. **Releases.** The following language is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer by Franchisor.** The following language is added to the end of Section 14.A of the Franchise Agreement:

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

4. **Termination by Franchisee.** The following language is added to the end of Section 15.A of the Franchise Agreement:

You also may terminate the Agreement on any grounds available by law.

5. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.A and 17.B of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Franchised Business that you will operate under the Franchise Agreement will be located in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **Releases.** The following is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **Covenant Not to Compete.** The following is added to the end of Section 16.E of the Franchise Agreement:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. **Consent To Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, that to the extent required by applicable law, you may bring an action in North Dakota.

5. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

6. **Waiver of Punitive Damages.** Section 17.C of the Franchise Agreement is hereby deleted.

7. **Waiver of Jury Trial.** Section 17.D of the Franchise Agreement is hereby deleted.

8. **Limitations of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

The time limitations set forth in this Section might be modified by the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Rhode Island and the Franchised Business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **Consent to Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Franchised Business that you will operate under the Franchise Agreement will be located in Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **Addition of Paragraphs.** In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder, the Franchise Agreement shall be modified to add the following:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

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, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT E
TO THE
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[EXHIBIT C]

1-800-Textiles Franchises,
LLC Franchise Disclosure Document

1-800-Textiles Franchises, LLC
Audited Financial Statement
February 17, 2022

[EXHIBIT C]

1-800-Textiles Franchises,
LLC Franchise Disclosure Document

Independent Auditor's Report

To the Managing Members
1-800-Textiles Franchises, LLC

Opinion

We have audited the accompanying financial statement of 1-800-Textiles Franchises, LLC (a Georgia limited liability company), which comprises the balance sheet as of February 17, 2022, and the related notes to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of 1-800-Textiles Franchises, LLC as of February 17, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1-800-Textiles Franchises, LLC, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1-800-Textiles Franchises, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1-800-Textiles Franchises, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 1-800-Textiles Franchises, LLC'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.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

February 18, 2022

1-800-Textiles Franchises, LLC
Balance Sheet
As of February 17, 2022

ASSETS

Current assets

Cash	<u>\$ 249,986</u>
Total current assets	<u>249,986</u>
Total assets	<u><u>\$ 249,986</u></u>

LIABILITIES AND MEMBERS' EQUITY

Total liabilities	<u>\$ -</u>
Members' equity	
Capital contributions	<u>249,986</u>
Total members' equity	<u>249,986</u>
Total liabilities and members' equity	<u><u>\$ 249,986</u></u>

The accompanying notes are an integral part of these financial statements.

1-800-Textiles Franchises, LLC
Notes to Financial Statement
February 17, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

1-800-Textiles Franchises, LLC, a Georgia limited liability company, is a franchisor of textiles restoration services under the trademark “1-800-Textiles”.

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE 2 – CASH /CONCENTRATIONS OF CREDIT RISK

Cash on deposit in financial institutions is comprised of the following:

<u>Carrying Amount</u>	<u>Bank Balance</u>
\$249,986	\$249,986

Of the above carrying amount, all is covered by federal depository insurance.

NOTE 3 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 18, 2022, the date the financial statements were available to be issued.

1-800-Textiles Franchises, LLC

Audited Financial Statements

December 31, 2022

[EXHIBIT C]

1-800-Textiles Franchises,
LLC Franchise Disclosure Document

1-800-Textiles Franchises, LLC
Table of Contents
December 31, 2022

INDEPENDENT AUDITOR'S REPORT	3 – 4
FINANCIAL STATEMENTS	
Balance Sheet	5
Statement of Income and Member's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 -11

Independent Auditor's Report

To the Members,
1-800-Textiles Franchises, LLC
110 Bruner Way
Ballground, GA 30107

Opinion

We have audited the accompanying financial statements of 1-800-Textiles Franchises, LLC, which are comprised of the balance sheet as of December 31, 2022, and the related statements of income and member's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of 1-800-Textiles Franchises, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1-800-Textiles Franchises, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1-800-Textiles Franchises, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

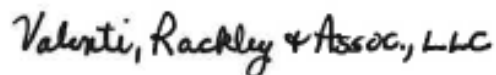
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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls 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 1-800-Textiles Franchises, LLC's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events considered in the aggregate that raise substantial doubt about 1-800-Textiles Franchises, LLC'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.

