

## FRANCHISE DISCLOSURE DOCUMENT



Success Franchising, LLC  
a Delaware limited liability company  
750 North St. Paul St., Suite 250, PMB 30053  
Dallas, Texas 75201  
(800) 570-6414  
www.successfranchising.com

As a Success franchisee, you will operate a business that offers to customers and prospective customers (a) co-working workspaces, private offices, conference and meeting rooms, and common area spaces, (b) access to an on-site, full time dedicated business coach, (c) a café offering a variety of pre-packaged and made-to-order menu items, bottled beverages and fresh ground/brewed and specialty coffees, and (d) retail merchandise, beverages, food and other related services and products under the “Success” trade name and business system.

The total initial investment necessary to begin operation of a franchised Success business ranges from \$430,500 to \$747,500. This includes \$50,000 that must be paid to the franchisor or its affiliate(s).

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 or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Ted Laatz at 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201, ted.laatz@success.com and (800) 570-6414.

The terms of your contract will govern your franchise relationship. Do not rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You also can visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

Your state also may have other laws on franchising. Ask your state agencies about them.

Issuance Date: May 12, 2021

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

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

To simplify the language in this franchise disclosure document (“**Disclosure Document**”), the terms “**we**”, “**us**”, “**our**”, and “**Franchisor**” mean Success Franchising, LLC (“**Success**”). The terms “**you**” and “**your**” refer to the individual or business entity buying the franchise. The terms “**you**” and “**your**” do not include any individual or business entity which owns an interest in you. The terms “**include**”, and “**including**” mean without limitation. We may require all individuals and business entities which own an interest in you to guarantee your obligations to us.

The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on January 12, 2021. Our principal business address is 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201. We do business under our corporate name and the trade name “**Success Space**.” We do not do business under any other name. We began offering Success franchised businesses as of the issuance date of this Disclosure Document. We have not offered franchises in any other line of business nor do we operate any business of the type being offered to you. Our agents for service of process are listed in Exhibit A to this Disclosure Document.

Our parent, Success World Holdings, LLC (“**Success Holdings**”), is a Delaware limited liability company formed on January 12, 2021. Success Holdings shares our principal business address. Success Holdings is a holding company. Success Holdings has not offered franchises in this or any other line of business and does not conduct any other business activities.

Success Holdings’ parent is eXp World Holdings, Inc. (“**EXP**”), a Delaware corporation formed on July 30, 2008. EXP’s principal business address is 2219 Rimland Drive, Suite 301, Bellingham, Washington 98226. EXP owns and operates a portfolio of real estate and tech solutions, including a cloud-based real estate brokerage business and a technology platform business that help businesses to operate remotely. EXP has not offered franchises in this or any other line of business.

Our affiliate, Success Enterprises, LLC (“**Success Enterprises**”), is a Delaware limited liability company formed on February 8, 2019. Success Enterprises shares our principal business address. Success Enterprises has granted us a license to use and to grant to third parties the right to use, the System (defined below) and the Marks (defined below). Success Enterprises will license use of our “**Success Spaceware**” proprietary franchise management software to you. Success Enterprises has not offered franchises in this or any other line of business and does not conduct any other business activities.

Our affiliate, EXP Commercial LLC (“**EXP Commercial**”), is a Delaware limited liability company formed on July 23, 2020. EXP Commercial’s principal business address is 2219 Rimland Dr., Suite 301, Bellingham, Washington 98226. EXP Commercial will provide real estate consulting services to you to help you identify potential sites for your Success Space.

Other than described above, we have no parents, predecessors, or affiliates that offer franchises in any other line of business, or sell goods or services to you.

The Franchised Business

We offer to qualified entities and persons, Success franchise agreements (each a “**Franchise Agreement**”) for the establishment and operation of franchised businesses (“**Success Space(s)**”). Each Success Space offers (a) co-working workspaces, private offices, conference and meeting rooms, and common area spaces, (b) access to an on-site, full time dedicated business coach, (c) a café offering a variety of pre-packaged and made-to-order menu items, bottled beverages and fresh ground/brewed and specialty coffees (the

“Cafe”), and (d) retail merchandise, beverages, food and other related services and products that Success designates or approves under the System and the Marks (“**Success Services and Products**”). Our form of Franchise Agreement is attached to this Disclosure Document as Exhibit C.

Each Success Space operates according to our proprietary business format and system (“**System**”), the distinguishing characteristics of which include, among other things, Success Space designs, furniture, fixtures and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage color scheme and furnishings, fixtures and other trade dress elements; proprietary and nonproprietary products; standards, specifications, policies and procedures for construction and management; quality, distinctiveness and uniformity of products and services; standards, specifications, policy and procedures for Success Space operations; software and computer programs, reservation procedures; the accumulated experience reflected in our training program; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below). We identify the System by certain licensed trade names, service marks, trademarks, logos, emblems, including the name and mark “**Success**.” Your Success Space will operate under the mark “**Success**” and other associated marks that we now and in the future may designate as part of the System (collectively, the “**Marks**”).

The Franchise Agreement grants you the right to operate a Success Space using the System and Marks, which may be changed from time to time, at an agreed-upon specified location (the “**Approved Location**”). If, at the time you enter into the Franchise Agreement, you do not have an Approved Location, you must lease, sublease, or acquire a site for the Success Space, subject to our approval, under the site selection addendum (“**Site Selection Addendum**”) which is attached to the Franchise Agreement. The procedures for finding, selecting and receiving authorization for an Approved Location under the Site Selection Addendum are described in Item 11 of this Disclosure Document. The Franchise Agreement will establish a geographic area within which you will advertise, market and promote the Success Space (the “**Designated Marketing Area**”). Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have regarding the Designated Marketing Area. Success Spaces typically will be located in highly trafficked retail areas.

You must operate the Success Space according to our standards and procedures, as set out in our confidential Brand Standards Manual (the “**Manuals**”). We will lend you a copy of the Manuals for the duration of the Franchise Agreement. We may periodically change and improve parts of the System, and you must promptly comply with all new or changed items.

### Founders’ Club Program

We currently offer a program by which we provide certain incentives to our first 10 franchisees who sign one or more Franchise Agreements (“**Founders’ Club Program**”). These incentives, which include reduced royalties and initial franchise fees, are described in Items 5 and 6 below and in the Manuals. We may change or discontinue the Founders’ Club Program at any time.

### Market and Competition

The market for the services to be offered by your Success Space will be individuals and businesses. The market for local flexible office providers, co-working facilities, meeting and training facilities and flexible office alternatives like Success is developing, and the demand and awareness for similar services is growing. Your Success Space will compete primarily with co-working facilities, meeting and training facilities, coffee shops and other retail businesses that offer services and products comparable to the Success Services and Products. We do not expect that your sales will be seasonal in nature.

## Industry Specific Regulations

Your Success Space will be subject to the laws and regulations in the county, state or municipality in which it is located. You are advised to examine these laws and regulations before entering into the Franchise Agreement. You must comply with all laws and regulations pertaining to businesses generally and any laws pertaining to the regulation of similar facilities. Most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (i) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking; (iii) set standards pertaining to employee health and safety; (iv) regulate matters affecting requirements for accommodating disabled persons, including the Americans with Disabilities Act; (v) set standards and requirements for fire safety and general emergency preparedness; and (vi) regulate, or otherwise relate to or govern, the operation of a business that provides usage/access rights to a co-working space or similar facility, including those that may require you to obtain certain permits, certificates, licenses or approvals to provide the Success Services and Products at or from your Success Space.

The U.S. Food and Drug Administration and the U.S. Department of Agriculture, as well as state and local departments of health and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of eateries including cafés and coffee shops. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation. The U.S. Food and Drug Administration has issued regulations that require certain retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request. Some state and local authorities have adopted, or are considering adopting, laws or regulations that would affect the content of food served in food service establishments, such as the level of sodium and trans fats contained in a food item.

You will be subject to federal, state and local data privacy and consumer protection laws, such as the the Fair Credit Reporting Act, the Telephone Consumer Protection Act, the Fair and Accurate Credit Transactions Act and the National Automated Clearinghouse Association. You must ensure the form of membership or other service agreement you use in connection with the Success Space complies with all applicable laws.

There are federal laws and agency rules promulgated by the U.S. Postal Service governing commercial facilities that handle or receive mail that may impact the operations of your Success Space.

You are also subject to employment laws such as the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and working conditions. You will be subject to other laws or regulations that are not specific to the industry, but applicable to businesses generally, including labor laws, insurance requirements, business licensing laws and tax regulations. We have not investigated the laws or regulations applicable to your Success Space. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.



## **ITEM 2 BUSINESS EXPERIENCE**

### Chief Executive Officer: Glenn Sanford

Mr. Sanford has been our CEO since our inception. He founded EXP in July 2008 and has also been the Chairman, CEO, Treasurer, Secretary and Director of EXP since March 2013.

### Chief Legal Counsel: James Bramble

Mr. Bramble has been our Chief Legal Counsel since our inception. He has served as the General Counsel and Corporate Secretary of EXP since March 2019. He served as the Chief Legal Officer, General Counsel and Corporate Secretary of USANA Health Sciences, Inc. based in Salt Lake City, Utah from February 1998 to February 2019.

### President: Ted Laatz

Mr. Laatz has been our President since our inception and he also serves as Chief Operating Officer of our affiliate Success Enterprises since March 2021. Prior to that he served as Vice President of Affiliated Services for EXP Realty based in Bellingham, Washington from April 2019 to May 2020, and as Vice President of Events & Affiliate Sales for Virbela based in Bellingham, Washington from April 2020 to December 2020. Mr. Laatz was an EXP Broker based in Tampa, Florida from June 2017 to April 2019. Mr. Laatz was a Senior Consultant for Franchise Well, LLC in Stafford, Virginia from September 2015 to June 2017.

### VP of Franchise Operations: John Hamilton

Mr. Hamilton has been our Vice President of Franchise Operations since June 2021. Prior to that he served as Business Development Manager for Inspire Brands located in Canton, Massachusetts from September 2017 to June 2021. Mr. Hamilton served as a Franchise Business Consultant for Lenny's Franchise Systems, LLC in Memphis, Tennessee from July 2016 to September 2017.

### VP of Franchise Development: Kelli Schroeder

Ms. Schroeder has been our Vice President of Franchise Development since September 2021. Prior to that she served as Principal and Founder of Schroeder Consulting, LLC located in Dallas, Texas from July 2019 to September 2021. Ms. Schroeder served as Senior Director of International Franchise Development for Wingstop Restaurants International in Dallas, Texas from July 2018 to July 2019. Prior to that she served as VP of International Franchise Development for Jibu in Colorado Springs, Colorado from October 2016 to June 2018. Ms. Schroeder also served on the board of directors of The Last Well in Rockwall, Texas from January 2019 to July 2021.

### Franchise Advisor: Dr. Ben Litalien, Certified Franchise Executive

Dr. Litalien has served as our Franchise Advisor since our inception. He has served as the founder and President of Franchise Well, LLC in Stafford, Virginia since October 2008. Dr. Litalien is an Adjunct Instructor at Georgetown University in Washington, DC, where he developed and has taught the franchise management certificate program since September 2008. He has also been an Adjunct Associate Professor at The University of Maryland Global Campus in Adelphi, Maryland since October 2010. Dr. Litalien has served as Chief Development Officer for BidExecs Franchising, LLC since September 2019. He has been the Chief Development Officer of Zerorez Franchising System, Inc. since 2012, and he has been a Director of that company since September 2017. He has been a Director of Brain Balance Holdings, Inc. since June 2016 and has been a Director of JIBU Holdings, L3C since January 2014. He served as Chief Development Officer of Malawi's Franchise Development Company, LLC from January 2014 to November 2018, and

President of that company from October 2017 to November 2018. He was the Chief Development Officer of SWAT Franchise Development, LLC from September 2017 to January 2019 and was the Chief Development Officer of XD Holdings, LLC from November 2016 to December 2017. He was a Director of the Cleaning Authority, LLC from November 2015 to November 2016 and was on the Board of Directors of the Institute of Certified Franchise Executives (ICFE) from November 2015 until September 2019. Except as otherwise stated, Dr. Litalien has served in the above positions from his offices in Stafford, Virginia.

Franchise Training, Operations & Support Advisor: Dr. Rocco Rinaldi

Dr. Rinaldi has served as our Franchise Training, Operations & Support Advisor since our inception. He has served as a Senior Franchise Consultant for Franchise Well, LLC in Stafford, Virginia since January 2020. He served as Director of Operations for BrightStar Care, LLC in Gurnee, Illinois from August 2018 to October 2019. Prior to that he served as Regional Director for Comfort Keepers Franchising, Inc. in Irvine, California from December 2014 to July 2018. Dr. Rinaldi was unemployed between November 2019 and January 2020.

Note: Unless otherwise stated above, each individual in Item 2 maintains an office at our headquarters in Dallas, Texas or EXP's headquarters in Bellingham, Washington.

**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**

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an initial franchise fee of \$45,000 (“**Initial Franchise Fee**”).

Founders' Club Program

Under our Founders' Club Program, the first 10 franchisees granted the right to operate a Success Space will be provided a discount in the amount of \$15,000 from the standard amount of the Initial Franchise Fee of \$45,000 for their initial Franchise Agreement and each additional Franchise Agreement the franchisee signs within the first 60 months after signing the first Franchise Agreement (the “**Incentive Period**”). We may change or discontinue the Founders' Club Program at any time.

Training Fee

When you sign the Franchise Agreement, you will pay us a training fee of \$5,000 (“**Training Fee**”) for you or, if you are a business entity, your Principal Owner (defined in Item 15) to attend our initial training program (“**Initial Training Program**”).

The Initial Franchise Fee and Training Fee are fully-earned and non-refundable in consideration of the administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise to others, and the Initial Franchise Fee and Training Fee are uniformly applied.

**ITEM 6  
OTHER FEES**

<b>Type of Fee <sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fees	The greater of 6% of the preceding month's Gross Sales and \$1,000 <sup>2</sup>	10th day of each month based upon the Gross Sales for the immediately preceding calendar month	Royalty Fees must be paid using a designated bank account from which you allow us to electronically deduct the amounts owed to us. See Note 2 below for information regarding the Founders' Club Program Royalty Fee Incentive.
Grand Opening Program Expenditure	\$15,000	Time that is sufficiently in advance of the scheduled opening to implement the Grand Opening Program.	The Grand Opening Program may commence prior to opening your Success Space and will be completed within 60 days after your Success Space commences operation.
Marketing and Promotions Fund Fee	1% of the preceding month's Gross Sales.	Same as Royalty Fees	The Marketing and Promotions Fund has not been established as of the issuance date of this Disclosure Document. This contribution will be payable after we create the Marketing and Promotions Fund (see Item 11).
Local Marketing Cooperative Fee	Currently, 0% of Gross Sales, but if the Local Marketing Cooperative is established, not more than 1% of the preceding month's Gross Sales	Monthly, as specified	Payable if we require you and other franchisees to form a Local Marketing Cooperative. Any amount you pay toward the Local Marketing Cooperative Fee will offset your obligation to pay the Marketing and Promotions Fund Fee. Currently, there are no Local Marketing Cooperatives.
Software License Fee	\$1,650	10th day of each month	Payable in the same manner as the Royalty Fees. We reserve the right to increase the amount of the Software License Fee on 30 days prior written notice to you.
Additional Training/Assistance	Our then-current fee for such assistance, plus expenses	As Incurred	We may charge you our then-current fee for any additional training or assistance you require, plus our expenses.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Transfer Fee	\$25,000	Prior to transfer	The Transfer Fee is payable when you make the transfer request.
Renewal Fee	35% of then-current Initial Franchise Fee	When you deliver notice of your intent to renew.	
Interest Charge	2% per month or maximum rate permitted by law, whichever is less	As incurred	Payable if you fail to remit Royalty Fees or other fees when due.
Late Report Charge	\$50 per day	As incurred	Due for late payments or reports in addition to other remedies available to us.
Audit Fees and Expenses	Cost of Audit, plus late fees	Immediately after notice from us	You must pay for the cost of the audit if the audit shows that you understated your Gross Sales by more than 2%.
Indemnification Costs	Varies	As incurred	You must pay for the cost of defending us against any liability as a result of your operation of the Success Space.
New Product and Vendor Testing	Will not exceed our reasonable cost of the inspection and the actual cost of the test paid by you or the supplier.	As incurred	If you wish to purchase any unapproved supplies or services or products or any other items from an unapproved supplier, we may require that our representatives inspect the supplier's facilities, and that samples be either delivered, to us or to an independent laboratory designated by us for testing.
Reimbursement of Insurance	Cost of obtaining coverage	On receipt of invoice	If you fail to procure the required insurance, we may secure that insurance and require you to reimburse us for the premiums and other expenses relating to obtaining that insurance.
Annual Conference <sup>3</sup>	Varies	Prior to convention	

### NOTES

1. Unless otherwise noted, you must pay all fees to us and we have no obligation to refund them. At our option, all payments to us (other than the Initial Franchise Fee and Grand Opening Program Expenditure), must be made via automatic bank draft. We uniformly impose the fees described above.
2. The Royalty Fee (and certain other fees described above) are paid on a monthly basis, based on the

preceding month's Gross Sales. "**Gross Sales**" means the total gross revenue from the provision of all services and products sold or performed by or for you in, at, from or away from the Success Space, or through or by means of the Success Space, whether from cash, check, credit card, debit card, barter or exchange, or other means, and irrespective of collection, and including, the following: (a) all customer fees and payments, including, for example, membership agreement fees, corporate/third party payor fees and (b) proceeds from any business interruption insurance. The following amounts will be deducted from Gross Sales: (i) sales taxes, use taxes, and other similar taxes added to the sales price and collected from the customer and paid to the appropriate taxing authority; and (ii) any bona fide refunds and credits that are actually provided to clients and other customers.

Under our Founders' Club Program, for our first 10 franchisees who sign one or more Franchise Agreements within the Incentive Period, no Royalty Fees will be payable under the first Franchise Agreement signed within the Incentive Period, until 90 days after the Success Space has opened.

For each additional Franchise Agreement the franchisee signs during the Incentive Period, the Royalty Fee under each Franchise Agreement will be reduced as follows:

<b>Year*</b>	<b>Royalty Fee</b>
1	3%
2	4%
3	5%
4-10	6%

Each Year consists of 12 consecutive months, the first of which will start on the Effective Date of the Franchise Agreement and continue for 12 consecutive months. Each subsequent Year will start immediately upon the expiration of the preceding Year. We may change or discontinue the Founders' Club Program at any time.