Sincerely,



Valenti, Rackley & Associates, LLC
Certified Public Accountants

April 21, 2023

1-800-Textiles Franchises, LLC
Balance Sheet
December 31, 2022

Revenue	<u>\$ 27,367</u>
Expenses	
Other Expenses	118,045
Advertising and Promotional	42,967
Professional Fees	28,704
Travel	28,233
Computer and Internet	16,745
Insurance	14,137
Office Supplies	5,577
Charitable Contributions	5,321
Telephone	2,607
Bank Charges	503
Postage	<u>22</u>
Total Expenses	<u>262,861</u>
Net Income	(235,494)
Members' Equity	
Beginning Members' Equity	250,000
Distributions to Members	<u>-</u>
Ending Members' Equity	<u>\$ 14,506</u>

1-800-Textiles Franchises, LLC
Statement of Income and Members' Equity
For the Year Ended December 31, 2022

Revenue	<u>\$ 27,367</u>
Expenses	
Other Expenses	118,045
Advertising and Promotional	42,967
Professional Fees	28,704
Travel	28,233
Computer and Internet	16,745
Insurance	14,137
Office Supplies	5,577
Charitable Contributions	5,321
Telephone	2,607
Bank Charges	503
Postage	<u>22</u>
Total Expenses	<u>262,861</u>
Net Income	(235,494)
Member's Equity	
Beginning Member's Equity	250,000
Distributions to Member	<u>-</u>
Ending Member's Equity	<u>\$ 14,506</u>

1-800-Textiles Franchises, LLC
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities	
Net Income	\$ (235,494)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	-
Change in Accounts Receivable	(64,500)
Change in Accounts Payable and Deferred Revenue	<u>300,008</u>
Total Adjustments	235,508
Net Cash Provided By Operating Activities	<u>14</u>
Cash Flows from Financing Activities	
Capital Contributions from Member	<u>250,000</u>
Net Cash Used by Financing Activities	<u>250,000</u>
Cash Flows from Investing Activities	
Assets Purchased	<u>-</u>
Net Change in Cash	250,014
Cash, Beginning of Year	<u>-</u>
Cash, End of Year	<u>\$ 250,014</u>

1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

1-800-Textiles Franchises, LLC, ("the Company"), a Georgia limited liability company, is a franchisor of textile restoration, cleaning, and climate-controlled storage businesses under the service mark "1-800-TEXTILES".

The Company, as the franchisor, has various commitments and obligations to franchisees resulting from franchise agreements including:

- Orientation training
- Ongoing guidance and assistance
- Administration of the advertising fund
- Maintaining trademarks

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include certificates of deposit, money market accounts, and highly liquid debt instruments with a maturity of three months or less.

Property, Plant and Equipment

Property and equipment are recorded at cost. The Company has a capitalization threshold of \$5,000. Additions, improvements, renewals, and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Upon retirement or disposal of an asset, the asset and related allowance for depreciation are eliminated.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of the Company's capital assets are estimated to be between 7 and 10 years.

For the year ended December 31, 2022, there is no property, plant, or equipment.

1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2022

Note 2 - Cash/Concentrations of Credit Risk

Cash on deposit in financial institutions is comprised of the following:

	Carrying Amount	Bank Balance
HPP	\$ 187,080	\$ 187,080
Operating Account	62,593	104,856
Payroll Account	100	100
Population Account	100	100
Royalty Fees Account	100	100
Wire Account	41	41
Total Cash	\$ 250,014	\$ 292,277

Cash in the amount of \$250,000 is covered by federal depository insurance.