3. During each calendar year we may conduct periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting the System. Attendance at these conferences may be mandatory or optional, at our option. We may charge you a registration fee for attendance at each conference. If attendance at the conference is mandatory, you and up to 3 of your personnel must attend the conference. If we charge a conference fee, you may be responsible to pay us the conference fee even if neither you nor your personnel personally attend the conference. You will be responsible for all of the expenses yourself and the persons you send to the convention, including travel, lodging, and food.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure <sup>1</sup></b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Initial Franchise Fee <sup>2</sup>	\$45,000	Lump Sum	Upon signing Franchise Agreement	Us
Training Fee	\$5,000	Lump Sum	Upon signing Franchise Agreement	Us
Grand Opening Program <sup>3</sup>	\$15,000	Lump Sum	2 Months Prior to Opening	Vendors or Us
Architectural Services <sup>4</sup>	\$7,500 to \$17,500	As Agreed	As Agreed	Third Parties
Leasehold Improvements and Construction Costs <sup>5</sup>	\$125,000 to \$265,000	As Agreed	Prior to Opening	Contractors or Third Parties
Construction Management	\$12,500 to \$16,500	As Agreed	As Incurred	Contractor
Furnishings, Fixtures and Standard Equipment <sup>6</sup>	\$48,000 to \$125,000	As Agreed	As Agreed	Vendors
Signage & Graphics	\$7,500 to \$12,500	As Agreed	Prior to Opening	Vendors
Computer, Software & Point of Sale System <sup>7</sup>	\$16,500 to \$21,500	As Agreed	As Agreed	Vendors and Us
Low Voltage Cabling, Sound System, Security, Access and AV design, acquisition and install <sup>8</sup>	\$32,500 to \$47,500	Monthly Payments	On Invoice	Vendors
Rent & Utility Deposits <sup>9</sup>	\$5,000 to \$15,000	As Agreed	Prior to Opening	Landlord, Utilities and Service Providers
Deposits, Business Licenses <sup>10</sup>	\$2,500 to \$4,000	As Agreed	As Incurred	Third Parties
Professional & Legal Fees <sup>11</sup>	\$7,500 to \$20,000	As Agreed	As Incurred	Business and Legal Advisors
Inventory <sup>12</sup>	\$6,000 to \$10,500	As Agreed	As Incurred	Third Parties
Insurance <sup>13</sup>	\$5,000 to \$7,500	As Agreed	As Incurred	Third Parties
Additional Funds <sup>14</sup>	\$90,000 to \$120,000	Varies	As Incurred	Various, including employees and vendors

Type of Expenditure <sup>1</sup>	Amount	Method of Payment	When Due	To Whom Paid
<b>TOTAL</b> <sup>15</sup>	<b>\$430,500 to \$747,500</b>			

**NOTES**

1. Explanation of Estimates. The chart above describes the estimated initial investment for a Success Space operated from a leased facility. These estimates are based on our experience and data collected from developing a Success Space location to be opened in Orlando, Florida, where we will also conduct the Initial Training program. Except as expressly indicated otherwise, these estimates are intended to estimate your required initial cash investment up to the opening date of your Success Space, and potential working capital needs for the first ninety (90) days of operations thereafter. They do not include your cash needs to cover any financing incurred by you or your other expenses. You should not plan to draw income from the Success Space during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Success Space which, in turn, will depend upon factors such as public awareness of your business, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from business to business, you should retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for the Success Space.
2. You pay the Initial Franchise Fee and the Training Fee when you sign the Franchise Agreement. We have no obligation to refund any initial fees paid to us. Whether any third party, including vendors, will refund any costs will depend on the third party involved.
3. In addition to your payment of the Marketing and Promotions Fund Fee and any expenditures for local advertising and promotion, you must spend at least the Grand Opening Program Expenditure for grand opening advertising and promotional programs for your Success Space’s initial grand opening, pursuant to a grand opening marketing plan which you and we will collaborate and agree upon (the “**Grand Opening Program**”). We reserve the right to require that you pay us the Grand Opening Program Expenditure in advance of your Success Space’s scheduled opening. If we spend additional amounts on advertising as part of the Grand Opening Program, you must reimburse us for our additional costs 15 days after your receipt of notice from us. In addition to the \$15,000 you must spend for the Grand Opening Program, you may spend, at your own cost and expense as much as you deem necessary or appropriate to promote your Success Space’s opening.
4. You will need to obtain the services of an architect approved by Success. The architect must be licensed and experienced in the county and state where your Success Space will be located. The Success Space must conform to our standards and specifications for appearance, layout and design. We will make available to you a copy of our standard construction/build-out materials for the Success Space, but you must prepare plans and specifications for site improvement and construction/build-out of the Success Space based upon the materials we furnish you. We must approve all such plans before you begin construction/build-out of the Success Space.
5. This estimate is based on the estimated cost of constructing/building out the interior finish of an existing building shell. The cost of the improvements will vary depending upon the location of the site, material costs, labor costs, market conditions, and other economic factors. In many cases, the landlord will provide an allowance towards these costs. Additionally, for construction in a “vanilla

shell,” be aware that additional costs for electrical panels and HVAC expansion may not be included in the assumed state of the property. Additional consideration should be made when negotiating with landlords and budgeting construction and buildout costs, and landlord allowances for new construction or “vanilla shells” based on these and other factors. Additionally, the lease you sign may include terms which may result in higher monthly payments, in addition to contributions for taxes, common area maintenance fees, security deposits, and other items.

6. You must purchase certain items of furnishings, fixtures and standard equipment for the Success Space, such as specified foodservice and technology equipment, furniture for the reception and eating areas, wall-hooks, light fixtures, and bathroom items. The amount of furnishings, fixtures and equipment will depend to some extent on the size of your Success Space, which these estimates assume is a 4,500 to 5,500 square foot premises. The total costs of the furnishings, fixtures and equipment will also depend on the vendors’ pricing, circumstances at your location, your distance from vendors, shipping charges, reimbursement of costs to technicians and similar variables, including point-of-sale equipment, ancillary small, all of which you must purchase or lease.
7. You must purchase an electronic point-of-sale computer system (“POS”) as described in the Manuals. You must also install and maintain high-speed Internet access. See Item 11 of this Disclosure Document for more information regarding required POS hardware and software purchases. These estimates include typical installation fees and service fees for three months. These estimates also include the monthly Software License Fee for use of the Success Spaceware for three months.
8. You must purchase a sound system and security system for the Success Space as we describe in the Manuals. We may require you to purchase certain components of the sound system or security system from vendors we designate.
9. We expect that you will lease a premises at and from which you will operate the Success Space. Rental rates will vary based on the Success Space’s location and size. The Success Space must be approximately 5,000 square feet. The square footage of the Success Space may vary depending on the location of the Success Space and the specific space owned or leased by each franchisee. Figures above include the estimated cost of only lease deposits and utility deposits. Because of a number of variables, the costs projected in the chart for the lease deposit and utilities deposits are an estimate only, and your initial investment may be higher or lower. You should investigate all real estate costs thoroughly before signing a lease.
10. You may be required to obtain licenses or certifications to operate your Success Space. Requirements vary by state.
11. 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. We also recommend that you engage the services of a reputable market analysis company to perform a thorough market analysis of your potential market for customers.
12. The opening inventory will largely be for the Café and includes two-weeks of food supplies, small wares, paper goods and sundry items. There are also a variety of inventory items that you will need for operation of the co-working space including, but not limited to brochures, marketing materials and other materials and supplies. We must approve the inventory you offer for sale from the Success Space and we must approve the inventory suppliers.



13. You must carry insurance for the types of coverages and in the amounts that we specify in the Franchise Agreement and the Manuals. The amount listed above represents our best estimate of the premiums required for liability, casualty and worker's compensation insurance during a Success Space's first year of operation. Insurance costs vary in different locations. If you have employees, you will incur expenses for workers' compensation insurance.
14. The amounts listed above represent an estimate of your operating expenses for the initial three months of business.
15. You should review the amounts listed above carefully with a business advisor before making any decision to enter into the Franchise Agreement. We do not offer any financing directly or indirectly for any part of the initial investment.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### General

To ensure that the highest degree of quality and service is maintained, you must operate the Success Space in conformity with the methods, standards, and specifications as we may periodically prescribe in the Manuals or otherwise in writing. You must not deviate from our standards and specifications, unless you have received our prior written consent.

### Operations

You must establish and operate your Success Space in compliance with your Franchise Agreement and the Manuals we loan to you, which we may modify occasionally, in our discretion.

### Products and Services

At all times during the term of the Franchise Agreement, you must:

1. maintain in sufficient supply, and use and/or sell at all times only the products, materials, supplies, and services we have approved, and that have been supplied to you by vendors approved by us, as set forth in the Manuals or otherwise in writing;
2. offer for sale only those products and services for which we have given our written approval;
3. sell or offer for sale all of the services and products that we require; and
4. stop selling and offering for sale any services or products that we have later disapproved.

You must purchase the services and products we designate and purchase them only from approved suppliers. We will provide you with a list of approved suppliers, which we may update from time to time. If you want to buy any unapproved services or products, or purchase approved services or products from an unapproved supplier, you first must submit to us a written request for our approval. You may not purchase unapproved services or products or purchase from an unapproved supplier until we have given our approval in writing. We expect to provide you with approval or disapproval within 30 days after our receipt of your request and all requested samples and information. We also may require that the proposed new service, product or supplier comply with other requirements that we may deem appropriate, including, for example, payment of reasonable continuing inspection fees and administrative costs or reimbursement of our actual costs associated with the investigation of the service(s), product(s), or suppliers(s). Currently,

we do not charge you any fees in connection with securing supplier approval, but we may charge you or the supplier our reasonable cost of inspection and testing. We may approve or disapprove of the suppliers who may be permitted to sell products to you at our option and we may modify our list of approved services and products and suppliers. We have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor or supplier for any particular good or service, and we may designate us or an affiliate as the only, or one of a limited number of, suppliers for any goods or services.

You must purchase from suppliers that we approve or designate (1) fixtures, furniture, furnishings, equipment, computer software and audio-visual systems, interior and exterior signage, graphics, décor, general contractor services, architect services, audio-visual installation services, and music and music video services; (2) food products for the Café; (3) all fountain and bottled beverages; (4) advertising, point-of-purchase materials, and other printed promotional materials; (5) stationery, contracts, and forms; (6) bags, packaging, and supplies bearing our Marks; (7) insurance; and (8) all other products and/or services as we require. In addition to approved suppliers, we may require you to buy your requirements of food, beverages and supplies for the Café from affiliated or third-party distributors. Information concerning approved and designated suppliers will be communicated to you via the Manuals. Some suppliers may require you to enter into a separate agreement with them.

You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our minimum standards and specifications. If we provide standards and specifications for an item or service, the standards and specifications will be set forth in the Manuals, and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We may modify these standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

You must license and use Success Spaceware, our proprietary franchise management software, to track all incoming inquiries for use of the Success Space. We are currently the designated supplier of the Success Spaceware and you must sign our form of software license agreement to use the Success Spaceware (“**Software License Agreement**”). The Software License Agreement is attached to this Disclosure Document as [Exhibit I](#). Success Spaceware integrates other software we require for your Success Space including our membership tracking software, a learning management system, a point-of-sale system, payment processing and QuickBooks Online. You must purchase the point-of-sale system, software, and equipment that we approve for the Café. The point-of-sale system must be compatible with our data collection software. We will provide you with a list of our approved point-of sale systems and related equipment. Item 11 of this Disclosure Document provides more detailed information about our computer hardware and software requirements.

In addition, we may require you to purchase/license and utilize any upgrades, additions, enhancements or replacements of the hardware or software, some of which may be developed and licensed by or on behalf of us or an affiliate, or otherwise required by us at such cost as we or our approved vendors make such upgrades, additions, enhancements, and replacements available to franchisees (See Items 6 and 11). You may use standard, off the shelf general business applications software such as Microsoft Office obtained from an authorized reseller for use in the Success Space.

EXP Commercial is our designated supplier for real estate consulting services that you must use to help you to identify potential sites for your Success Space and to negotiate the terms of your lease for the Success Space.

Our founder and Chairman, Glenn Sanford, is the owner of EXP Commercial. Except as described above, neither we nor any of our affiliates are currently an approved supplier of any other product or service.

### Purchase and Pricing Arrangements

Although we do not currently do so, we may, at our option, negotiate purchase and pricing arrangements with suppliers for the benefit of us and/or our franchisees. We do not provide any special benefits to franchisees based upon their use of these suppliers.

### Revenue or Rebates

We and our affiliates may earn revenue or rebates from your purchase of required services or products. We were formed in 2021 and did not enter into any Franchise Agreements in 2020. As a result, we had no revenue last year and received no revenue from required purchases by franchisees. In addition, no parent or affiliate received any payments from franchisees as a result of any required purchases or leases covered by this Item 8.

### Computer System, Software and Other Technology

You must purchase or lease a Computer System that meets our specifications, which are further detailed in Item 11, including any required software indicated in this Item 8. We may require you to purchase/license additional hardware and software meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf. We may also require you to enter into software license agreements with vendors or us for the license and use of certain software. Currently we require you to use QuickBooks for accounting.

### Marketing and Promotions

All advertising, marketing and promotion of your Success Space must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials which have not been prepared or previously approved by us. See Item 11. Your Success Space must participate in promotions and public relations campaigns (for example, loyalty programs or contributions to charitable events) we institute from time to time. We may require that you purchase advertising through the media buyers or advertising companies we designate from time to time in an amount not to exceed the Marketing and Promotions Contribution.

### Internal Website and Communications

We may establish an internal website and make it available to Success franchisees. The website may offer a variety of functionalities. For instance, if established, the internal website may allow you and other franchisees to send e-mail to the corporate staff, post and respond to questions, view other responses in question and answer forums, view and print news items, download files and software updates, update and order business forms, order products you will use in the operation of your Success Space, and access training courses and materials for you and your employees.

### Insurance

You must obtain and maintain the insurance coverages and policies that we prescribe in the Franchise Agreement and/or our Manuals. Each insurance policy must be issued by an issuer we approve, who must have an A.M. Best Rating of not less than A-VII. We may require that these policies name us as an additional insured and contain a waiver of subrogation in our favor. The policies must provide us with written statutory cancellation notice and non-renewal. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You

must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require from time to time.

#### Payment Processing

You must comply with the payment processing procedures that we establish from time to time. You must accept credit cards to facilitate sales and the collection of membership fees and dues. Credit cards accepted include Visa, MasterCard, Discover, and American Express.

#### Material Benefit

We do not currently provide any material benefits to you (such as preferential renewal rights or granting additional franchises) based on your use of designated or approved suppliers except as stated herein. We reserve the right not to grant franchises or confer other benefits to any franchisee, for any reason or no reason, which may include the failure to follow and support our System, including its recommended or required purchase of particular products or services or use of particular suppliers.

#### Cooperatives

Currently, there are no purchasing or distribution cooperatives in the System. We may establish strategic alliances, national account programs, or preferred vendor programs, purchasing programs, buying groups, or purchasing cooperatives. If we do, we may make such programs available to you and/or may require you to participate in such programs.

#### Percentage of Total Purchases Represented by Required Purchases

We estimate that the cost of required purchases or leases you must make from approved suppliers or in accordance with our specifications will represent approximately 90% to 100% of the total cost of establishing your Success Space and approximately 90% to 100% of the total cost of operating your Success Space after that time.

### **ITEM 9 FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement (FA)</b>	<b>Item(s) in Disclosure Document</b>
a. Location selection and acquisition/lease	FA – 1.1, 1.2 and Exhibit B – Site Selection Addendum	7 and 11
b. Pre-opening purchases/leases	FA – 5.1	7, 8 and 11
c. Location development and other pre-opening requirements	FA – 5.1 – 5.3	5, 6, 7, 8 and 11
d. Initial and ongoing training	FA – 5.4	7 and 11
e. Opening	FA – 5.3	7 and 11
f. Fees	FA – 3	5, 6 and 7
g. Compliance with standards, policies and manuals	FA – 5	8 and 11

<b>Obligation</b>	<b>Section in Franchise Agreement (FA)</b>	<b>Item(s) in Disclosure Document</b>
h. Trademarks and proprietary information	FA – 9 and 10	13 and 14
i. Restrictions on products and services offered	FA – 5.11 and 5.12	16
j. Warranty and customer service requirements	FA – 5.24	Not Applicable
k. Territorial development and sales quotas	FA – 1 and Exhibit B – Site Selection Addendum	12
l. Ongoing product and service purchases	FA – 4, 5.12 and 5.14	8
m. Maintenance, appearance and remodeling requirements	FA – 5.8 – 5.11	11
n. Insurance	FA – 11	6, 7 and 8
o. Advertising	FA – 6 and 8	5, 6, 7 and 11
p. Indemnification	FA – 16	6
q. Owner’s participation, management and staffing	FA – 5.6 and 5.25	11 and 15
r. Records and reports	FA – 7	Not Applicable
s. Inspections and audits	FA – 5.13 and 7.4	6
t. Transfers	FA – 12	6 and 17
u. Renewal	FA – 2	6, 11 and 17
v. Post-termination obligations	FA – 14	17
w. Non-competition covenants	FA – 10	17
x. Dispute resolution	FA – 17	17
y. Other: Guaranty	FA – 5.26 and 12.5, Ex. E to FA	1, 15

**ITEM 10  
FINANCING**

Neither we nor any of our affiliates currently offer, directly or indirectly, any financing arrangements to our franchisees. We do not guarantee your notes, leases or other obligations.

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

**Except as listed below, we need not provide any assistance to you.**

**Pre-opening Obligations**

Before you open your business, we will provide the following assistance:

1. Provide a copy of the standard construction/build-out package, including plans and specifications, site criteria, and sample site plans. We will also provide you a copy of our specifications for the furniture, fixtures, furnishings, equipment, signs and all other property that we may specify for use in the Success Space. You must adapt those plans and specifications, at your expense, for use at the location selected by you. (Franchise Agreement, Section 4.1)

2. Provide pre-opening training in the Success System, including standards, methods, procedures and techniques, at the times and places we designate for our training programs, together with any additional training and assistance we determine necessary in connection with the opening of your Success Space, including assistance by our personnel. (Franchise Agreement, Section 4.2). A description of that training appears later in this item.
3. Provide you pre-opening assistance, including assisting you to formulate your initial opening orders for equipment, inventory and supplies. (Franchise Agreement, Section 4.3).
4. Loan to you or otherwise provide you access to our Manuals which we may revise from time to time. (Franchise Agreement, Section 4.4).
5. Provide you with advertising assistance, sales advice, or related materials as we deem advisable and as we may develop from time to time. (Franchise Agreement, Section 4.5).
6. Provide you with periodic individual or group advice, consultation and assistance, by personal visit, telephone, mail or e-mail as we may deem advisable. (Franchise Agreement, Section 4.7).
7. Provide you with bulletins, brochures and reports that we may publish from time to time. (Franchise Agreement, Section 4.8).
8. We have the right to specify or require certain brands, types, makes, and/or models of communications, computer systems, and hardware for use in the Success Space. (Franchise Agreement, Section 4.9).

### **Post-opening Obligations**

During the operation of your Success Space, we will provide the following assistance:

1. We will provide you with ongoing training. We will make training available to all of your future management employees during the term of the Franchise Agreement. (Franchise Agreement, Section 4.2)
2. Loan you a copy of our Manuals and training aids as revised from time to time. (Franchise Agreement, Section 4.4)
3. Provide merchandising, marketing and other data and advice we periodically develop. (Franchise Agreement, Section 4.5). An explanation of the advertising program appears in more detail later in this item.
4. Provide periodic individual or group advice, consultation and assistance, rendered by personal visit, telephone or bulletins made available as we deem necessary. (Franchise Agreement, Section 4.6)
5. Provide bulletins, brochures and reports we periodically publish regarding our plans, policies, research, developments, and activities. (Franchise Agreement, Section 4.8)
6. Provide other resources and assistance we may develop in the future. (Franchise Agreement, Section 4)

### **Location Selection and Opening**

We grant each Success Space for a specific location. You will select the proposed location for your Success Space. You must submit the proposed location to us for our acceptance, together with all information we

request relating to the location. Although we are under no obligation to conduct an on-site visit, we may do so. We will send you written acceptance or rejection of the location within 30 days after our receipt of all relevant information. If we do not receive all relevant information within 30 days after your initial submission of the location for our acceptance, the location will be deemed rejected. Your failure to submit an acceptable location in a timely fashion may result in the termination of the Franchise Agreement.

The review process largely depends on the time it takes you to submit a site selection package. It is expected to take 30 days, but may take longer in certain instances. The factors that we consider in approving your location include the property's location, the general character and population density of the neighborhood, demographic characteristics, traffic patterns, lot size and configuration, parking accommodations and ratios established by local zoning ordinances, competition from other businesses and access and visibility of the property from adjoining roads or highways.

You will lease or acquire a site for the Success Space, subject to our written consent in accordance with the Site Selection Addendum attached as Exhibit B to the Franchise Agreement. Our acceptance of a site does not constitute any representation, warranty or guarantee that the site will succeed as a Success Space.