Note 3 – Revenue

The Company provides standardized content handling services nationally under a unique tradename (brand) to franchisees. The franchise agreement includes various deliverables that are provided to the franchisees. Some of the deliverables include functions at the start of the contract, such as training and facility design assistance. The franchise agreement includes the ability to use the brand name and ongoing advertising.

The franchisee pays an upfront fee as well as royalties over the franchise agreement term based on a percentage of sales. In previous years, upon completion of the deliverables (usually upon the franchisees' company opening) the initial franchise fee was recognized as revenue. The royalty was recognized when the franchisee completes a job.

The Company adopted ASC No. 2014-09, *Revenue Recognition (Topic 606)*, *Revenue from Contracts with Customers*. Under ASU No. 2014-09, revenue is recognized in the amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under ASC Topic 606, franchisors can only recognize the initial franchise fee if any of the upfront activities performed are distinct activities within the context of the franchise agreement (essentially, have stand-alone value). Certain delivered items are part of the brand and cannot be separated, while others are considered distinct.

The Company elected to apply ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606-05): Practical Expedient*. This standard allows a franchisor that is not a public business entity to elect to account for pre-opening services as a distinct service that

1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2022

can be accounted for separately from the franchise license for accounting purposes (single performance obligation).

The Company's pre-opening services consist of (1) assistance in selection of a site, (2) assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural and engineering services, and lease negotiation, (3) training of the franchisee's personnel or the franchisee, (4) preparation and distribution of manuals and similar material concerning operations, administration, and record keeping, (5) bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business, (6) inspection, testing, and other quality control programs.

Revenue consists of the following:

Initial Franchise Fees	\$	27,367
Marketing Fees		-
Population Fees		-
Royalty Fees		-
Total Fees	\$	<u>27,367</u>

Note 4 – Property and Equipment

For the year ended December 31, 2022, there is no property or equipment.

Note 5 – Member Interests and Personal Liability

Members of a limited liability company are not personally liable for liabilities of the entity.

Note 6 - Subsequent Events

Subsequent events have been evaluated through April 21, 2023, the date the financial statements were available to be issued.

EXHIBIT F
TO THE
FRANCHISE DISCLOSURE DOCUMENT
MANUALS' TABLE OF CONTENTS

OPERATIONS MANUAL TABLE OF CONTENTS

INTRODUCTION.....	5
NONDISCLOSURE AGREEMENT	6
TIMETABLE	8
Pre-Opening	8
Nine Weeks Before Opening.....	11
Eight Weeks Before Opening.....	12
Seven Weeks Before Opening.....	15
Six Weeks Before Opening	18
Five Weeks Before Opening	22
Four Weeks Before Opening.....	23
Three Weeks Before Opening.....	30
Two Weeks Before Opening.....	35
One Week Before Opening	36
OPENING!.....	38
TRAINING	44
Questions to consider	44
Orientation.....	45
After Orientation	47
Certifications	49
Refresher Courses	49
Company Meeting.....	50
STAFFING.....	52
Typical considerations in staffing	52
POLICIES	57
Typical considerations in developing policies.....	57
Cleanliness	57
Office Space.....	58
Customer Service	59
Hygiene	63
Business Hours.....	64
Visitors.....	65
Computers	65
BUSINESS PROCESSES	66
Here are some critical questions:.....	66

Mapping Processes67
Housekeeping68

Opening & Closing	69
Miscellaneous Duties	70
Administrative Management Checklist	73
Security & Safety	73
OFFICE EQUIPMENT AND INVENTORY	76
Here are some critical questions:.....	76
Office Equipment	77
Office management software.....	79
Approved vendors	80
Starter Package.....	82
ADMINISTRATION	84
Questions to consider	84
Record-keeping	84
Accounting Service Providers	87
Accounts Receivable	92
Timeline	93
QuickBooks.....	93
REPORTING, AUDITS & INSPECTIONS.....	95
Questions to consider	95
Franchise Reports.....	95
Daily Worksheets	96
Weekly worksheets	96
Monthly worksheets	97
Where to send reports.....	98
Franchisee obligations.....	98
Failure to report.....	99
Audits and Inspections	99
Contacting others	100
VEHICLE ADMINISTRATION.....	101
Questions to consider	101
Minimum requirements	102
Driving	102
Care	103
Leasing	105
MARKETING.....	106
Questions you must consider.....	106
Company marketing policy	107
Marketing fees.....	107
Approved marketing materials	108
Marketing Plans	109
Marketing campaigns	110
SALES AND PRICING	130
Questions to consider	130
Phone.....	130
Phone script sample.....	131