The typical length of time from the signing of a Franchise Agreement to the commencement of operations by a franchisee is expected to be 60 to 180 days. Factors affecting the length of time before opening are expected to include obtaining financing, the time for obtaining permits, construction time for the building and related improvements, local ordinance compliance, and delivery and installation of furniture, fixtures, equipment and signs. The Franchise Agreement requires that you open your Success Space for business to the public within 6 months after the date you sign the Franchise Agreement. If you have not obtained a location for the Success Space at the time you sign the Franchise Agreement, you must open the Success Space within 6 months after the later of our approval of the location for the Success Space, or your access to the leased premises as permitted by your landlord under the lease. Your failure to open will constitute an event of default under the Franchise Agreement, for which we may terminate your franchise.

### Advertising and Promotion

The Marketing and Promotions Fund. We may establish the Marketing and Promotions Fund that is maintained and administered by us or by our designee as follows:

1. We or a designee will have the right to direct all advertising programs, as well as all aspects of the advertising program, including the concept, materials, and media used in the programs and the placement and allocation of the programs. The Marketing and Promotions Fund is intended to maximize general public recognition, acceptance, and use of the System; and we and our designee are not obligated, in administering the Marketing and Promotions Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing and Promotions Fund, or to expend any particular amount of money in any franchisee's Designated Marketing Area.
2. The Marketing and Promotions Fund, and all contributions to and earnings from the Marketing and Promotions Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail advertising, marketing surveys and other public relations activities; product development and market testing; brand research and development; developing and hosting marketing, brand enhancement, and customer engagement seminars for franchisees; employing advertising and/or public relations agencies; developing new or modified trade dress and marks;

point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more Websites devoted to the System, the Proprietary Marks and/or the “**Success**” brand; providing promotional and other marketing materials and services to the Success Spaces operated under the System; and the salaries of our employees to the extent such employees provide services in conjunction with System marketing activities. The Marketing and Promotions Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we will have the right to determine, that we believe will promote general public awareness and favorable support for the System. We will have the sole right to decide how the Marketing and Promotions Fund creates, places, and pays for marketing. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.

3. You must contribute to the Marketing and Promotions Fund in the manner we specify, which will typically be by EFT, by the 10<sup>th</sup> day of each month. All sums you pay to the Marketing and Promotions Fund will be maintained in an account separate from our other monies.
4. We will have the right to charge the Marketing and Promotions Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Marketing and Promotions Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs, and accounting services reasonably related to the operation and functions of the Marketing and Promotions Fund). The Marketing and Promotions Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Marketing and Promotions Fund.
5. The Marketing and Promotions Fund will not be used for our ordinary operating expenses, and it is not a trust. We do not assume any fiduciary obligation to you or any other franchisee for maintaining, directing, or administering the Marketing and Promotions Fund or for any other reason. The Marketing and Promotions Fund may be audited at our option, but we have no obligation to conduct an audit.
6. Although the Marketing and Promotions Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing and Promotions Fund. The Marketing and Promotions Fund will not be terminated, however, until all monies in the Marketing and Promotions Fund have been spent for marketing or promotional purposes. We may spend less or more than the aggregate contributions from franchisees to the Marketing and Promotions Fund in any given year, and we may “roll over” any surplus funds from year to year.

If a Marketing and Promotions Fund is established, Success Spaces owned by us or our affiliates will contribute to the Marketing and Promotions Fund at the same rate as franchisees.

Although the Marketing and Promotions Fund is not yet operational, we do not expect that any portion of the Marketing and Promotions Fund will be used for marketing that is principally a solicitation for the sale of franchises.



We may establish a marketing and promotions council (“**Marketing and Promotions Council**”) in the future, but do not currently have an advertising council. We have the right to form, change, dissolve, or merge any advertising council.

### Grand Opening Program and Initial Marketing

In addition to your payment of the Marketing and Promotions Fund Fee and any expenditures for local advertising and promotion, you must spend at least the Grand Opening Program Expenditure for the Grand Opening Program. If we require that you pay the Grand Opening Program Expenditure to us, we will use the Grand Opening Program Expenditure to develop and implement the Grand Opening Program for your Success Space. The Grand Opening Program may start prior to opening your Success Space and must be completed within 60 days after the Franchised Business commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs 15 days after your receipt of notice from us. In addition to the Grand Opening Expenditure, you may spend as much as you deem necessary or appropriate to promote your Success Space’s opening.

### Local Marketing Cooperative.

We will have the right, in our discretion, to establish a Local Marketing Cooperative for the geographic area in which the Success Space is located (“**Local Marketing Cooperative**”). We also have the right to change, dissolve, or merge any Local Marketing Cooperative. The purpose of the Local Marketing Cooperative is to conduct marketing campaigns for the Success Spaces located in that geographic area.

If a Local Marketing Cooperative for your area is established before you begin to operate the Success Space, then when you open the Success Space, you must immediately join that Local Marketing Cooperative. If a Local Marketing Cooperative for your area is established after you begin to operate the Success Space, then you must join the new Local Marketing Cooperative within 30 days after the Local Marketing Cooperative commences operations. You will not be required to be a member of more than one Local Marketing Cooperative for your Success Space. The following provisions will apply to each Local Marketing Cooperative (if and when organized):

1. Local Marketing Cooperatives will be established, organized, and governed in the form and manner that we have approved in advance. Unless we specify otherwise, the activities carried on by each Local Marketing Cooperative will be decided by a majority vote of its members. Each Success Space “unit” will be entitled to cast 1 vote.
2. Local Marketing Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.
3. Local Marketing Cooperatives may not use marketing, promotional plans, or materials without our prior written approval, as described below.
4. You must submit your required contribution to the Local Marketing Cooperative at the same time as payments are required for royalties and the Advertising Contribution, together with the statements and reports that may be required by us or by the Local Marketing Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Local Marketing Cooperative directly to us and we will distribute the money and reports to the Local Marketing Cooperative. If we incur administrative expenses in support of the Local

Marketing Cooperative, these expenses may be paid to us from the funds of the Local Marketing Cooperative or from a portion of the Advertising Contribution that would be allocated to the Local Marketing Cooperative. As noted above, we may specify that a portion of your Advertising Contribution will be paid or allocated to the Local Marketing Cooperative. The specific amount of your contribution to the Local Marketing Cooperative, however, will be determined solely by the Local Marketing Cooperative. If you are required to contribute to a Local Marketing Cooperative, these contributions will be credited toward your required expenditures for local advertising and promotion, as described below.

5. Although, if established, a Local Marketing Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Local Marketing Cooperative. A Local Marketing Cooperative will not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for marketing or promotional purposes.

Currently, we have not formed any Local Marketing Cooperatives. If a Local Marketing Cooperative is established, Success Spaces owned by us or our affiliates will contribute to the Local Marketing Cooperative at the same rate as franchisees.

Local Advertising. You are required to spend 7% of the preceding month's Gross Sales ("**Local Advertising Amount**") on local advertising and promotion ("**Local Advertising**"). We have the right to modify the Local Advertising Amount after providing with you at least 30 days' notice. The Local Advertising Amount will not exceed the greater of 10% of Gross Sales or \$10,000 per month. All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You must comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Marketing Area, outside of the Designated Marketing Area, and in areas that may be territories assigned to other Success Spaces or franchisees (including, for example, rules regarding honoring of gift certificates and promotions). You may not use any marketing or promotional plans (either in connection with local advertising and promotion, or any Local Marketing Cooperative) that we have not approved in writing. You must submit to us samples of all proposed plans and materials before you use the materials. If we have not approved the materials within 14 days of our receipt, then the marketing and promotional materials will be deemed approved.

As used in the Franchise Agreement, the term Local Advertising refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), media (space or time), and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your Designated Marketing Area. Local advertising and promotion also includes associated marketing agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local advertising and social engagement does not, however, include any of the following:

- (a) salaries, incentives or discounts offered to your employees, and your employees expenses, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to your employees, including discount coupons;
- (b) charitable, political, or other contributions or donations, whether in cash or services unless otherwise approved;
- (c) the value of discounts given to consumers; and
- (d) any other costs, expenses, credits or other items that have not been approved by us in writing.

### Approval of Advertising Material

For all proposed advertising, marketing, and promotional plans, you must follow and comply with our policies, procedures, guidelines and standards as set out in the Manuals or otherwise in writing, which may be modified from time to time. Currently, you must submit samples of such plans and materials to us for our review and prior written approval (except with respect to prices to be charged by you) at least 30 days prior to use. If written approval is not received by you from us within 15 days of the date of receipt by us of such samples or materials, we are deemed to have approved them. All advertising and promotional materials developed by or on your behalf, and any copyrights thereto, will be our sole property, and you must execute such documents (and, if necessary, require your independent contractors to execute such documents) as we may deem reasonably necessary memorialize our ownership of these materials.

### Computer System

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware be used by, between, or among Success Spaces and us (defined below) including: (a) back office and point of sale (“**POS**”) systems, data, audio, video, and voice storage, retrieval, and transmission systems; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the “**Computer System**”). The Computer System may be used only for the Success Space. You must record all sales, bookings and member information in the Computer System, and in such manner as we may designate.

Currently, the Computer System includes a desktop computer (you may use a Windows or Apple based computer), one or more tablets, and high-speed business class Internet service. You must use a computer with adequate memory, speed and storage to run the proprietary software we may develop from time to time. We estimate this will cost between \$2,000 and \$3,000, although the cost of these systems may increase. We will provide you with our other specifications for computer hardware and operating systems in our Manuals. You may acquire your computer hardware from any source. We may also require that you use our intranet Website.

You must use the POS software and membership portal that we designate and approve. Currently we require you to use QuickBooks for accounting and our Success Spaceware branded software described in Item 8.

The total cost to purchase the Computer System hardware and software, will range from \$3,000 and \$6,000, for hardware and \$2,000 and \$3,000, per month for software, including the Success Spaceware.

You must pay for all maintenance of your Computer System at your own expense. We do not guarantee, warrant, maintain or support any computer hardware in any manner. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services. Our computer hardware and software requirements will periodically change and you will be required to update your computer hardware and software periodically. We will advise you in writing of any required upgrades.

We have the right to remotely access your computer to consult with you on problems you may be experiencing as well as download information to update your software. The contractual limits on required upgrades are described below.

## Remodeling and Upgrades

In addition to your obligation to maintain the Success Space, no more than once every five years you must remodel and upgrade the Success Space as we require in the Manuals or otherwise in writing (collectively, “**Success Space Remodeling**”). You must also make, from time to time, the upgrades and other changes to the Computer System and related equipment as we may request in writing (collectively, “**Equipment Upgrades**”). We have the right to require any Equipment Upgrades we deem necessary for your Success Space. Other than as stated in this paragraph or described in the Franchise Agreement, there are no other limitations on our ability to require you to upgrade the Success Space.

## Success Brand Standards Manual

We will provide you with a copy of our Manual. The Manual contains mandatory and suggested specifications, standards, operating procedures, programs and rules we prescribe periodically, as well as information relative to your obligations under the Franchise Agreement and the operation of your Success Space. The table of contents for our Manual is attached to this Disclosure Document as Exhibit G. The Manual contains 147 pages.

## Initial Training Program

You or your Principal Owner (if you are a business entity), your Designated Manager and your Business Coach must complete our initial training program to our satisfaction and pay the Training Fee of \$5,000. We may permit additional individuals to attend initial training for a fee, at our option. If your Principal Owner, Designated Manager or Business Coach fails to successfully complete our initial training program to our satisfaction during his or her first attempt, the same Principal Owner, Designated Manager or Business Coach will attend the initial training program for a second time, or a replacement Principal Owner, Designated Manager or Business Coach acceptable to us, will attend the initial training program. You must pay to us the then-current Initial Training Fee for us to conduct initial training a second time. If the original or the replacement Principal Owner, Designated Manager, or Business Coach as applicable, fails to successfully complete the initial training program to our satisfaction, we may terminate the Franchise Agreement. All individuals who have completed the initial training program are your “**Principal Trainees**,” and any replacement Principal Trainees must also complete our initial training program for our then-current initial training fee.

The following chart summarizes the subjects taught during the training:

### TRAINING PROGRAM

Subject	Hours of Pre-Training	Hours of Classroom Training	Hours of On-the-Job Training	Location
<b>Introduction /Orientation</b>	1	1	0	Virtual
<b>History/Philosophy of Success</b>	1	1	0	Virtual
<b>Industry Breakdown</b>	1	1	0	Our training facility in Orlando, Florida

<b>Subject</b>	<b>Hours of Pre-Training</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
				(Training Center) & Virtual
<b>Strategy / Goal Setting</b>	1	1	0	Our Training Center
<b>Policies &amp; Procedures</b>	1	1	1	Our Training Center & Virtual
<b>Operations</b>	4	2	4	Our Training Center & Virtual
<b>Financial Management</b>	1	1	2	Our Training Center & Virtual
<b>Technology</b>	4	2	4	Our Training Center
<b>Marketing</b>	1	1	4	Our Training Center & Virtual
<b>Vendors / Suppliers</b>	1	1	1	Our Training Center
<b>Customer Service</b>	1	1	3	Our Training Center & Virtual
<b>Grand Opening</b>	1	1	3	Our Training Center
<b>Support</b>	1	1	1	Our Training Center
<b>Emergency Procedures</b>	1	1	1	Our Training Center
<b>TOTAL</b>	<b>20</b>	<b>16</b>	<b>24</b>	

Our training programs are overseen by Dr. Rocco Rinaldi, who has 15 years of experience in franchise training, operations and support. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other written materials that will be provided. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees and other factors.

Except for the Training Fee, you are not responsible for our expenses to provide you with the training, including any travel, transportation, food or lodging costs. You are solely responsible for all travel, meal, lodging, and payroll expenses associated with sending attendees to our training programs and the convention.

## Convention

The Principal Owner and other individuals we designate may be required to attend annual conferences. We may require you to pay a registration fee to attend the convention. You will also be responsible for your and your additional attendees' costs and expenses to attend the convention, including transportation, meals and lodging. The convention will be hosted at a location we designate, which typically will be in the United States.

## **ITEM 12 TERRITORY**

Except as described below, we will grant you a Designated Marketing Area with certain non-exclusive rights as described in Exhibit A of the Franchise Agreement. You may not operate the Success Space from any location other than the Approved Location, and you may not relocate the Success Space without our prior written approval.

The Designated Marketing Area is determined based on several factors including the population, demographic analysis, the number of: (1) potential home-based workers, (2) new business start-ups and (3) retail businesses in the area. We may identify the Designated Marketing Area by contiguous zip codes, street boundaries, city boundaries or county boundaries.

The continuation of your rights to the Designated Marketing Area under the Franchise Agreement do not depend on the achievement of a certain sales volume, market penetration, or any other contingency.

We do not restrict you from accepting customers from outside your Designated Marketing Area, however, we have the right to approve all advertising and marketing media and materials you wish to use. No restrictions exist that prevent us or other franchisees from accepting customers from inside your Designated Marketing Area in the same manner. We reserve the right to require you to participate in a System membership program in which a customer of any Success Space may visit and enjoy privileges at all Success Spaces including your Success Space and we may eliminate or modify the membership program at any time.

We will not establish company-owned or franchised Success Spaces at physical premises in the Designated Marketing Area during the term of the Franchise Agreement, except as described below.

Under the Franchise Agreement, we retain the following rights:

1. The right to advertise and promote the System within and outside of the Designated Marketing Area;
2. The right to operate and authorize others to operate Success Spaces within the Designated Marketing Area at or from through "**Limited Access Locations**," which include Success Spaces (whether mobile or fixed, permanent or temporary) located in private businesses, governmental institutions, or other limited access facilities within your Designated Marketing Area and to use the System in connection with those Limited Access Locations. If these Success Spaces operate under the Marks, access to those Success Spaces will be primarily limited to owners, employees, members, transient guests, students, or residents of such businesses, institutions, or facilities. Limited Access Locations also include (i) hotels, motels, resorts, casinos, or similar operations, (ii) hospitals and other health care facilities, (iii) universities, schools, and education facilities, (iv) military bases, (v) office buildings and business complexes, (vi) condominiums, apartment buildings, and dormitories, (vii) private clubs, and (viii) other similar facilities that are not accessible to the general public;

3. The right to offer and sell any products or services (including those offered by the Success Space), under any marks (including the Marks) outside of the Designated Marketing Area, and through any means (including through a Success Space);
4. The right to establish, operate and license others to establish and operate any businesses other than Success Spaces within and outside of the Designated Marketing Area;
5. The right to develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Marks, and or offer or sell franchises under such concepts for locations within and outside of the Designated Marketing Area;
6. The right to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Marketing Area; (i) convert the other businesses to Success Spaces, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Success Spaces to such other name; and
7. The right to engage in any other activity, action or undertaking that we or our affiliates are not expressly prohibited from taking under the Franchise Agreement.

If you can demonstrate to our satisfaction, within 30 days of your receipt of such notification, that you have the ability to enter into an agreement under the same terms and conditions offered to us, the other franchisee, or the third party as well as the financial and operational resources available for the development of the Success Space at the specific Limited Access Location, then we will offer the opportunity to you under the same terms and conditions offered to us, the other franchisee, or the third party.

Under our Founders' Club Program, for our first 10 franchisees who sign one or more additional Franchise Agreements within the Incentive Period, we will grant the franchisee a right of first refusal to establish additional Success Spaces in the Designated Marketing Area for 60 months after the franchisee has signed the second Franchise Agreement. We may change or discontinue the Founders' Club Program at any time.

We may, at our option, enter into agreements to provide or accept services for a client, group of clients, or an organization or entity that has the right to arrange for Success Services and Products to be provided at multiple locations and/or for multiple clients on a local, regional or national basis ("**National Accounts**"). National accounts may be corporate, government or other entities or other businesses. The locations of some National Accounts clients may be within and/or outside the Designated Marketing Area. National Accounts may lead to high volume and, in some situations, discounted pricing. In order to fully develop our brand, you will be required to service National Accounts at the pricing established by us. In negotiating pricing schedules on National Accounts, we will negotiate on behalf of all of the franchisees. We will provide the terms of any National Accounts programs in the Manuals and we may eliminate and/or modify a National Accounts program at any time. Your failure to service National Accounts when requested to do so is a breach of the Franchise Agreement.

We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Marketing, under the Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, or make sales outside of the Designated Marketing Area, except as otherwise described in the Franchise Agreement.

We and our affiliates do not operate, franchise or plan to operate or franchise any business under a different trademark that sells or will sell services or products similar to those offered by Success Spaces.

As explained above, the territorial protection is limited. Therefore, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

### ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to operate a Success Space under the Marks, “**SUCCESS**” and “**SUCCESS Space**” and to use any future Marks we authorize.

Our affiliate, Success Enterprises, owns and has registered, or has applied to register the following Marks on the principal register of the United States Patent and Trademark Office (“**USPTO**”).

Mark	Registration or Application Number	Registration or Application Date
SUCCESS	3472209	July 22, 2008 (Registered)
SUCCESS Space	90610525	March 29, 2021 (Pending)
SUCCESS.Space	90610526	March 29, 2021 (Pending)
SUCCESS Achievers Community	90610517	March 29, 2021 (Pending)
SUCCESS Achievers	90610520	March 29, 2021 (Pending)

With respect to the registered Mark, all required affidavits have been filed.

Success Enterprises claims common law rights to the pending Marks and intends to file declarations of use, declarations of incontestability, and renewals, when due, for the Marks. As to the pending Marks, we do not have a federal registration at this time. Therefore, our pending Marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the pending Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There is no presently effective determination of the USPTO, the trademark administrator of any state, or any court, and no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks. Except as described below, there are no agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise.

Success Enterprises has licensed to us the right to use the Marks and the System, and to sublicense the use of the Marks and the System to operate Success Spaces under a trademark and system license agreement (the “**Trademark License Agreement**”) effective as of April 16, 2021. The Trademark License Agreement has a 99-year term. Success may terminate the Trademark License Agreement by written notice to us if we: (1) breach the Trademark License Agreement and fail to cure the breach; (2) become insolvent or subject to bankruptcy or insolvency proceedings; (3) challenge the validity of, or Success Enterprises’ ownership of, the Marks, or (4) have a change in our control. If the Trademark License Agreement is terminated, any then-existing Franchise Agreements will continue for the duration of their terms, provided that the Franchisees comply with all other terms of their Franchise Agreements.

You cannot use the Marks as part of a corporate, limited liability company, or partnership name or with modifying words, designs or symbols. You may not use the Marks in connection with the sale of any



unauthorized products or services or in any manner not authorized by us. You must operate the Success Space only as “**Success Space**” and you may not use any other name in connection with the operation of the Success Space.

For all proposed advertising, marketing, and promotional plans, you must follow and comply with our policies, procedures, guidelines and standards as set out in the Manuals or otherwise in writing, which may be modified from time to time.

You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

If we undertake the defense or prosecution of any litigation concerning the Marks, you must sign any documents and agree to do the things as may, in our counsel’s opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out of pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, then you will have to reimburse us for the cost of the litigation, including attorneys’ fees, as well as the cost of any judgment or settlement. We are not contractually obligated to indemnify you against, or reimburse you for, any damages that you suffer in any proceeding arising out of the use of any name or Mark or for any costs incurred by you in the defense of any of those claims except if the claim on which the judgment or settlement is made relates solely to the validity or ownership of the Mark.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will have no obligation or liability to you to bear the costs of modifying your signs and advertising materials to conform to our new Marks as a result of this substitution. We also have the right at any time to modify, discontinue, add to, or substitute the Marks that you are licensed to use under the Franchise Agreement.

We may grant other licenses for the Marks, in addition to those granted to you. We can use the Marks to sell products and services. We also can develop and establish other systems using the same or similar Marks or other marks, and we can grant rights to others to use them without extending them to you for your use.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We hold no patents material to the Success franchise.

Our affiliate, Success Enterprises, claims copyright protection in our Manuals and related materials, although neither we nor Success Enterprises have registered those copyrights with the United State Copyright Office. We consider the Manuals and related materials confidential, proprietary and our affiliate’s property. You may use them only in the operation of your Success Space as provided in the Franchise Agreement. You may not use our and our affiliate’s confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Franchise Agreement remains in effect.

Neither the United States Copyright Office nor any court has made any currently-effective determinations

regarding any of our copyrighted materials. We have no agreements in effect that significantly limit our right to use or license the use of our copyrighted materials. Finally, we know of no infringing uses that could materially affect your use of our copyrighted materials in any state. We have no obligation to protect or defend our copyrights or confidential information, although we intend to do so when in the best interest of our system.

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

Unless we consent in writing, we require you, your Designated Manager, or the designated Principal Owner to participate personally in the direct operation of the franchise. You, your designated Principal Owner, your Designated Manager and one Business Coach must attend and satisfactorily complete the initial training program conducted by us as described in Item 11. We may permit additional individuals to attend some or all of the initial training program, at our option, and we may require that you pay an additional fee for such additional attendees. Your designated Principal Owner will control and be solely responsible for the day-to-day operation of the Success Space and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees. The Principal Owner must have at least a 20% equity ownership in you. If you have a Designated Manager, your Designated Manager will be responsible for the direct oversight and management of the day-to-day operations and personnel. You must hire and directly employ a full-time Success Business Coach to provide coaching services from your Success Space. The Designated Manager and the Principal Owner may be the same person, if he/she is qualified to perform both roles and duties, and is approved by us. We must approve your Designated Manager and any replacement Designated Managers. To ensure a consistent brand experience, we require that the Designated Manager have at least three years of experience business as a manager of a retail business.

All functions of the Success Space must be provided by you or your employees, except as we designate or prescribe in the Manuals. As a legal entity, we will require all of your owners to execute the personal guaranty of your obligations attached to the Franchise Agreement.

The Principal Owner, Designated Manager and Business Coach must sign a Non-Disclosure and Non-Competition Agreement, the form of which is attached to the Franchise Agreement as Exhibit F. All of your employees and other agents or representatives who may have access to our confidential information must sign a confidentiality agreement (unless they have already signed a Non-Disclosure and Non-Competition Agreement), in a form that we provide. If you are a legal entity, each owner (each person holding an ownership interest in you) and their spouse, if applicable, must sign a Guaranty, Indemnification, and Acknowledgment Agreement guarantying the obligations of the legal entity, the form of which is attached to the Franchise Agreement as Exhibit E.

### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must provide only and all of the Success Services and Products and/or other services or products that we approve. You may not perform any service or offer for sale any products that we have not authorized in writing. See Items 8 and 9, above. We have the right to change the types of authorized products and services, without limitation.

We may require you to participate in a System membership program in which a member of any Success Space may visit and enjoy privileges at all Success Spaces, including your Success Space. The terms for such membership program, including any Franchisee reimbursement and/or compensation requirements will be designated or prescribed by us in the Manuals. We may eliminate and/or modify the membership

program at any time. You must ensure that every form of membership agreement that you use complies with the System and applicable laws. You must send to us copies of all forms of membership agreements you intend to use for our review. You may not use (and must discontinue use of) any forms of membership agreements that we do not approve.

You must keep your Success Space open and in normal operation for such hours and days as we may from time to time specify in the Manuals or as we may otherwise approve in writing

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption or use of new or different services, products or equipment for Success Spaces; development of new techniques and methods for the promotion and sale of services and products; and the use of new marks or copyrights. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your expense. There are no limits on our right to make changes.

## ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists certain important provisions of the Franchise Agreement pertaining to renewals, terminations, transfers and dispute resolutions. You should read those provisions in the Franchise Agreement attached as Exhibit C to this Disclosure Document.

### THE FRANCHISE RELATIONSHIP

Provision	Section in the Agreement	Summary
a. Term of the franchise	2.1	The initial term expires 10 years after the effective date of the Franchise Agreement.
b. Renewal or extension of the term	2.2	You may renew for one additional term, which will be for 10 years.
c. Requirements for you to renew or extend	2.2.1 – 9	Renewal means the right to sign a successor franchise agreement. Among other things, no default may exist under the existing agreement; you must provide notice of renewal at least 12 months in advance and no more than 18 months in advance prior to expiration of the initial term; we may require that you sign a then-current form of Franchise Agreement, which may have materially different terms and conditions than your existing Franchise Agreement (including an increase in the fees payable by you), sign a general release (see Exhibit F), all monetary obligations have been met, and pay a Renewal Fee. You must remain in possession of the premises of the Success Space or must obtain approval by us for a new location for the duration of the renewal term. We also may require that you complete additional training.
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	13	We may terminate the Franchise Agreement upon default.

Provision	Section in the Agreement	Summary
g. "Cause" defined-defaults which can be cured	13.3	Except for defaults that cannot be cured (see below), you have 30 days to cure Franchise Agreement defaults, but 5 days to cure monetary defaults.
h. "Cause" defined defaults which cannot be cured	13.1, 13.2, and 13.4	The term " <b>cause</b> " includes danger to health or safety, bankruptcy, assignment for the benefit of creditors, felony conviction, repeated violations, execution of levy not discharged within five days, attachment of property, and unsatisfied final judgments of \$10,000 or more for 30 days or longer, and default under any other agreement between you and us or our affiliates.
i. Your obligations on termination and non-renewal	14.1 and 10.6	You must cease to operate the Success Space, pay any amounts due plus damages, cease the use of our Marks, return our manuals, de-identify the Success Space, cancel any assumed name or equivalent registration, which contains the Marks, and comply with post-term covenant not to compete.
j. Assignment of contract by us	12.1	The Franchise Agreement has no restriction on our right to assign.
k. "Transfer" by you – definition	12.3	The term " <b>transfer</b> " includes the transfer of the agreement, the Success Space's assets, or any interest in you.
l. Our approval of transfer by you	12.4	We have the right to approve all transfers; we will not withhold our consent unreasonably.
m. Conditions for our approval of transfer	12.4	No default may exist and you must pay all amounts due and sign a general release; the transferee must complete our training and meet all of our other requirements, sign our then-current form of Franchise Agreement, and pay a transfer fee.
n. Our right of first refusal to acquire your business	12.6	We have an option for 30 days to purchase upon the same terms and conditions offered to the third party.
o. Our option to purchase your business	12.6	We also have an option to purchase your business upon the termination or expiration of your Franchise Agreement.
p. Your death or disability	12.7 and 12.8	Upon your death or disability, your interest in the Franchise Agreement or Franchisee must be transferred to a third party whom we approve. You must transfer to a third party within 6 months and the transferee must meet our general conditions of transfer.

<b>Provision</b>	<b>Section in the Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	10.5	You cannot divert business to a competitor. You cannot operate any “ <b>competitive business</b> ,” which means any business located or operated anywhere in the United States that derives more than 25% of its revenues from the sale or rental of co-working space or flex-space services or the sale or rental of other related services and products (subject to state law).
r. Non-competition covenants after the franchise terminates or expires	10.6	For a period of two years, you cannot operate a competitive business within the Designated Marketing Area, within 5 miles of any other existing Success Space, solicit any former customers of your Success Space or any other Success Space, or perform any acts injurious or prejudicial to the goodwill associated with the Marks and the System (subject to state law).
s. Modification of the agreement	23	The Franchise Agreement may not be modified unless you and we mutually agree in writing to modify it.
t. Integration/ merger clause	23	Only the written terms of the Franchise Agreement and exhibits bind the parties (subject to applicable state law). Any representations or promises outside of this Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17	The parties must arbitrate any controversy or claim, except that either party may file for preliminary injunctive relief, a restraining order, or order of specific performance, including, without limitation, injunctive relief pertaining to the use of the Success System and Marks.
v. Choice of forum	17.2 and 17.3	Any litigation or arbitration must take place in Dallas, Texas, subject to applicable state law. See Exhibit D.
w. Choice of law	17.1 and 17.3	Texas law applies, subject to applicable state law. See Exhibit D.

**ITEM 18  
PUBLIC FIGURES**

We currently do not use any public figures to promote the Success franchise.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The Federal Trade Commission’s Franchise Rule permits us to provide information about the actual or potential financial performance of our franchised and/or company-owned Success Spaces, if a reasonable basis for the information exists and we include the information in this Disclosure Document. We may give financial performance information that differs from the information included in this Item 19 only if (1) we provide the actual records of an existing Success Space that you are buying or (2) we supplement the information provided in this item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting our President, Ted Laatz, at 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201 or ted.laatz@success.com, and (800) 570-6414, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**  
**SYSTEM-WIDE OUTLET SUMMARY**  
**FOR FISCAL YEARS 2018 TO 2020**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets at End of Year</b>	<b>Net Change</b>
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
<b>Total Outlets</b>	<b>2018</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE NO. 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN FRANCHISOR)**  
**FOR FISCAL YEARS 2018 TO 2020**

State	Year	Number of Transfers
All States	2018	0
	2019	0
	2020	0
<b>Totals</b>	<b>2018</b>	<b>0</b>
	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>0</b>

**TABLE NO. 3**  
**FRANCHISED OUTLETS STATUS SUMMARY**  
**FOR FISCAL YEARS 2018 TO 2020**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Sold to Franchisee	Terminations	Non-Renewals	Outlets Reacquired by Franchisor	Outlet Ceased Operations for Other Reasons	Outlets at End of the Year
All States	2018	0	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE NO. 4**  
**COMPANY-OWNED OUTLETS STATUS SUMMARY**  
**FOR FISCAL YEARS 2018 TO 2020**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of Year
Texas	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
<b>Totals</b>	<b>2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE NO. 5  
PROJECTED OPENINGS  
AS OF DECEMBER 31, 2020**

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	0	2	1
Texas	0	4	0
<b>Totals</b>	<b>0</b>	<b>6</b>	<b>1</b>

Our fiscal year ends on December 31 of each year.

Lists of Current and Former Franchisees

Exhibit E reflects the name of each of our franchisees and the address and telephone numbers of their businesses as of December 31, 2020. Exhibit E also reflects the name, city, state, and current business telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year ended December 31, 2020, or who has not communicated with us within 10 weeks of the application date of this Disclosure Document. As of the date of this Disclosure Document, we do not have any current or former franchisees.

If you buy a Success franchise and become a Success franchisee, we may disclose your contact information to other buyers when you leave the Success System.

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

Confidentiality Clauses

As of the date of this Disclosure Document, we do not have any franchisees. In the future, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with Success. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark-Specific Franchisee Organizations

We know of no active franchisee organization associated with the System.

**ITEM 21  
FINANCIAL STATEMENTS**

Exhibit B to this Disclosure Document contains our audited opening balance sheet as of March 26, 2021. Our audited opening balance sheet was prepared in accordance with the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Our fiscal year ends December 31.



**ITEM 22**  
**CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C	Franchise Agreement
Exhibit D	State Specific Addenda
Exhibit F	Form of General Release
Exhibit I	Form of Software License Agreement

**ITEM 23**  
**RECEIPTS**

The last two pages of this Disclosure Document are duplicate Receipts to be signed by you. Please sign and return one copy to us and keep the other copy for your records.

## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Delaware (Agent)	Delaware Registered Agents	8 The Green Suite A Dover, DE 19901
Georgia	Secretary of State of Georgia Corporations Division	2 Martin Luther King, Jr. Dr., SE Suite 315, West Tower Atlanta, Georgia 30334
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Carolina	North Carolina Secretary of State	2 South Salisbury Street Raleigh, North Carolina 27601-2903
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

**EXHIBIT B**

**FINANCIAL STATEMENTS**

**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**

**BALANCE SHEET**

**MARCH 26, 2021**

SUCCESS FRANCHISING, LLC  
(A Limited Liability Company)  
MARCH 26, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Success Franchising, LLC

We have audited the accompanying balance sheet of Success Franchising, LLC (a limited liability company) (the "Company") as of March 26, 2021, and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Success Franchising, LLC as of March 26, 2021, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Uncertainty

As discussed in Note 6 to the financial statement, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the continued uncertainty of the situation, the duration of any business disruption and related financial impact to the Company cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
May 11, 2021

**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**MARCH 26, 2021**

**ASSETS**

Cash	\$ <u>100,000</u>
TOTAL ASSETS	\$ <u><u>100,000</u></u>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities	\$ -
Commitments and contingencies (Notes 4, 5 and 6)	
Member's equity	<u>100,000</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ <u><u>100,000</u></u>

See accompanying notes to financial statement.



**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2021**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Success Franchising, LLC (the "Company"), a wholly-owned subsidiary of Success World Holdings, LLC (the "Member"), was formed on January 12, 2021, as a Delaware limited liability company to sell franchises pursuant to a non-exclusive license agreement executed in April 2021, between the Company and Success Enterprises, LLC (the "Licensor"), an entity related to the Company by common ownership and control. Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Success Space" name and system that will offer co-working workspaces, private offices, access to a full-time business coach, a cafe, and retail merchandise. The Company has not had significant operations through May 11, 2021, the date on which the financial statement was available to be issued, and has not executed any franchise agreements as of that date.

The Member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, to the extent of the Company's assets unless the Member has signed a specific guarantee.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of a balance sheet in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Income taxes

The Company is treated as a partnership for tax purposes and, as such, is not liable for federal or state income taxes. As a single-member limited liability company and, therefore, a disregarded entity for income tax purposes, the Company's assets and liabilities are combined with and included in the income tax return of the Member. Accordingly, the accompanying financial statement does not include a provision or liability for federal or state income taxes.

Revenue and cost recognition

The Company will adopt Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. The Company expects that it will derive substantially all its revenue from franchise agreements related to franchise revenue, advertising fund revenue, royalties and transfer fees. No such franchise agreements have been executed as of the date of this balance sheet.

*Franchise fees and royalties*

Contract consideration from franchisees is expected to consist primarily of initial or renewal franchise fees, multi-unit agreement fees ("MUAs"), sales-based royalties, sales-based marketing fund fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company expects to also enter into MUAs which grant a franchisee the right to develop two or more franchise territories.

**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees and royalties (continued)*

The Company intends to collect an up-front fee for the grant of such rights. The initial franchise fees and up-front multi-unit fees are nonrefundable and collectable when the underlying franchise agreement or MUA is signed by the franchisee. Sales-based royalties and marketing fund fees will be payable on a weekly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities." Pre-opening activities consistent with those under Accounting Standards Update ("ASU") No. 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)* ("ASU 2021-02"), are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, other than those included under ASU 2021-02, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under ASU 2021-02 is recognized when the related services have been rendered.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property will be recognized as revenue on a straight-line basis over the term of the respective franchise agreement. MUAs generally consist of an obligation to grant the right to open two or more territories. These development rights are not distinct from franchise agreements; therefore, up-front fees paid by franchisees for development rights will be deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement will be recognized as revenue in the same manner as the initial and renewal franchise fees. Initial and renewal franchise fees related to the MUAs will be recorded as contract

**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees and royalties (continued)*

liabilities at their contract transaction price.

Royalties are earned based on a percentage of franchisee gross sales ("sales-based royalties). Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

*Marketing and promotions fund*

The Company reserves the right to establish a marketing fund to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Franchisees will be charged 1% of their monthly gross sales by the marketing fund in accordance with the Company's standard franchise agreement. As of May 11, 2021, the Company has not yet established a marketing fund. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore recognizes the revenues and expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore are accounted for as a single performance obligation. As a result, revenues from the marketing fund represent the right to access the Company's intellectual property, which will be recognized as monthly franchisee sales occur. When marketing fund fees exceed the related marketing fund expenses in a reporting period, advertising costs will be accrued up to the amount of marketing fund revenues recognized.

Incremental costs of obtaining a contract

The Company will capitalize direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and will amortize them over the term of the franchise agreement.

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at March 26, 2021.

The Member will file income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Subsequent events

The Company has evaluated subsequent events through May 11, 2021, the date on which this financial statement was available to be issued. There were no material subsequent events that required recognition or additional disclosure in this financial statement other than what is disclosed in Notes 4 and 5.

**SUCCESS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**MARCH 26, 2021**

**NOTE 3. CONCENTRATIONS OF CREDIT RISK**

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

**NOTE 4. MARKETING AND PROMOTIONS FUND**

The Company has the right to collect marketing fund fees from franchisees for the marketing and promotions fund (the "marketing fund"). Franchisees will be charged 1% of their monthly gross sales by the marketing fund in accordance with the Company's standard franchise agreement. The marketing fund is to be utilized for the benefit of the franchisees, with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. As of May 11, 2021, the Company has not yet established the marketing fund.

**NOTE 5. RELATED-PARTY TRANSACTIONS**

License agreement

In April 2021, the Company entered into a non-exclusive license agreement with the Licensor for the use of the registered name "Success Space" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to operate "Success Space" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. The Licensor will not license the trademarks and/or confidential information to any third parties for the purpose of operating a competing franchise system.

**NOTE 6. UNCERTAINTY - CORONAVIRUS PANDEMIC**

In March 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Disruptions to the Company's business operations could occur as a result from the supply and quarantine of employees, residents, and vendors. Given the uncertainty of this situation, and since the Company does not yet have significant operations and has not yet executed any franchise agreements, an estimate of the financial impact to the Company, if any, cannot be reasonably estimated at this time.

**EXHIBIT C**

**FRANCHISE AGREEMENT**



**SUCCESS FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

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### Exhibits:

- A. Identification of Franchisee
- B. Site Selection Addendum
- C. Authorization Agreement for Prearranged Payments (Direct Debits)
- D. Statement of Ownership Interests
- E. Guaranty, Indemnification, and Acknowledgement
- F. Non-Disclosure and Non-Competition Agreement
- G. Lease Rider

## FRANCHISE AGREEMENT

Success Franchising, LLC (“**Success**” or “**Franchisor**”), a Delaware limited liability company, and the undersigned (the “**Franchisee**”) enter into this Franchise Agreement (this “**Agreement**”) as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”).