Upselling	132
Referrals	134
Pricing	135
INSURANCE AND RISK MANAGEMENT	137
Questions to consider	137
General insurance coverage.....	137
Risk management	140
On-site security	141
Reporting incidents	142
CORPORATE STRUCTURE	143
Questions to consider	143
Setting up your entity	144
Business structures	144
The following table sorts out various structures.....	145
Setting up the new corporation.....	146
Assumed name certificate.....	147
Legal status of Franchisee	148
Financing arrangements.....	148
INTELLECTUAL PROPERTY	151
Trademark usage and guidelines	152
Examples of trademark misuse include.....	153
FIELD OPERATIONS	155
Warnings	155
In the field.....	157
RENEWAL, CONTINUATION, TRANSFER, TERMINATION.....	160
Renewal.....	160
Continuation.....	161
Transfer	161
Conditions of Assignment.....	161
Assignment to an entity.....	163
Approval process.....	164
Transfer by Franchisor	164
Termination.....	165
EXPANSION AND RELOCATION	168

EXHIBIT G
TO THE
FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

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

<p>CALIFORNIA Commissioner of the Department of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677</p>	<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373-7117</p>
<p>ILLINOIS Chief, Franchise Division Attorney General's Office 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>MINNESOTA Securities Unit Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>NEW YORK Office of New York State Attorney General Investor Protection Bureau, Franchise Section 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8236</p>
<p>NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p>VIRGINIA State Corporation Commission Securities and Retail Franchising Division 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p>RHODE ISLAND Department of Business Regulation – Securities Division John O. Pastore Complex 1511 Pontiac Avenue Building 69-1 Cranston, Rhode Island 02902 (401) 462-9500</p>	<p>WASHINGTON Department of Financial Institutions Securities Division - 3rd Floor West 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>

SOUTH DAKOTA

Department of Labor and Regulation
Securities Regulation Office
445 E. Capitol Avenue
Pierre, South Dakota 57501-3185
(605) 773-4823

WISCONSIN

Office of the Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT H
TO THE
FRANCHISE DISCLOSURE DOCUMENT
CURRENT AND FORMER FRANCHISEES

Current Franchisees as of December 31, 2022:

HPP/SFR	Main Contact	Address	City	State	Zip Code	Phone
	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford,					
HPP	Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
HPP	Tim Vick	P.O. Box 1482	Kinston	NC	28503	252-559-4040
HPP	Ken Clark	900 Covered Bridge Trail	Chapel Hill	NC	27517	919-325-6200
HPP	Brandt Benson	1330 W. 25th St.	San Bernardino	CA	92405	909-915-8630
HPP	Todd Tyler, Olivia Huffman	7949 Stromesa Court, Suite X	San Diego	CA	92126	858-951-8008
HPP	Phil Corvino, Robert Corvino	1180 Douglas Rd.	Batavia	IL	60510	630-686-5553
SFR	Ayal Chavoinik	5978 Vista De La Cruz	Woodland Hills	CA	91367	818-590-5723
HPP	Ken Clark	900 Covered Bridge Trail	Chapel Hill	NC	27517	919-325-6200
SFR	Ashley Gill, Steven Wright	3849 Killearn Ct., Suite C	Tallahassee	FL	32309	850-755-0622
	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford,					
SFR	Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford,					
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SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
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SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
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SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387

SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
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SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
SFR	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387

Former Franchisees, exiting our system between January 1, 2022 and December 31, 2022:

None

EXHIBIT I
TO THE
FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE

[EXHIBIT G]

1-800-Textiles Franchises, LLC
Franchise Disclosure Document (2023)

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is executed on _____
by _____
 (“Franchisee”), _____
 (“Guarantors”), _____

(“Transferee”) as a condition of (1) the transfer of the Franchise Agreement dated [month] [day], [year] between 1-800-Textiles Franchises, LLC (“Franchisor”) and Franchisee (“Franchise Agreement”); or (2) the execution of a successor Franchise Agreement by Franchisee and Franchisor. (If this Release is executed under the conditions set forth in (2) above, all references in this Release to “Transferee” should be ignored.)

1. **Release by Franchisee, Transferee, and Guarantors.** Franchisee and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “Releasors”) freely and without any influence forever release (i) Franchisor, (ii) Franchisor’s past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and (iii) Franchisor’s parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the “Released Parties”), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releasor ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releasor and Franchisor or Franchisor’s parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed Facts.** Franchisee, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **Covenant Not to Sue.** Franchisee, Transferee, and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. **No Prior Assignment and Competency.** Franchisee, Transferee, and Guarantors represent and warrant that: (i) the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releasor has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. **Complete Defense.** Franchisee, Transferee, and Guarantors: **(i)** acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and **(ii)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

7. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

8. **Capitalized Terms.** Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, Franchisee, Transferee, and Guarantors have executed this Release as of the date shown above.

FRANCHISEE:

By:

Print Name: _____

Title: _____

Date: _____

TRANSFeree:

By:

Print Name: _____

Title: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

[EXHIBIT H]

1-800-Textiles Franchises,
LLC Franchise Disclosure Document

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. In all other states, the effective date of this Disclosure Document is the issuance date of April 12, 2023.

Some of the states listed above require that we give you additional disclosures. The additional required disclosures for these states are in Exhibit B to this Disclosure Document.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1-800-Textiles Franchises, 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 and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa and Michigan require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 1-800-Textiles Franchises, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

This franchise is being offered by the following sellers, all of whom are located at 110 Brunas Way, Ball Ground, Georgia 30107, 1-800-722-5688 (check all that have been involved in the sales process):

	Ian Carson	Kevin Loner	
--	------------	-------------	--

1-800-Textiles Franchises, LLC's agents authorized to receive service of process are set forth on Exhibit E.

Issuance date: April 28, 2023.

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from 1-800-Textiles Franchises, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 28, 2023.

This Disclosure Document included the following exhibits: A. Franchise Agreement; B. State Addenda and Agreement Riders; C. Financial Statements; D. Manuals' Tables of Contents; E. List of State Agencies/Agents for Service of Process; F. Current and Former Franchisees; G. General Release; and H. Compliance Questionnaire.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

RETAIN FOR YOUR RECORDS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1-800-Textiles Franchise, Inc. 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 and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa and Michigan require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 1-800-Textiles Franchise, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

This franchise is being offered by the following sellers, all of whom are located at 110 Bruner Way, Ball Ground, Georgia 30107, 1-800-722-5688 (check all that have been involved in the sales process):

	Ian Carson	Kevin Loner	
--	------------	-------------	--

1-800-Textiles Franchises, LLC's agents authorized to receive service of process are set forth on Exhibit E.

Issuance date April 28, 2023

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from 1-800-Textiles Franchises, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 28, 2023.

This Disclosure Document included the following exhibits: A. Franchise Agreement; B. State Addenda and Agreement Riders; C. Financial Statements; D. Manuals' Tables of Contents; E. List of State Agencies/Agents for Service of Process; F. Current and Former Franchisees; G. General Release; and H. Compliance Questionnaire.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

TO BE RETURNED TO:
1-800-Textiles Franchises, LLC
110 Bruner Way
Ball Ground, Georgia 30107

Print Franchisee's Name (if an Entity)

[EXHIBIT H]

1-800-Textiles Franchises,
LLC Franchise Disclosure Document