### RECITALS

A. Success, as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the “**Success System**” or “**System**”) for establishing and operating multi-functional facilities (each referred to as a “**Success Space**”) that offer (a) co-working workspaces, private offices, conference and meeting rooms, and common area spaces, (b) access to an on-site, full time dedicated business coach, (c) a café offering a variety of pre-packaged and made-to-order menu items, bottled beverages and fresh ground/brewed and specialty coffees (the “**Cafe**”), and (d) retail merchandise, beverages, food and other related services and products that Success designates or approves under the System and the Marks (defined below) (“**Success Services and Products**”);

B. The distinguishing characteristics of the System include, among other things: Success Space designs, furniture, fixtures and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage color scheme and furnishings, fixtures and other trade dress elements; proprietary and nonproprietary products; standards, specifications, policies and procedures for construction and management; quality, distinctiveness and uniformity of products and services; standards, specifications, policies and procedures for operations; software and computer programs, reservation procedures; the accumulated experience reflected in Success’s training program; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined in Section 4.4 below) and all of which Success may change, improve, and further develop in its sole discretion from time to time;

C. Success identifies the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, that have been licensed to Success by its affiliate, Success Enterprises, LLC, including the marks “**SUCCESS**” and “**SUCCESS COWORKING & COACHING**” and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by Success or its affiliate in writing) for use in connection with the System (the “**Marks**”). Success and its affiliate continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance, and service;

D. Franchisee desires to operate a Success Space and to receive the training and other assistance provided by Success in connection therewith; and

E. Franchisee understands and acknowledges the importance of Success’s high standards of quality, appearance, cleanliness, and service and the necessity of operating the business franchised under this Agreement in conformity with Success’s standards and specifications.



Now, therefore, in consideration of the foregoing and of the covenants contained in this Agreement, the parties agree as follows:

## 1. GRANT

1.1. Grant of Rights. Upon the terms and conditions set forth in this Agreement, Success hereby grants to Franchisee the right, and Franchisee accepts and undertakes the obligation, to: (a) establish and operate one (1) Success Space under the System (the “**Franchised Business**”); (b) to use, only in connection with the Franchised Business, the Marks and the System, as they may be changed, improved, or further developed from time to time by Success; and (c) and to do so only at or from a physical premises located within the Designated Marketing Area (defined below in Section 1.2) at the location specified in Exhibit A. If, at the time of execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Success, Franchisee shall lease, sublease, or acquire a site for the Franchised Business, subject to Success’s written consent in accordance with the Site Selection Addendum attached as Exhibit B (the “**Site Selection Addendum**”). In connection with Success’s consent to the location, Franchisee shall execute, and cause the landlord to execute, the Lease Rider appended hereto as Exhibit G. Franchisee acknowledges and agrees that Success’s consent to Franchisee’s proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Success of any kind. Franchisee shall not relocate the Franchised Business without Success’s prior written consent.

1.2. Designated Marketing Area. Except as otherwise described in this Agreement, for so long as Franchisee is in full compliance with this Agreement, Success will not, during the term of this Agreement, operate or license others to operate a Success Space at a physical premises located within the Designated Marketing Area. “**Designated Marketing Area**” shall mean the area described in Exhibit A, with the exception of any outlet that is defined in this Agreement as a Limited Access Location (defined below) that is developed, constructed, operated, merchandised, sold, licensed and/or franchised to others by Success to sell Success Services and Products to the public within the Designated Marketing Area. “**Limited Access Locations**” shall mean any outlet described in Section 1.2.2 of this Agreement. Success retains all other rights not expressly granted in this Agreement. Without obligation to Franchisee, Success and its affiliates may, among other things, and regardless of proximity to or economic impact upon Franchisee or the Franchised Business:

1.2.1. Advertise and promote the System within and outside of the Designated Marketing Area;

1.2.2. Operate and authorize others to operate Success Spaces within the Designated Marketing Area at, from or through Limited Access Locations, which include Success Spaces (whether mobile or fixed, permanent or temporary) located in private businesses, governmental institutions, or other limited access facilities within Franchisee’s Designated Marketing Area (“**Limited Access Locations**”) and to use the System in connection with those Limited Access Locations, provided that, if such Success Spaces operate under the Marks, access to those locations shall be primarily limited to owners, employees, members, transient guests, students, or residents of such businesses, institutions, or facilities. Limited Access Locations also include (i) hotels, motels, resorts, casinos, or similar operations, (ii) hospitals and other health care facilities, (iii) universities, schools, and education facilities, (iv) military bases, (v) office buildings

and business complexes, (vi) condominiums, apartment buildings, and dormitories, (vii) private clubs, and (viii) other similar facilities that are not accessible to the general public.

1.2.3. Offer and sell any products or services (including those offered by the Franchised Business), under any marks (including the Marks) outside of the Designated Marketing Area, and through any means (including through a Success Space);

1.2.4. Establish, operate and license others to establish and operate any businesses other than Success Spaces within and outside of the Designated Marketing Area;

1.2.5. Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Marketing Area;

1.2.6. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Marketing Area; (i) convert the other businesses to Success Spaces, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Success Spaces to such other name. Such transactions are expressly permitted under this Agreement, and Franchisee agrees to participate at Franchisee's expense in any such conversion as may be required by Success and to waive any claims, demands or damages arising from or related to the loss of the Success name, the Marks (or any variation thereof) and the System and/or the loss of association with or identification of Success under this Agreement; and

1.2.7. Engage in any other activity, action or undertaking that Success or its affiliates are not expressly prohibited from taking under this Agreement.

1.3. No Right to Subfranchise. Franchisee may not subfranchise, sublicense, or relicense to others any right to use the System or the Marks.

1.4. Goodwill and Success Name. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title or interest in and to the System. Any and all goodwill associated with the System shall inure exclusively to Success's benefit; and, upon the expiration or termination of this Agreement for any cause whatsoever, Success shall not have any obligation to pay any money for any goodwill associated with Franchisee's use of the System. Franchisee shall not take any action whatsoever to contest the validity or ownership of the System or the goodwill associated with the System.

## **2. TERM AND RENEWAL**

2.1. Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date.

2.2. Renewal. Franchisee may, at its option, renew Franchisee's right to operate the Franchised Business for one (1) additional consecutive term of ten (10) years, subject to the following conditions, each of which must be met prior to such renewal:

2.2.1. Franchisee shall deliver to Success a written notice of Franchisee's election to renew no fewer than twelve (12) months nor more than eighteen (18) months prior to the expiration of the initial term;

2.2.2. Franchisee shall pay in lieu of the initial franchise fee, a renewal fee equal to thirty five percent (35%) of Success's then-current initial franchise fee for a new Success Space, when it delivers the written notice required under Section 2.2.1;

2.2.3. Franchisee shall not have received, prior to its election to renew, written notice of a default under this Agreement on more than three (3) separate occasions and, from the time of Franchisee's election to renew through the expiration of the initial term, Franchisee shall not have been in default of any provision of this Agreement, any amendment to this Agreement, or any other agreement between Franchisee and Success or its affiliates; and, in the reasonable judgment of Success, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Success during the term of this Agreement;

2.2.4. Franchisee shall present evidence to Success that Franchisee has the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term, or shall obtain approval by Success of a new location for the Franchised Business for the duration of the renewal term;

2.2.5. Franchisee shall refurbish, remodel and renovate the Franchised Business to comply with Success's then-current specifications for new Success Spaces of the same or similar type, which may differ materially from the specifications in effect as of the Effective Date of this Agreement.

2.2.6. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Success and its affiliates, and shall have timely met those obligations throughout the term of this Agreement;

2.2.7. Franchisee shall execute a general release, in a form satisfactory to Success of any and all claims against Success and its current and former affiliates, and their respective past and present officers, directors, agents, and employees;

2.2.8. Franchisee shall execute Success's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2.2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including a higher percentage Royalty Fee and advertising contribution or expenditure, and a different or modified Designated Marketing Area; provided however that if Franchisee has been in full compliance with this Agreement and met Success' operating standards (which standards may include minimum performance levels) throughout the initial term, the Designated Marketing Area will not be modified); and

2.2.9. Franchisee and its personnel shall comply with Success's then current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

2.3. No assurances of a renewal franchise agreement. Franchisee accepts this Agreement with the full and complete understanding that the grant of rights to operate a Franchise hereunder is not a promise or assurance that Franchisee will be granted a renewal franchise agreement.

### 3. FEES AND PAYMENTS

3.1. Initial Franchise Fee. Franchisee shall pay Success an initial franchise fee of Forty Five Thousand Dollars (\$45,000) upon execution of this Agreement. Except as otherwise stated in this Agreement, the Franchise Fee is fully-earned and non-refundable in consideration of the administrative and other expenses incurred by Success in granting this franchise and for Success's lost or deferred opportunity to offer the rights to this franchise to others.

3.2. Training Fee. Franchisee shall pay Success a training fee of Five Thousand Dollars (\$5,000) (the "**Training Fee**") upon execution of this Agreement. The Training Fee covers initial training for the Franchisee, if Franchisee is an individual or the Principal Owner if Franchisee is a business entity.

3.3. Royalty Fees. During the initial term of this Agreement, Franchisee shall pay Success a continuing royalty fee in an amount equal to the greater of (a) six percent (6.0%) of the Franchised Business's Gross Sales, and (b) One Thousand Dollars (\$1,000) per month ("**Royalty Fees**"), in such manner as specified herein, or as otherwise specified by Success. Franchisee shall pay the Royalty Fees on a monthly basis, based on the Gross Sales of the Franchised Business for the immediately preceding calendar month, or for such other period as Success may specify in the Manuals or otherwise in writing. In addition, Franchisee shall report to Success Franchisee's monthly Gross Sales (a "**Sales Report**") no later than the tenth (10th) day of each succeeding calendar month or at such other time as Success may designate.

3.3.1. "**Gross Sales**" means the total gross revenue from the provision of all services and products sold or performed by or for Franchisee in, at, from or away from the Franchised Business, or through or by means of the Franchised Business, whether from cash, check, credit card, debit card, barter or exchange, or other means, and irrespective of the collection thereof, and including, the following: (a) all customer fees and payments, including, without limitation, membership agreement fees, corporate/third party payor fees and (b) proceeds from any business interruption insurance. Notwithstanding the foregoing, the following amounts will be deducted from "**Gross Sales**": (i) sales taxes, use taxes, and other similar taxes added to the sales price and collected from the customer and paid to the appropriate taxing authority; and (ii) any bona fide refunds and credits that are actually provided to clients and other customers. Although Gross Sales is defined above, Gross Sales will be deemed recognized in accordance with generally accepted accounting principles in the United States. Success reserves the right to modify its policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "**Gross Sales**" as circumstances, business practices, and technology change.

3.4. Marketing and Promotions Fund Fee. During the initial term of this Agreement, Franchisee shall pay Success or its designee a Marketing and Promotions Fund Fee (defined in Section 6.3) of one percent (1%) of the Franchised Business's Gross Sales. The Marketing and Promotions Fund Fee is payable monthly by Franchisee in the manner designated or prescribed by Success in Section 3.5 below and/or in the Manuals.

3.5. Continuing Payments, EFT, and Reporting Obligations. Except as otherwise described in this Agreement, all payments required by this Section 3 and Section 6 below based on the Gross Sales for the preceding calendar month shall be paid and submitted by electronic funds transfer so as to be received by Success by the tenth (10th) day of each calendar month, or such other date as Success may designate in writing. For all ongoing fees required hereunder, Franchisee shall execute a form of electronic funds transfer (“EFT”) authorization (in the form attached as Exhibit C to this Agreement or such other form that Success designates) for direct debits from Franchisee’s business bank operating account. Franchisee shall deliver to Success any and all reports, statements and/or other information required by this Agreement, including under Section 7 below, at the time and in the format reasonably requested by Success, which may include electronically polled data from Franchisee’s Point of Sale system. Franchisee shall comply with the payment and reporting procedures specified by Success in this Agreement and the Manuals. To ensure that payments are received by Success on as timely basis, such policies and procedures may require that Franchisee have sufficient funds in its account by a date certain, as the EFT process may sweep such account the day before for payment on the preceding day. Franchisee’s obligations for the full and timely payment of Royalty Fees, and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set off same against any claims or alleged claims Franchisee may allege against Success or others. Franchisee shall not, on grounds of any alleged nonperformance by Success or others, withhold payment of any fee, including Royalty Fees, nor withhold or delay submission of any reports due hereunder. Success reserves the right to change the due date of any fees upon ten (10) days’ prior written notice to Franchisee.

3.6. No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Success the Royalty Fees and/or any other fee or charge payable to Success, whether under this Agreement or otherwise.

3.7. Overdue Payments and Reports; Interest. Any payment or report not actually received by Success (or the appropriate advertising fund) on or before the date such payment or report is due shall be deemed overdue.

3.7.1. If Franchisee’s Royalty Fees are overdue, Franchisee must pay to Success a late fee (the “Late Fee”) in the amount of two percent (2%) of the amount of the Royalty Fees due and payable for that calendar month or period. If Franchisee does not remit Royalty Fees within five (5) days after their due date, in addition to the Late Fee, Success will assess interest on the entire amount owing for that calendar month or period at the rate of two percent (2%) per calendar month or period (or twenty-four percent (24%) per annum) or the maximum rate permitted by law, whichever is less (the “**Interest Charge**”). The Interest Charge will continue to accrue on any portion of the Royalty Fees that are in arrears, until such delinquent Royalty Fees are paid in full, including payment of the Late Fee. Entitlement to any Late Fee, Interest Charge Success is owed under this Section 3.7.1 shall be in addition to any other rights and remedies Success may have, and shall not constitute an election of remedies.

3.7.2. If any payment or report (other than the Royalty Fees) is overdue, Franchisee shall pay Success, in addition to the overdue amount, and in addition to all other rights and remedies available to Success and not as an election of remedies, a late payment/late report charge

of One Hundred Dollars (\$100) for each week or part thereof that the payment or report is late, and the Interest Charge.

3.8. Payments on Behalf of Franchisee. Franchisee shall pay to Success, within fifteen (15) days after any written request by Success which is accompanied by reasonable substantiating material, any monies which Success has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

3.9. Other Payments. All payments and fees owed by Franchisee to Success shall be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manuals. Success reserves the right to collect all fees and payments due by Franchisee by EFT as provided for in Section 3.5 or otherwise in the Manuals.

3.10. No Refunds. Upon the expiration or termination of this Agreement, Success shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

#### **4. SERVICES BY SUCCESS**

4.1. Development of the Franchised Business. Success or its designee shall make available to Franchisee a copy of its standard construction/build-out package as modified from time to time, including plans and specifications, site criteria, and sample site plans, which Franchisee must adapt, at Franchisee's expense, for use at the site selected by Franchisee and approved by Success and a copy of Success's specifications for the furniture, fixtures, furnishings, equipment, signs and all other property that Success may specify for use in the Franchised Business. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction/build-out drawings or other documentation necessary to obtain permits or authorization to build the Franchised Business premises, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Franchised Business location, subject to Success's approval, as provided in Section 5.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Success's general criteria. Franchisee understands and acknowledges that Success has the right to modify the architectural plans and specifications as Success deems appropriate from time to time.

4.2. Initial and Ongoing Assistance. Prior to the Franchised Business opening, Success shall provide to Franchisee, its Principal Owner (as defined in Section 5.25.4.1 below), its Business Coach (as defined in Section 5.4.1, below) and to such of Franchisee's other employees of which Success shall approve for training, such training programs as Success may designate, to be conducted at such time(s) and location(s) designated by Success. Success shall also provide such ongoing training as it may, from time to time, deem appropriate. Success shall be responsible for the cost of instruction and materials, subject to the terms set forth in Section 5.4 below.

4.3. Opening Assistance. Success shall provide such pre-opening assistance to Franchisee as Success deems appropriate, including assisting Franchisee in formulating its initial opening orders for equipment, inventory and supplies. Success shall have one of its

representatives present at the Franchised Business for such assistance and consultation as it deems appropriate. The date and time of the pre-opening support will be determined by Success.

4.4. Manuals. Success shall loan or otherwise provide Franchisee access to Success's confidential Brand Standards Manual and other manuals (the "**Manuals**"), which may be revised from Success from time to time.

4.5. Advertising and Promotion. Success shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 6 below. In addition, during the term of this Agreement, Success shall provide Franchisee with such other advertising assistance, sales advice, or related materials as Success deems advisable.

4.6. Marketing and Promotions Fund. Success may establish and administer a system-wide advertising, marketing, promotional, and brand development fund, which may be referred to as the "**Marketing and Promotions Fund**" or such other name as Success may designate, in the manner set forth in Section 6 below.

4.7. Ongoing Assistance. Success shall provide such periodic individual or group advice, consultation and assistance, rendered by personal visit, telephone, mail or e-mail and made available from time to time as Success deems advisable, at the time(s) and in the manner determined by Success.

4.8. Bulletins and Reports. Success shall provide Franchisee such bulletins, brochures and reports published by Success from time to time as Success deems advisable regarding its plans, policies, research, developments and activities.

4.9. Computer System. Success shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and software and hardware to be used by, between, or among Success Spaces, including: (a) back office and point of sale systems, reservations systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Franchised Business, between or among Success Spaces, and between and among the Franchised Business and Success and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "**Computer System**").

4.10. Inspection. Success shall have the right to inspect the Franchised Business prior to the opening of the Franchised Business and periodically throughout the term of the Agreement as described in Section 5.13 below. Franchisee shall not commence operation of the Franchised Business without Success's prior written approval.

4.11. Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Success may perform any duty or obligation imposed on or available to Success by the Agreement, as Success may direct.

## **5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS**

5.1. System Standards and Development of the Franchised Business. Franchisee understands and acknowledges that every detail of the Franchised Business is important to

Franchisee, Success, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the Success Services and Products, and to protect Success's reputation and goodwill. Franchisee shall construct, furnish, and open the Franchised Business according to the requirements contained herein, and Franchisee shall open the Franchised Business at the later of (a) one hundred eighty (180) days after the Effective Date, or (b) if upon execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Success, one hundred twenty (120) days after the later of (i) Success's approval of the location for the Franchised Business pursuant to the Site Selection Addendum, or (ii) Franchisee's access to the leased premises as permitted by the lessor under the lease.

5.2. Pre-Opening Obligations. Before commencing any construction or build-out of the Franchised Business, Franchisee, at its expense, shall comply, to Success's satisfaction, with all of the following requirements:

5.2.1. Franchisee shall employ a qualified, licensed architect or engineer who is reasonably acceptable to Success to prepare, for Success's approval, preliminary plans and specifications for site improvement and construction/build-out of the Franchised Business based upon the site construction/build-out package furnished by Success or its designee pursuant to Section 4.1, and as may otherwise be authorized by Success due to the particularities of the site of the proposed location. Success's approval shall be limited to conformance with Success's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the ADA regarding the construction/build-out, design and operation of the Franchised Business, which subjects shall be Franchisee's sole responsibility.

5.2.2. Franchisee shall comply, at Franchisee's expense, with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction/build-out, design and operation of the Franchised Business.

5.2.3. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Success, for Success's approval, final plans for construction/build-out based upon the preliminary plans and specifications. Success's review and approval of plans shall be limited to review of such plans to assess compliance with Success's design standards for Success Spaces. Once approved by Success, such final plans shall not thereafter be changed or modified without the prior written permission of Success. Any such change made without Success's prior written permission shall constitute a material default under this Agreement and Success may withhold its authorization to open the Franchised Business for business until the unauthorized change is rectified (or reversed) to Success's reasonable satisfaction.

5.2.4. Franchisee shall obtain all permits and certifications required for the lawful construction, build-out and operation of the Franchised Business and shall certify in writing to Success that all such permits and certifications have been obtained. Franchisee shall provide copies of all such permits and certificates to Success within ten (10) days after Success's request for same.



5.2.5. Franchisee shall employ a qualified licensed general contractor who is reasonably acceptable to Success to construct the Franchised Business and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction/build-out the insurance required under Section 11 below; and Franchisee shall deliver to Success such proof of such insurance as Success shall require.

5.2.6. Within fifteen (15) days after Franchisee's execution of a lease for the Franchised Business premises, Franchisee shall provide to Success copies of (i) the lease for the premises and executed Lease Rider and (ii) the landlord's and property management company's notice address and contact information.

5.3. Franchised Business Opening. In connection with the opening of the Franchised Business:

5.3.1. Franchisee shall not open the Franchised Business for business without first complying with all of Success's pre-opening requirements and obligations contained in this Agreement and the Manuals.

5.3.2. Franchisee shall draw upon the Grand Opening Program Amount as described in Section 6.1 to conduct such grand opening and promotional activities as Success may require.

5.3.3. Franchisee shall not open the Franchised Business until Success has determined that all construction/build-out has been substantially completed, and that such construction/build-out conforms to Success's standards including materials, quality of work, signage, decor, paint, and equipment.

5.3.4. Franchisee shall not open the Franchised Business until the Principal Owner and Designated Manager have successfully completed all training required by Success, and Franchisee has hired and trained to Success's standards a sufficient number of employees to service the anticipated level of the Franchised Business's members and customers.

5.3.5. In addition, Franchisee shall not open the Franchised Business until all amounts due to Success under this Agreement or any other related agreements have been paid.

5.4. Training. Franchisee acknowledges that its owners, managers and Business Coach (as defined below) must be knowledgeable regarding the operation of Success Spaces, including the provision of customer service in accordance with the brand standards established by Success, which may be modified by Success from time to time. Franchisee acknowledges that successful completion of Success's training programs by Franchisee's owners, managers and Business Coach is critical to properly own, operate and manage the Franchised Business. Franchisee's employees must be covered by Franchisee's workers' compensation insurance policy prior to commencing training with Success, and Franchisee must provide evidence of such coverage if requested by Success. Prior to the opening of the Franchised Business, Franchisee (if Franchisee is an individual) or Franchisee's Principal Owner, Franchisee's Designated Manager and Franchisee's Business Coach shall attend and successfully complete, to Success's satisfaction, the initial training program offered by Success (the "**Initial Training Program**") and Franchisee must pay Success the Initial Training Fee described in Section 3.2. Franchisee acknowledges that the Initial Training Program may differ for the Franchisee or Franchisee's Principal Owner, the Designated

Manager, the Business Coach and others. The Initial Training Fee is nonrefundable. Franchisee or the Principal Owner, the Designated Manager and the Business Coach must complete the Initial Training Program no later than one hundred and eighty (180) days after the Effective Date. Success may permit or require additional individuals to attend some or all of the initial training program, at Success's option, and Franchisee shall pay to Success, Success's then-current training fees therefor. All individuals who complete Success's Initial Training Program are "**Franchisee's Principal Trainees.**" Initial training may require Franchisee's Principal Trainees to successfully complete all examinations and tests administered by Success. The training programs including the Initial Training Program shall be conducted at facilities designated by Success, which may include company-owned Success Spaces, Success Spaces owned and operated by other franchisees, and other facilities.

5.4.1. Principal Owner, Designated Manager and Business Coach. All aspects of the Franchised Business shall be conducted under the management and supervision of the Principal Owner. In addition, the daily operations of the Franchised Business shall be supervised under the active full-time and on-site management of the Principal Owner or Designated Manager who has successfully completed (to Success's satisfaction) the Initial Training Program. The business coaching services of the Franchised Business shall be conducted by a full time business coach approved by Success, who has successfully completed (to Success' satisfaction) the Initial Training Program (The "**Business Coach**"). The Business Coach's activities shall be dedicated solely to the offer, sale and delivery of business coaching services on behalf of the Franchised Business. If the Principal Owner or the Designated Manager cease active management of or employment at the Franchised Business or the Business Coach ceases employment at the Franchised Business, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Success) in the Initial Training Program not more than thirty (30) days after the cessation of the former person's full time employment and/or management responsibilities. The replacement shall attend and successfully complete the Initial Training Program, to Success's reasonable satisfaction, as soon as it is practical to do so. Franchisee shall pay Success's then-current training fees and per diem expenses.

5.4.2. Ongoing Training. The Franchisee's Principal Trainees and other individuals designated by Success may also be required to attend such refresher courses, seminars, and other training programs as Success may reasonably specify from time to time, including up to five (5) days of ongoing training or refresher training programs each year during the term of the Agreement.

5.4.3. Conferences. Success may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting the System. Attendance at these conferences may be mandatory or optional at Success's option. Success reserves the right to charge a registration fee for attendance at each conference. Franchisee is responsible for paying Success's then-current conference fee, whether or not Franchisee or Franchisee's personnel attend the conference in any given year. If attendance at the conference is mandatory, Franchisee and up to three (3) of Franchisee's personnel that Success prescribes in writing shall attend.

5.4.4. Training Costs and Expenses. The cost of all initial training instruction and required materials shall be borne by Success. All other expenses incurred in connection with training and attendance at Success's conferences, including the costs of transportation, lodging,

meals, wages, workers' compensation insurance and trainees' meals during training sessions, for Franchisee, its investors, and all of its employees, shall be borne by Franchisee.

5.4.5. Additional Assistance or Training. Upon Franchisee's request, Success may provide additional assistance or training to Franchisee at a mutually convenient time, in the manner and format that Success deems appropriate. Success may charge Franchisee Success's then-current fee for such assistance and Franchisee must reimburse Success for its out of pocket expenses

5.5. Franchised Business Premises. Franchisee shall use the Franchised Business premises solely for the operation of the Franchised Business; shall keep the Franchised Business open and in normal operation for such hours and days as Success may from time to time specify in the Manuals or as Success may otherwise approve in writing; and shall refrain from using or permitting the use of the Franchised Business premises for any other purpose or activity at any time. As used in this Section 5.5, the term "premises" shall include the grounds surrounding the Franchised Business. Franchisee shall comply with all terms and conditions of the lease for the Franchised Business, and shall provide Success with copies of all notices of default or breach of the lease, notices regarding the renewal or extension of the lease, and all other notices or correspondence related to Franchisee compliance with the lease and Franchisee's right to remain in possession of the premises, not later than two (2) days after receipt thereof by Franchisee.

5.6. Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service members and customers, including at least one (1) manager on duty at all times and one (1) Business Coach and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Success may prescribe. Franchisee shall comply with all applicable employment and wage and hour laws and regulations. Franchisee is solely responsible for all employment decisions and functions of the Franchised Business including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Success on these subjects. Franchisee acknowledges and agrees that all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by Franchisee, without any influence from Success, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Success. Further, it is the intention of the parties to this Agreement that Success shall not be deemed a joint employer with Franchisee for any reason. If Success incurs any cost, loss, or damage as a result of any actions or omissions of Franchisee or Franchisee's employees, including any that relate to any party making a finding of any joint employer status, Franchisee will fully indemnify Success for such loss.

5.7. Health, Sanitation and Safety Standards. Franchisee shall meet and maintain the highest health, sanitation and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Success, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency or authority with jurisdiction over the Franchised Business. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates as may be required by applicable local rules and regulations and/or the Manual.

5.8. Franchised Business Premises Maintenance. Franchisee shall at all times maintain the Franchised Business premises in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Success's prior written consent) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Success may reasonably direct.

5.9. Remodeling and Image Enhancements. In addition to the maintenance obligations set forth in Section 5.8, Franchisee shall undertake such periodic and ongoing remodeling and upgrading of the Franchised Business, the Franchised Business premises, and the furniture, fixtures, equipment, décor, signage and trade dress of the Franchised Business, as required by Success in the Manuals or otherwise in writing. Without limiting the foregoing, not sooner than one (1) year after the date upon which the Franchised Business opens for business, and again as a pre-condition to renewal pursuant to 2.2 above, Success may require that Franchisee refurbish the Franchised Business at its expense to conform to the building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for new Success Spaces, including without limitation remodeling, redecoration, and modifications to existing improvements, as Success may require in writing (collectively, "**Franchised Business Remodeling**").

5.9.1. Franchisee shall not be required to engage in Franchised Business Remodeling more than once every five (5) years during the term of this Agreement. In addition, Success may require Franchised Business Remodeling more often if such Franchised Business Remodeling is required as a pre-condition to renewal as described in Section 2.2 above.

5.9.2. The limitation on the frequency or scope of Franchised Business Remodeling shall not include repair to, or the normal upkeep of, the Franchised Business, nor shall it include Equipment Upgrades (as defined below).

5.9.3. Franchisee shall have six (6) months after receipt of Success's written notice, along with the specifications for such Franchised Business Remodeling, within which to complete Franchised Business Remodeling.

5.10. Equipment Upgrades. In addition to Franchised Business Remodeling, Franchisee shall make, from time to time, such upgrades and other changes to the equipment utilized in the Franchised Business and the Computer System as Success may request in writing (and as also specified above) (collectively, "**Equipment Upgrades**"). Success shall have the right to require any Equipment Upgrades it deems necessary for the Franchised Business.

5.11. Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Success may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.11.1. To sell or offer for sale only such services and products as have been expressly approved for sale in writing by Success; to sell or offer for sale all such services and products as specified by Success; to refrain from any deviation from Success's standards and specifications without Success's prior written consent; and to discontinue selling and offering for

sale any services and products which Success shall have the right to disapprove, in writing, at any time.

5.11.2. To maintain in sufficient supply, and to use and/or sell at all times only such products, ingredients, materials, supplies, paper goods and merchandise as conform to Success's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Success's specific prior written consent.

5.11.3. To permit Success or its agents, at any reasonable time, to remove samples of products and merchandise, without payment therefor, in amounts reasonably necessary for testing by Success or an independent laboratory to determine whether said samples meet Success's then current standards and specifications. In addition to any other remedies it may have under this Agreement, Success may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Success or if the sample fails to conform to Success's specifications.

5.11.4. To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment (including the Computer System), decor, and signs as Success shall specify; and to refrain from installing or permitting to be installed on or about the Franchised Business premises, without Success' prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Success' standards and specifications.

5.11.5. To fully and faithfully comply with all applicable governing authorities, laws and regulations. Franchisee shall immediately close the Cafe and terminate Cafe in the event that: (i) any products sold at the Cafe evidence adulteration or deviation from the standards set for products by Success; (ii) any products sold at the Cafe fail to comply with applicable laws or regulations; or (iii) Franchisee fails to maintain the Cafe products, premises, equipment, or personnel, or operation of the Cafe in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Success in writing and Franchisee shall destroy immediately in accordance with procedures set forth in the Manuals, or otherwise in writing by Success, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Cafe until after Success has inspected the Cafe premises, and Success has determined that Franchisee has corrected the condition and that all products sold at the Cafe comply with Success' standards.

5.11.6. To refrain from installing or permitting to be installed any vending machine, game or coin operated devices, unless specifically approved in writing, in advance, by Success.

5.12. Supplies and Suppliers. Franchisee agrees to purchase or lease all equipment (including the Computer System), ingredients, supplies, fixtures, furnishings, décor, signs, goods, and services that are designated or prescribed in the Manuals ("**goods**" and "**services**"). Such purchase may include the purchase of software licenses and the entry into software license agreements. Franchisee also agrees to purchase such goods and services solely from suppliers that Success has approved in writing. In determining whether it will approve any particular good or service or supplier, Success shall consider various factors, including, for goods and services, those that meet Success's then-current standards and specifications, and have not thereafter been

disapproved, and for suppliers, suppliers who can demonstrate, to Success's continuing reasonable satisfaction, the ability to meet Success's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the System, in Success's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Success prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "**supplier**" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisee recognizes that Success shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular good or service, and that Success may so designate itself or its affiliate, and that Success may designate itself or an affiliate as the only, or one of a limited number of, suppliers for any goods or services.

5.12.1. If Franchisee wishes to purchase any unapproved goods or services, or any goods or services from an unapproved supplier, Franchisee shall first submit to Success a written request for such approval. Franchisee shall not purchase any unapproved goods or services or any goods or services from any unapproved supplier unless and until such goods or services or such supplier has been approved in writing by Success. Success shall have the right to require that its representatives be permitted to inspect the unapproved goods or services, or in the case of an unapproved supplier, the supplier's facilities, and that samples of the goods be delivered, either to Success or to an independent laboratory designated by Success for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. For approval of unapproved suppliers, Success may also require that the supplier comply with such other requirements as Success may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Success by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Success may render to such suppliers. Success reserves the right, at its option, to reinspect from time to time the facilities and goods or services of any approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Success's then current criteria.

5.12.2. Nothing in the foregoing shall be construed to require Success to approve any particular goods or supply or supplier, nor to require Success to make available to prospective suppliers, standards and specifications, which Success shall have the right to deem confidential.

5.12.3. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Success's sole option, Success may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Success Spaces with some or all of the goods and services that Success requires for use and/or sale in the development and/or operation of Success Spaces. In this event, Success may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all goods and services, and/or refuse any of Franchisee's requests if Success believes that this action is in the best interests of the System or the network of Success Spaces. Success shall have the sole discretion to approve or disapprove of the suppliers who may be permitted to sell goods and services to Franchisee.

5.12.4. Franchisee acknowledges and agrees that Success shall have the right to collect and retain all manufacturing allowances, distribution allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to

Franchisee or to Success or its affiliates based upon Franchisee's purchases of goods and services. These Allowances are based on network-wide purchases of goods and services. Franchisee assigns to Success or its designee all of Franchisee's right, title and interest in and to any and all such Allowances and authorizes Success or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier); provided, however, that Success's current policy is to utilize such funds for purposes that Success believes, in its sole discretion, may enhance the "Success" brand and/or public awareness of the brand.

5.12.5. Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Success or third parties as part of a network or multiple-franchise or multiple-Success Space supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Success may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee shall promptly reimburse Success for such payment following notice from Success, or Success may obtain payment through the EFT process described in Section 3.5 above and the Manuals.

5.13. Inspections. Franchisee grants Success and its designees and agents the right to enter upon the Franchised Business premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Marks, and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals. Success shall also have the right to take and maintain photographs and videos, in any medium, of the Franchised Business and the operations at the Franchised Business. Franchisee shall cooperate with Success's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Success, its designees, or its agents and without limiting Success's other rights under this Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Franchisee shall reimburse Success for all of Success's costs and expenses, including labor and travel expenses, incurred in conducting all such follow-up inspections after the first follow-up inspection. Success may also assess a reinspection fee of Two Hundred Fifty Dollars (\$250.00) per visit, in addition to a reimbursement of costs. Franchisee shall make such payments within fifteen (15) days after receipt of an invoice from Success, or Success may elect to obtain payment through the EFT provisions of Section 3.5.

5.14. Technology and Computer System. At Success's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System, and comply with Success's requirements, specifications and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Success may prescribe.

5.14.1. Success shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Success deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Success's standards and specifications for all item(s) associated with the Computer System, and will otherwise operate the Computer System in accordance with Success's standards and specifications. To ensure full operational efficiency and optimum communication capability

between and among equipment and computer systems installed by Franchisee, Success, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Success shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Success directs periodically in writing. Franchisee shall provide to Success, upon Success's request, all email lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

5.14.2. Success has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; and (e) an Extranet for informational assistance, which may include the Manuals, training other assistance materials, and management reporting solutions.

5.14.3. Franchisee agrees to install and use the Computer System and Required Software in the manner that Success requires.

5.14.4. Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Success may reasonably request in writing (collectively, "**Computer Upgrades**").

5.14.5. Franchisee agrees to comply with Success's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

5.14.6. Franchisee agrees to afford Success unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Success requests.

5.14.7. Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Success will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Success will have the right to implement those changes in technology into the System; and (b) to abide by Success's reasonable new standards as if this Section 5.14, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.15. Data. Franchisee may collect information from members, customers and potential members and customers in connection with the operation of the Franchised Business, including personally-identifiable names and addresses, payment information and other information ("**Customer Data**"). All data provided by Franchisee in any form, and whether required by this Section 5.15 or any other requirement under the System or in the Manuals, including data uploaded to Success's computer system from Franchisee's Computer System, and/or downloaded from the Franchisee's Computer System to Success's computer system, is and will be owned exclusively



by Success, including without limitation, Customer Data, customer lists and e-mail lists, and Success will have the right to use such data in any manner that Success deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including but not limited to consumer and transaction data), is and will be owned exclusively by Success during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Success upon Success's request. Success hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the business franchised under this Agreement. Franchisee shall not sell, share or otherwise disseminate such data without Success' prior written consent. Success may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations.

5.16. Privacy Laws. Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

5.16.1. Franchisee agrees to comply with Success's standards and policies pertaining to Privacy Laws. If there is a conflict between Success's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Success written notice of said conflict; and (iii) promptly and fully cooperate with Success and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Privacy Laws within the bounds of applicable law.

5.16.2. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Success's prior written consent as to such policy.

5.17. Website and Internet Advertising. Success shall have the right to establish and maintain an Internet website that provides information about the System and the Products and Services that Success Spaces offer. Success will have sole control over the website's design and contents and may modify the content of and/or discontinue the website at any time. Success may use part of the Marketing and Promotions Fees it collects and part of the Marketing and Promotions Fund's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Success may not use Marketing and Promotions Fees or Marketing and Promotions Fund Contributions to pay for those components of the website that are devoted to the sale of franchises for new Success Spaces. The website may include a section that provides the address, telephone number and e-mail address of each Success Space in the System, including the Franchised Business. In addition, Success's approved supplier may establish an individual webpage identifying the Franchised Business's location and services. Success must approve all content on the individual webpage. Success will own the website (including any webpages for the Franchised Business) and domain name at all times. Franchisee will not have any independent right to advertise the Franchised Business on the Internet or in any form of social media, without Success's prior written consent. If Franchisee desires to advertise online, Franchisee must follow Success's online policy, which is contained in the Manuals. Franchisee will not be permitted to operate a separate website or social media page (including without limitation Facebook, Instagram, Snapchat, or TikTok) without Success's prior written approval and without sharing the administrative rights with Success. Franchisee must provide administrator passwords and

privileges to Success, and shall not change or update either the administrator or password without first notifying Success in writing. Success is only required to reference the Franchised Business on the website while Franchisee is in full compliance with this Agreement.

5.18. POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point of sale systems or such other types of cash register systems that Success has the right to designate or approve in the Manual or otherwise in writing (“**POS System**”). The POS System is deemed to be part of Franchisee’s Computer System. Franchisee must utilize computer-based point-of-sale devices that are fully compatible with any program or system that Success designates, and Franchisee must record all Gross Sales and all revenue information on such equipment.

5.19. Gift Cards. Success shall have the right to require Franchisee to participate in such gift card program(s) that Success specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards or stored value cards, which Success may specify in the Manuals or otherwise in writing. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift cards only in accordance with Success’s written standards. Franchisee must account for all gift card and stored value card sales, gift card and stored value card redemptions and other gift card and stored value transactions in the manner Success specifies in the Manuals. Franchisee must maintain sufficient cash reserves to pay Success or other franchisees as part of any network-wide periodic reconciliation of the gift card program. Franchisee shall pay Success or make payments as specified by Success, in such amounts and at such times as directed by Success, in accordance with Success’s gift card rules, programs and policies. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift cards that Success has approved in writing.

5.20. E-Mail, Internet and Other Media; E-Mail and Fax Communications. Franchisee must comply with Success’s requirements and policies (as described in the Manuals or otherwise in writing) with respect to the transmission of all e-mails in connection with the Franchised Business, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. Such activities include participation in any Internet “blogs” or social networking sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Success, shall be subject to Success’s approval as described in Section 6 below.

5.20.1. Franchisee agrees that exchanging information with Success by e-mail is an important way to enable quick, effective, and efficient communication, and that Success and Franchisee are entitled to rely upon each other’s use of e-mail for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail to exchange information, Franchisee authorizes the transmission of e-mail by Success and Success’s employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, “**Official Senders**”) to Franchisee and Franchisee’s employees during the term of this Agreement. Success’s list of Official Senders shall be the master and official list of Official Senders.

5.20.2. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by telephone, text, or e-mail or other electronic media without Success’s prior written consent as to: (a) the content of such advertisements or solicitations; and

(b) Franchisee's plan for transmitting such advertisements or solicitations. Success's review of Franchisee's advertisements or solicitations, or of Franchisee's plan for transmitting such advertisements or solicitations, is only for Success's benefit and Success's review will pertain to whether the proposed advertisements or solicitations comply with Success's specifications. Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Telephone Consumer Protection Act of 1991.

5.20.3. Franchisee agrees that: (a) Official Senders are authorized to send e-mails to Franchisee and its employees; (b) Franchisee will cause its officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Success may reasonably require) to Official Senders' transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the term of this Agreement.

5.20.4. The consent given above in this Section 5.20 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.21. Credit Cards and Other Methods of Payment. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-funds-transfer systems that Success designates as mandatory, and Franchisee must not use any such services or providers that Success has not approved in writing or for which Success has revoked its approval. Success has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies as prescribed in the Manuals. Franchisee must comply with the Payment Card Industry Data Security Standards ("PCI DSS") as they may be revised and modified by the Payment Card Industry Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or such successor or replacement organization and/or in accordance with other standards as Success may specify, and the Fair and Accurate Credit Transactions Act ("FACTA"). Franchisee shall also upgrade periodically its POS System and related software, at Franchisee's expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.22. Uniforms. To promote a uniform System image, Franchisee shall require all of its Franchised Business personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.23. Prices. With respect to the sale of all services and products, Franchisee shall have sole discretion as to the prices to be charged to its members and customers; provided, however, that Success may establish, advertise, and promote minimum or maximum prices on such products or services, subject to compliance with applicable laws. If Success has imposed such a minimum or maximum price on a particular product or service, and subject to applicable law, Franchisee may not charge a price for such product or service below the minimum price or in excess of the maximum price set by Success.

5.24. Compliance with Laws and Good Business Practices. Franchisee shall operate the Franchised Business in full compliance, subject to its right to contest, with all applicable laws, ordinances and regulations including all government regulations relating to occupational hazards and health, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All advertising and promotion by Franchisee shall be factually accurate and conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of Success and the goodwill associated with the Marks and other Success Spaces.

5.25. Franchisee Structure; Principal Owner and Owners.

5.25.1. Except as otherwise approved in writing by Success, if Franchisee is a corporation, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Success with a copy of its articles or certificates of incorporation and bylaws, as well as such other documents as Success may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Success, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Success upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.25.2. If Franchisee is a partnership or limited liability partnership it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Success with its partnership agreement as well as such other documents as Success may reasonably request, and any amendments thereto; (iii) prepare and furnish to Success, upon request, a current list of all general and limited partners in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Success, which references the transfer restrictions imposed by this Agreement.

5.25.3. If a Franchisee is a limited liability company, Franchisee shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Success with a copy of its articles of organization and operating agreement, as well as such other documents as Success may reasonably request, and any amendments thereto; (iii) prepare and furnish to Success, upon request, a current list of all members and managers in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Success, which references the transfer restrictions imposed by this Agreement.

5.25.4. Franchisee shall designate, subject to the review and approval by Success, individuals to serve in the following positions:

5.25.4.1. Principal Owner. Unless and except to the extent that Success otherwise consents in writing, a Principal Owner shall participate personally in the direct operation of the Franchised Business. If Franchisee is an individual and meets the required qualifications, Franchisee may serve as the Principal Owner for the Franchised Business. Franchisee shall notify Success promptly if the individual serving as the Principal Owner for the Franchised Business no longer serves as an employee of Franchisee or no longer meets the requirements of being a Principal Owner for the Franchised Business. “**Principal Owner**” shall mean an individual who: (1) has at least three (3) years of management experience in the operation of a retail business (or, if Franchisee or Franchisee’s affiliate operates at least one Success Space as of the Effective Date, the Principal Owner of the Franchised Business must have at least two (2) years of management experience in the operation of a retail business), (2) has completed Success’s required training program, (3) Success has approved to supervise the day-to-day operations of the Franchised Business, (4) owns at least twenty percent (20%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) lives no more than a one-hour drive from the Franchised Business premises.

5.25.4.2. Owners: An “**owner**” is any person that has any direct or indirect ownership or membership interest in Franchisee, or in any entity that has any direct or indirect ownership interest in Franchisee. All owners along with their ownership interests, shall be identified in Exhibit D hereto, and any change in ownership, whether subject to Section 12.3 or not, shall be provided to Success, in advance and in writing, and Exhibit D shall be amended to reflect all changes in ownership.

5.25.4.3. Designated Manager: Franchisee shall designate a manager, subject to approval by Success, and satisfactory completion of Success’s training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Franchised Business (the “**Designated Manager**”). The Designated Manager and the Principal Owner may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Success.

5.26. Personal Guaranty, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, if Franchisee is a business entity, each owner shall execute the Guaranty, Indemnification, and Acknowledgement, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit E, provided, however, that no guarantee shall be required from a person who acquires Franchisee’s securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934. In addition, Success may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guaranty, Indemnification, and Acknowledgement, Indemnification and Acknowledgment.

5.27. System Modifications. Franchisee acknowledges and agrees that from time to time Success may change or modify the System as Success deems appropriate, including to reflect the changing market and/or to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Success Spaces. Success’s changes to the System may include the adoption and use of new or modified products, services, equipment and furnishings

and new techniques and methodologies relating to the operation of a Success Space, and new trademarks, service marks and copyrighted materials. Notwithstanding the provisions and limitations of Section 5.9, Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Business any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Success reserves the right, at its option, to vary the standards throughout the System, as well as the services and assistance that Success may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Success deems to be important to the operation of any Success Space or the System. Franchisee shall have no recourse against Success on account of any variation to any franchisee and shall not be entitled to require Success to provide Franchisee with a like or similar variation hereunder.

5.28. Membership Program and Membership Agreements.

5.28.1 Success reserves the right to require that Franchisee participate in a System membership program in which a member of any Success Space may visit and enjoy privileges at all Success Spaces, including the Franchised Business. The terms for such membership program, including any Franchisee reimbursement and/or compensation requirements will be designated or prescribed by Success in the Manuals. Success may eliminate and/or modify the membership program at any time.

5.28.2 Franchisee must ensure that every form of membership agreement that Franchisee uses complies with the System and applicable laws, including laws pertaining to and escrow requirements. Franchisee must send Success (a) copies of all forms of membership agreements Franchisee intends to use at least thirty (30) days before Franchisee begins offering memberships; and (b) copies of any revised forms of membership agreements within ten (10) days after Franchisee makes any revisions. Success may review and approve or disapprove such agreements, provided that Success's review will be limited to verifying compliance with the System and not evaluating compliance with applicable laws (which remain solely Franchisee's responsibility). Franchisee must not use (and must discontinue use of) any forms of membership agreements that Success does not approve.

5.29. National Accounts. Success reserves the right to develop a national accounts program for the benefit of the System, franchisees, and Success Spaces and to require Franchisee to participate in such program. A "**National Account**" is a client, a group of clients, or an organization or entity that has the right, by common ownership, control, or legal status, to arrange for Success Services and Products to be provided at multiple Success Space locations and/or for multiple clients, regardless of whether local, regional or national in scope. National Accounts may include a variety of different organizations, including federal, state or local government agencies, companies, and non-profit organizations. The locations of some of the National Account clients may be within and/or outside of the Designated Marketing Area. The terms of the National Accounts program, including franchisee compensation will be designated or prescribed by Success in the Manuals. Success may eliminate and/or modify the National accounts program at any time. Franchisee agrees to comply with Success' National Accounts rules and policies as they may be modified from time to time

5.30. No Third-Party Management. The Franchised Business shall be operated under the control and supervision of Franchisee, its Principal Owner, the Designated Manager or another Designated Manager hired by and employed by Franchisee and approved by Success. Franchisee

shall not hire or retain a management company, manager (other than an employee manager trained and approved by Success), or third party to undertake any of the management or operational functions of the Franchised Business.

## **6. ADVERTISING AND MARKETING**

Recognizing the value of advertising and marketing, and the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

6.1. Grand Opening Program. In addition to and not in lieu of the Marketing and Promotions Fund Fee and any expenditures for local advertising and promotion, Franchisee shall spend a minimum of Fifteen Thousand Dollars (\$15,000) for grand opening advertising and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan which Success and Franchisee will collaborate and agree upon (the "**Grand Opening Program**"). Success reserves the right to require that Franchisee to pay to Success the required and agreed upon Grand Opening Program amount ("**Grand Opening Program Amount**") at a time that is sufficiently in advance of the scheduled opening to implement the Grand Opening Program. If Success requires that Franchisee pay the Grand Opening Program Amount to Success, Success will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for Franchisee's Franchised Business. The Grand Opening Program may commence prior to opening the Franchised Business and shall be completed within sixty (60) days after the Franchised Business commences operation. If Success spends additional amounts on advertising as part of the Grand Opening Program, in amounts that Success and Franchisee agree are part of the Grand Opening Program, Franchisee must reimburse Success for the additional costs within fifteen (15) days after the receipt of notice from Success. Franchisee may spend such additional sums as Franchisee deems necessary or appropriate in connection with the opening of Franchisee's Franchised Business. Franchisee shall submit to Success, for Success's prior written approval, a Grand Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Success.

6.2. Establishment of Marketing and Promotions Fund and Local Marketing Cooperative. Success shall have the right to establish the Marketing and Promotions Fund and/or a Local Marketing Cooperative, as described in this Section 6.

6.3. Marketing and Promotions Fund. Commencing once Success has established a Marketing and Promotions Fund and continuing for each calendar month thereafter during the term of this Agreement, Franchisee shall pay to Success an amount equal to one percent (1%) of the preceding month's Gross Sales (the "**Marketing and Promotions Fund Fee**"). For all Success Spaces owned by Success, Success shall contribute to the Marketing and Promotions Fund and/or Local Marketing Cooperative (as described below) on the same basis as franchisees. The Marketing and Promotions Fund shall be maintained and administered by Success or its designee, as follows:

6.3.1. Success or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Marketing and Promotions Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System;

and Success and its designee are not obligated, in administering the Marketing and Promotions Fund, to make expenditures for Franchisee which are equivalent or proportionate to Success's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing and Promotions Fund.

6.3.2. The Marketing and Promotions Fund, all contributions thereto, and any earnings thereon, shall be used exclusively (except as otherwise provided in this Section 6.3) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing brand development, advertising, marketing, public relations and/or promotional programs and materials, and any other activities which Success believes will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and member and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and member and customer satisfaction surveys; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events and sponsorships; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one (1) or more websites devoted to the System, the Marks and/or the "Success" brand; providing promotional and other marketing materials and services to the Success Spaces operated under the System; and the salaries of Success employees to the extent such employees provide services in conjunction with System marketing activities. The Marketing and Promotions Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by Success, which products, services, or improvements Success shall have the right to determine will promote general public awareness and favorable support for the System.

6.3.3. Franchisee shall contribute to the Marketing and Promotions Fund in the manner specified by Success. All sums paid by Franchisee to the Marketing and Promotions Fund shall be maintained in an account separate from Success's other monies. Success shall have the right to charge the Marketing and Promotions Fund for such reasonable administrative costs and overhead as Success may incur in activities reasonably related to the direction and implementation of the Marketing and Promotions Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs and accounting services reasonably related to the operation and functions of the Marketing and Promotions Fund. The Marketing and Promotions Fund and its earnings shall not otherwise inure to Success's benefit. Success or its designee shall maintain separate bookkeeping accounts for the Marketing and Promotions Fund.

6.3.4. The Marketing and Promotions Fund is not intended to be, and will not be used for, Success's ordinary operating expenses, nor is it a trust, and Success does not assume any fiduciary obligation to Franchisee for maintaining, directing or administering the Marketing and Promotions Fund or for any other reason. A statement of the operations of the Marketing and



Promotions Fund as shown on Success's books shall be prepared annually by Success and shall be made available to Franchisee on an annual basis.

6.3.5. Although the Marketing and Promotions Fund is intended to be of perpetual duration, Success maintains the right to terminate the Marketing and Promotions Fund. The Marketing and Promotions Fund shall not be terminated, however, until all monies in the Marketing and Promotions Fund have been expended for advertising and/or promotional purposes or returned to Marketing and Promotions Fund contributors.

6.3.6. The Marketing and Promotions Fund may be audited by Success at its option, but Success has no obligation to conduct an audit. All expenses of such audit shall be paid for from the Marketing and Promotions Fund.

6.4. Success shall have the right to designate any geographical area for the purpose of establishing a market brand development and promotional cooperative fund ("**Local Marketing Cooperative**"). If a Local Marketing Cooperative for the geographic area in which the Franchised Business is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Local Marketing Cooperative, unless otherwise permitted by Success. If a Local Marketing Cooperative for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee shall become a member of such Local Marketing Cooperative within thirty (30) days after the date on which the Local Marketing Cooperative commences operation, unless otherwise permitted by Success. In no event shall Franchisee be required to be a member of more than one (1) Local Marketing Cooperative relating to the Franchised Business. Franchisee shall contribute to the Local Marketing Cooperative of which Franchisee is a member an amount each calendar month during the term of this Agreement that is determined by Success, which shall not be more than one percent (1%) of the preceding month's Gross Sales (the "**Local Marketing Cooperative Fee**"); provided that any amount paid by Franchisee toward the Local Marketing Cooperative Fee shall offset Franchisee's obligation to spend the Local Advertising Amount (as described in Section 6.5 below). The following provisions shall apply to each such Local Marketing Cooperative:

6.4.1. Each Local Marketing Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Success in writing. Unless otherwise specified by Success, the activities carried on by each Local Marketing Cooperative shall be decided by a majority vote of its members. Any Success Spaces that Success operates in the region shall have the same voting rights as those owned by franchisees. Each Success Space owner shall be entitled to cast one (1) vote for each Success Space owned.

6.4.2. Each Local Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Success's approval, standardized promotional materials for use by the members in local advertising.

6.4.3. No advertising or promotional plans or materials may be used by a Local Marketing Cooperative or furnished to its members without Success's prior approval, pursuant to the procedures and terms as set forth in this Agreement.

6.4.4. Franchisee shall submit Franchisee's required contribution to the Local Marketing Cooperative at the time required under Section 3.5 above, together with such statements or reports as may be required by Success or by the Local Marketing Cooperative with Success's prior written approval. If so requested by Success in writing, Franchisee shall submit Franchisee's payments and reports to the Local Marketing Cooperative directly to Success for distribution to the Local Marketing Cooperative.

6.4.5. Although once established, each Local Marketing Cooperative is intended to be of perpetual duration, Success shall maintain the right to terminate any Local Marketing Cooperative. A Local Marketing Cooperative shall not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for advertising and/or promotional purposes or returned to its members.

6.5. Local Advertising. Franchisee must spend at least seven percent (7%) of the preceding month's Gross Sales on local advertising (defined below in Section 6.6) (the "**Local Advertising Amount**") within the Designated Marketing Area. Success shall have the right to revise the Local Advertising Amount, upon not less than thirty (30) days' notice to Franchisee, provided, however that in no event shall the Local Advertising amount exceed the greater of ten percent (10%) of Gross Sales or Ten Thousand Dollars (\$10,000) per month. All local advertising by Franchisee shall be in such media, and of such type and format as Success may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Success may specify; and shall comply with all applicable laws. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Success, pursuant to the procedures and terms set forth in Section 6.7 below. Franchisee shall comply with all of Success's written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Marketing Area, outside of Franchisee's Designated Marketing Area, and in areas that may be territories assigned to other Success Spaces or franchisees (including rules regarding honoring of gift certificates, stored value cards, and promotions).

6.6. Costs of Local Advertising. As used in this Agreement, the term "**local advertising**" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of advertising and sales promotion spent by Franchisee in the Designated Marketing Area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

6.6.1. Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

6.6.2. Charitable, political, or other contributions or donations, whether in cash or services; or

6.6.3. The value of discounts provided to customers.

Franchisee shall furnish Success a monthly accounting of Franchisee's previous month's expenditures for local advertising in a form approved by Success.

6.7. Approvals. Success or its designee shall have the right to approve all local advertising by Franchisee, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. For all proposed local advertising, Franchisee shall submit samples of such plans and materials to Success in the manner that Success prescribes, for Success's review and prior written approval (except with respect to prices to be charged by Franchisee). Franchisee shall not use any advertising that has not been previously approved by Success and shall discontinue use of any advertising that Success subsequently disapproves. If written approval is not received by Franchisee from Success within fifteen (15) days after the date of receipt by Success of such samples or materials, Success shall be deemed to have disapproved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Success, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Success to give effect to this provision.

6.8. Promotional Materials. Success may make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising. Success may provide periodic marketing assistance to Franchisee, including telephone and email marketing assistance, and templates or other materials for email-based marketing. Success shall have the right to require all advertising and promotional materials and accessories, signs, menus, decorations, all forms of stationery used in or by the Franchised Business, any and all replacement trade dress products, and other items which may be designated by Success, to bear the Success's then-current Marks and logos in the form, color, location, and manner then-prescribed by Success.

## 7. RECORDS AND REPORTS

7.1. Records. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by Success from time to time in the Manuals or otherwise in writing. Franchisee shall prepare and maintain all books and records required under this Agreement and as prescribed by Success during each fiscal year during the Term of this Agreement and for the three years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Success or its designee without special hardware or software.

7.2. Periodic Reports. Franchisee shall, at its expense, provide to Success, in a format specified by Success, such financial and operating reports that Success prescribes. Failure to provide any Periodic Reports in a timely manner will result in a Fifty Dollars (\$50) per day late fee, in addition to all other rights and remedies available to Success.

7.3. Reporting Requirements. In addition to the Sales Reports required pursuant to Section 3.5, Franchisee shall also submit to Success such other forms, reports, records, information, and data as and when Success may reasonably designate, in the form and format, and at the times and places reasonably required by Success, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4. Audit. Success or its designated agents shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Success's expense, all books, records, and sales and income tax returns of Franchisee. Franchisee shall cooperate fully with all audits and requests for information made by Success or its designees. Success shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any payments have been understated or overstated in any report to Success, then Franchisee shall immediately pay Success, in the event of an understatement, the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of two percent (2%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Success for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Success may have.

## **8. MARKS**

8.1. Ownership of the Marks. Success represents with respect to the Marks that:

8.1.1. Success's affiliate, Success Enterprises, LLC, is the owner of all right, title, and interest in and to the Marks.

8.1.2. Success's affiliate has taken and will take all steps reasonably necessary to preserve and protect Success's affiliate's ownership of, and validity in, the Marks.

8.1.3. Success's affiliate has granted Success the right to use, and sublicense the right to use, the Marks and the System in connection with the development and operation of Success Spaces.

8.2. Use of the Marks. With respect to Franchisee's use of the Marks, Franchisee agrees that:

8.2.1. Franchisee shall use only the Marks designated by Success, and shall use them only in the manner authorized and permitted by Success.

8.2.2. Franchisee shall use the Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Success approved advertising for the business conducted at or from that location.

8.2.3. Unless Success otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Franchised Business only under the name "Success Space," without prefix or suffix.

8.2.4. During the term of this Agreement and any renewal of this Agreement, Franchisee shall identify itself (in a manner reasonably acceptable to Success) as the owner of the Franchised Business in conjunction with any use of the Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Success may designate in writing.

8.2.5. Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Success's rights.

8.2.6. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Success.

8.2.7. Franchisee shall not use the Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification of Franchisee in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Franchisee or the Franchised Business in any forum or medium. Success reserves the right to require Franchisee to file or otherwise update its corporate or other legal name with state or local government authorities to reflect "Success" as a DBA.

8.2.8. Franchisee shall execute any documents deemed necessary by Success to obtain protection for the Marks or to maintain their continued validity and enforceability.

8.2.9. Franchisee shall promptly notify Success of any suspected infringement of the Marks, any known challenge to the validity of the Marks, or any known challenge to Success's ownership of, or Franchisee's right to use, the Marks licensed hereunder. Franchisee acknowledges that Success or its affiliate shall have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. Success or its affiliate shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Except to the extent that any litigation involving the Marks is the result of Franchisee's use of the Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against Success, Success or its affiliate shall reimburse Franchisee for its out of pocket litigation costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Success or its affiliate shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is solely related to the validity or ownership of the mark. To the extent that such litigation is the result of Franchisee's use of the Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Success or its affiliate for the cost of such litigation (or, upon Success's written request, pay Success's legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

8.2.9.1. If Success or its affiliate undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Success, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

8.3. Franchisee Acknowledgements. Franchisee expressly understands and acknowledges that:

8.3.1. The Marks are valid, owned by Success's affiliate, and serve to identify the System and those who are authorized to operate under the System.

8.3.2. Neither Franchisee nor any Principal of Franchisee shall directly or indirectly contest the validity or Success's affiliate's ownership of the Marks, nor shall Franchisee, directly or indirectly, seek to register the Marks with any government agency, except with Success's and its affiliate's express prior written consent.

8.3.3. Franchisee's use of the Marks does not give Franchisee any ownership interest or other interest in or to the Marks, except the license granted by this Agreement.

8.3.4. Any and all goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to Success's affiliate's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks.

8.3.5. The right and license of the Marks granted hereunder to Franchisee is nonexclusive, and Success and its affiliate thus have and retain the rights, among others:

8.3.5.1. To use the Marks itself in connection with selling products and services;

8.3.5.2. To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Marks;

8.3.5.3. To develop and establish other systems using the same or similar Marks, or any other Marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

8.3.6. Success reserves the right to substitute different Marks for use in identifying the System and the businesses operating thereunder if the Marks no longer can be used, or if Success, exercising its right to do so, determines that substitution of different Marks will be beneficial to the System. In such circumstances, Franchisee shall implement at Franchisee's expense such substituted Marks in such ways as Success may direct, and the use of the substituted Marks shall be governed by the terms of this Agreement.

## **9. MANUALS**

9.1. Manuals. In order to protect the reputation and goodwill of Success and its affiliates and to maintain high standards of operation under Success's Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Success for the term of this Agreement. The Manuals may consist of multiple volumes of printed text, video and/or audio tapes and files, computer disks, and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format, and Franchisee acknowledges and agrees that Success may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet and via access to a website.

9.2. Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

9.3. Protection of the Manuals. The Manuals shall at all times remain the sole property of Success and shall at all times be kept in a secure place on the Franchised Business premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Success at Success's home office shall be controlling.

9.4. Revisions to the Manuals. Success may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard immediately upon receipt of such revision.

## **10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE**

10.1. Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know-how concerning the System or the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement (the "**Confidential Information**"). Franchisee shall divulge such Confidential Information only to such of its owners, directors, members, officers, managers or employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques which Success designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Success; or which, at or after the time of disclosure by Success to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any owners, directors, members, officers, managers or employees who may have access to any Confidential Information regarding the Franchised Business shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by Success, which form shall, among other things, designate Success as a third party beneficiary of such covenants with the independent right to enforce them.

10.2. Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Success irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Success in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10.

10.3. Information Exchange. Franchisee agrees to disclose to Success all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or

operation of the Franchised Business. Franchisee hereby agrees that Success or its affiliates own any such ideas, concepts, methods, techniques, and products and shall execute and obtain the execution of such documents as Success or its affiliate may prescribe to affect such ownership. Success shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Success's prior written approval.

10.4. Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Success, the Principal Owner or a Designated Manager appointed in accordance with Section 5 and the Business Coach shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

10.5. In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including information regarding Success's operational, sales, promotional, and marketing methods and techniques and the System. During the term of this Agreement, except as otherwise approved in writing by Success, Franchisee shall not, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

10.5.1. Divert or attempt to divert any business or customer of the Franchised Business or of any Success Space using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

10.5.2. Except as otherwise approved in writing by Success, directly or indirectly own, maintain, operate, engage in, have any interest in or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, lessor, or otherwise) any "**Competitive Business**," which shall mean any business that derives more than twenty five percent (25%) of its revenues from the sale or rental of co-working-space or flex-space services or the sale or rental of other related services and products, which Competitive Business is located or operated anywhere in the United States.

10.6. Post-Term Covenants. Except as otherwise approved in writing by Success, Franchisee shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 below; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 10.6; either: (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, lessor or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Designated Marketing Area or (b) within five (5) miles of any other Success Space owned and/or operated by Success or a franchisee as of the time that the obligations under this Section 10.6 commence or (2) solicit any former customers of the Franchised Business or any other Success Space, or (3) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System. If Franchisee does not comply with the post-term covenants as specified in this Section 10.6, the post-term non-compete period shall not begin to run until Franchisee begins to comply.



10.7. Publicly-Held Corporations. Section 10.6 above shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term “**publicly held corporation**” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

10.8. Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 8, 9, 10, 12, and 14 (as modified to apply to an individual, if applicable) from any or all of Franchisee’s owners holding a five percent (5%) or greater interest in Franchisee, the Principal Owner, Designated Manager, any spouse (or domestic partner or other immediate family member) of an owner required to provide the covenants described above in this Section 10.8, and the Business Coach. The covenants required by this Section 10.8 shall be in the form provided in Exhibit F to this Agreement. Franchisee shall deliver to Success copies of such executed covenants immediately upon Success’s request. Failure by Franchisee to obtain execution of a covenant required by this Section 10.8 shall constitute a default under Sections 10.5 and 10.6 above.

10.9. Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Success is a party, Franchisee agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.

10.10. Scope of Covenants. Success shall have the right to reduce the scope of any covenant set forth in Sections 10.5 and 10.6 in this Agreement, or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 and 24.2 below.

10.11. Enforcement of Claims. The existence of any claims Franchisee may have against Success, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Success of the covenants in this Section 10. Franchisee agrees to pay all costs and expenses (including reasonable attorneys’ fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Success in connection with the enforcement of this Section 10.

10.12. Irreparable Injury. Franchisee acknowledges that Franchisee’s violation of the terms of this Section 10 would result in irreparable injury to Success for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 10.

10.13. Remedies Not Exclusive. The remedies in this Section 10 are in addition to the other right and remedies available to Success and shall not serve as an election of remedies or a waiver of any other rights.

## 11. INSURANCE

- i. Franchisee shall comply with the following indemnification and insurance

provisions:

11.1.1. Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the Term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Franchised Business or other facilities or premises, or by reason of the construction/build-out, operation, or occupancy of the Franchised Business or other facilities or premises. Such policy or policies shall be written by an insurance company or companies approved by Success, having a rating of at least "A"- VII in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Success reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Franchised Business is located. All policies will be primary and non-contributory to any insurance Success may carry and include a waiver of subrogation in Success's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Success in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

11.1.1.1. Liability. A comprehensive general liability policy in the amount of not less than \$2,000,000 bodily injury aggregate and \$1,000,000 per occurrence, including premises, operations, products and completed operations, broad form property damage, broad form contractual liability, personal injury, advertising liability, with no exclusion for third-party delivery service. This coverage part will also include sexual misconduct liability coverage for not less than \$100,000 per occurrence and \$300,000 aggregate sublimit.

11.1.1.2. Property. Fire, extended coverage on a "special form" coverage or direct physical loss, subject to standard exclusions, in an amount not less than 100% of the replacement value of the premises (exclusive of foundation and excavation costs), including all equipment, furniture and fixtures and any additions to or substitutions for the premises and equipment, furniture and fixtures, and inventory. Flood and earthquake coverage shall be required in geographically prone areas.

11.1.1.3. Business Income and Extra Expense. Business income and extra expense insurance in an amount not less than adequate to pay for the monthly rent reserved under any real property lease or sublease, Franchised Business equipment lease or sublease, sign lease or sublease, royalties, and other continuing expenses for a limit of fifty percent (50%) of annual sales or twelve (12) months actual loss sustained basis and an extended period of indemnity for not less than one hundred eighty (180) days.

11.1.1.4. Business Automobile Liability Insurance. Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

11.1.1.5. Statutory Workers' Compensation Insurance. Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as

may be required by statute or rule of the state in which the Franchised Business is located. Franchisee shall have and maintain such insurance for all of its employees prior to any employee commencing any training with Success. Franchisee agrees to obtain a waiver of subrogation endorsement on its workers' compensation policy, and shall provide to Success proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.

11.1.1.6. Commercial Umbrella Liability Insurance. Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than One Million Dollars (\$1,000,000) total limit of liability.

11.1.1.7. Cyber Liability Insurance. Cyber liability insurance for all first and third party data breaches, including identity theft, phishing attacks, social engineering, ransomware and data response/crisis management expenses, with limits of not less than One Million Dollars (\$1,000,000).

11.1.1.8. Employment Practices Liability Insurance. Liability for employment-related wrongful acts of Franchisee's employees and harassment and discrimination from non-employees for a minimum limit of not less than One Million Dollars (\$1,000,000). This shall also include third party coverage and wage & hour defense costs of at least One Hundred Thousand Dollars (\$100,000) naming Success as co-defendant.

11.1.1.9. Liquor liability Insurance. Liquor liability insurance with limits of not less than One Million Dollars (\$1,000,000).

11.1.1.10. Professional Liability Insurance. Professional liability insurance with limits of not less than One Million Dollars (\$1,000,000).

11.1.1.11. Other Insurance. Any other insurance coverage that is required by federal, state, or municipal law.

b. Referenced in Manuals. All policies listed in Section 11.1 (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

c. Policy Cancellation. In the event of cancellation, material change-remove, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Success in the manner provided in Section 11.7 below. Franchisee shall arrange for a copy of such notification to be sent to Success by the insurance company.

d. Construction and Remodeling Insurance. In connection with all significant construction/build-out, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Success, having a rating as set forth in Section 11.1.1 above.

e. No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of

any insurance which may be maintained by Success, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

f. Success to be Additional Named Insured. All insurance policies shall list Success and its affiliates, and their respective officers, directors, employees, partners, members, subsidiaries, employees and agents as additional insureds, and shall also contain a provision that Success, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Success or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or such equivalent form that Success approves in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) Success's negligent acts, errors or omissions or other additional insureds. Franchisee shall maintain such additional insured status for Success on Franchisee's liability policies continuously during the term of this Agreement.

g. Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Success, certificates of insurance, endorsements, insurance declarations and/or other documents requested by Success (collectively, "**certificates**"), evidencing the required minimum coverage required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Success in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage. In the event that Franchisee fails to obtain the required insurance or to provide evidence reasonably satisfactory to Success of the insurance policies required by Section 11, Success shall have the right, but not the duty, to obtain such required policies on Franchisee's behalf, and Franchisee agrees that it will promptly reimburse Success for all costs related to obtaining such policies upon notice from Success.

h. Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Success with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Success may reasonably require.

i. Policy Limit Changes. Success shall have the right, from time to time, to make such changes in minimum policy limits and endorsements as it deems advisable.

j. Success's Insurance. Franchisee acknowledges and agrees that any insurance policies maintained by Success for Success's benefit shall have no effect upon Franchisee's obligation to obtain any insurance required by this Section 11.

## 12. TRANSFER OF INTEREST

12.1. Success Transfers. Success shall have the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Success's rights or obligations under this Agreement or Success's interest in the System and Confidential Information to any person or legal entity without Franchisee's consent. Any transferee or assignee of this Agreement from Success will become solely responsible for all of Success's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Success may sell its assets (including its rights in the Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. With regard to any or all of the above transfers or assignments, Franchisee waives any claims, demands, or damages against Success or its affiliates arising from or related to Success's transfer of all or any part of Success's rights or obligations under this Agreement or Success's interest in the System and Confidential Information to any third party. Nothing contained in this Agreement will require Success to remain in the business of operating or licensing the operation of Success Spaces or other businesses or to offer any services or products to Franchisee, whether or not bearing the Marks, if Success transfers or assigns its rights in or obligations under this Agreement and the System.

12.2. Owners. If Franchisee is a business entity, each owner and the interest of each of them in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that all of its owners are set forth on Exhibit D attached to this Agreement, and covenants that Franchisee will not permit the identity of such owners, or their respective interests in Franchisee, to change without complying with this Agreement.

12.3. Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Success has granted this franchise in reliance on Franchisee or its owners' business skill, financial capacity, and personal character. Accordingly:

12.3.1. Franchisee shall not, without Success's prior written consent, Transfer (defined below) or permit the Transfer of (a) this Agreement or any of Success's rights and obligations under this Agreement; (b) all or substantially all of the assets of the Franchised Business; (c) the leases or any other interest in the Franchised Business; or (d) any direct or indirect ownership or membership interest in Franchisee.

12.3.2. If Franchisee is a corporation or limited liability company, Franchisee shall not, without Success's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Success.

12.3.3. If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without Success's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

12.3.4. Franchisee's owner shall not, without Success's prior written consent, Transfer any interest of an owner in Franchisee as shown in Exhibit D.

12.3.5. Franchisee shall not Transfer the lease for the Franchised Business, or permit a default or surrender of the lease that will or may cause the Franchised Business to be owned, leased, or operated by, any person or entity that will not operate a Success Space, without Success's prior written consent.

As used in Sections 12.3 through Section 12.12 below, a “**Transfer**” means and includes any voluntary, involuntary, direct or indirect assignment, transfer, sale, conveyance, disposition, gift, encumbrance, pledge, hypothecation, or mortgage by Franchisee or any of its owners.

12.4. Conditions for Approval. Success shall not unreasonably withhold any consent required by Section 12.3.4 above; provided, that if Franchisee proposes to Transfer its obligations hereunder or any interest in all or substantially all of the assets of the Franchised Business, or if Franchisee or an owner proposes to Transfer any direct or indirect interest in Franchisee, or if Franchisee or any owner proposes to undertake any Transfer that is subject to Section 12.3, Success shall have the right to require, among other things, any or all of the following as conditions of Success's approval:

12.4.1. Franchisee shall comply with Success's then-current Transfer policies. Franchisee and the proposed transferee shall provide Success with all information and documents requested by Success for its evaluation of the proposed Transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the Transfer.

12.4.2. The transferor shall have executed a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to Success, of any and all claims against Success and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Success and Franchisee or their affiliates, and federal, state, and local laws and rules.

12.4.3. The transferee of an owner shall be designated as an owner and each transferee who is designated as an owner shall enter into a written agreement, in a form satisfactory to Success, agreeing to be bound as an owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if Franchisee's obligations were guaranteed by the transferor, the owner shall guarantee the performance of all such obligations in writing in a form satisfactory to Success.

12.4.4. Prior to, and after the Transfer, Franchisee's new owners shall meet Success's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; Franchisee's Principal Owner, and such other owners and employees as specified by Success, shall satisfactorily complete the Initial Training Program; and have adequate financial resources and capital to operate the Franchised Business. The price, consideration, and other proposed terms of

the proposed Transfer must not, in Success's reasonable business judgment, have the effect of negatively impacting the future viability of the Franchised Business.

12.4.5. If a proposed Transfer would result in a change of control in Franchisee, at Success's option, Franchisee (or transferee) shall execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Success for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher Royalty Fees, and a different or modified Designated Marketing Area, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

12.4.6. If a proposed Transfer would result in a change in Franchisee's control, and if so requested by Success, Franchisee, at Franchisee's expense, shall upgrade the Franchised Business to conform to the then-current standards and specifications of new Franchised Business then being established in the System, and shall complete the upgrading and other requirements set forth in this Section 12.4.6 or as required under Section 5.9 above within the time specified by Success.

12.4.7. All of Franchisee's monetary obligations hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of Franchisee's obligations hereunder including Franchisee's reporting obligations.

12.4.8. The transferor shall remain liable for all of the obligations to Success in connection with the Franchised Business that arose prior to the effective date of the Transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Success to evidence such liability.

12.4.9. At Franchisee's expense, one (1) owner designated by Success to be a new Principal Owner and any of Franchisee's Designated Managers that Success designates shall successfully complete (to Success's satisfaction) all training programs required by Success upon such terms and conditions as Success may reasonably require (and while Success will not charge a fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of the person who attends training).

12.4.10. If a proposed Transfer would result in a change in Franchisee's control, and to compensate Success for Success's legal, accounting, training, and other expenses incurred in connection with the Transfer, Franchisee shall pay Success a non-refundable Transfer fee in the amount of Twenty Five Thousand Dollars (\$25,000). The Transfer fee shall be paid when Franchisee makes the Transfer request. The Transfer fee is non-refundable.

12.4.11. The transferor and/or the transferring franchisee must certify to Success that the transferring franchisee has provided to the transferee true, complete and accurate copies of Franchisee's financial information and documents regarding the operation of the Franchised Business, including the trailing two years of financial statements and monthly cash reports, the lease for the Franchised Business premises, material contracts, and such other information as may be specified by Success.

12.4.12. The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 10 above.

12.5. Transfers to Entities for the Convenience of Ownership. If Franchisee desires to Transfer all of Franchisee's interest in this Agreement, or if all of Franchisee's owners desire to Transfer all of their ownership interests in Franchisee, to a corporation, limited liability company, or other entity, solely for the convenience of ownership, Success shall not unreasonably withhold consent to such Transfer, and Success shall not require that Franchisee comply with the provisions and conditions of Section 12.4 or 12.6, if Franchisee complies with all of the following conditions:

12.5.1. Franchisee shall provide written notice to Success not less than thirty (30) days prior to the date of the proposed Transfer, and shall provide Success with such documents and information as Success may request in support of Franchisee's request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

12.5.2. Franchisee and Franchisee's owners shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in Franchisee, and if Franchisee is an individual, Franchisee shall own 100% of the outstanding voting equity interests in the new franchisee entity.

12.5.3. Each owner who owns at least ten percent (10%) of the outstanding equity interests in the new franchisee entity shall execute a Guaranty, Indemnification, and Acknowledgement in the form attached as Exhibit E hereto.

12.5.4. Franchisee and Franchisee's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.2.5 and 5.2.6 of this Agreement.

12.5.5. Franchisee and Franchisee's owners shall execute such Transfer documents, agreements and other materials as Success may require.

12.6. Right of First Refusal.

12.6.1. If Franchisee or any owner desires to accept any bona fide offer from a third party for a Transfer, Franchisee or such owner shall promptly notify Success of such offer and shall provide such information and documentation relating to the offer as Success may require. Success shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Success intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Success elects to purchase the seller's interest, the closing on such purchase shall occur within sixty (60) days after the date of notice to the seller of the election to purchase by Success.

12.6.2. Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Success as in the case of the third party's initial offer. Success's failure to exercise the option afforded by this Section 12.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 12.6, with respect to a proposed Transfer, or a waiver of any subsequent offer.



12.6.3. In the event the consideration, terms, and/or conditions offered by a third party are such that Success may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Success may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Success and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Success and Franchisee. The cost of any such appraisal shall be shared equally by Success and Franchisee. If Success elects to exercise its right under this Section 12.6, Success shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

12.7. Transfer Upon Death. Within six (6) months after Franchisee's death (if a natural person) or the death of an owner, the executor, administrator, or other personal representative of the deceased will Transfer the interest of the deceased in this Agreement or Franchisee to a third party approved by Success. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by Success. If the distributee is not approved by Success, the distributee will Transfer the interest of the deceased to a third party approved by Success within six (6) months after the date of death of the deceased. Any Transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 12 for any inter vivos Transfer.

12.8. Transfer Upon Permanent Disability. Upon Franchisee's permanent disability or the permanent disability of any owner with a controlling interest in Franchisee, Success may require Franchisee's or the owner's interest to be Transferred to a third party approved by Success within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If Success and Franchisee or Franchisee's representative disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by Success upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 12.8 as of the date of refusal. Success shall pay the cost of the required examination.

12.9. Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of Franchisee (if a natural person) or an owner, Franchisee or Franchisee's representative shall notify Success of the death or permanent disability in writing.

12.10. No Waiver of Claims. Success's consent to a Transfer which is the subject of this Section 12 shall not constitute a waiver of any claims Success may have against the transferring party, nor shall it be deemed a waiver of Success's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.11. Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any Transfer in Franchisee, Franchisee's obligations and/or rights hereunder, all or substantially all of the assets of the Franchised Business, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12.

12.12. Securities Offerings. All materials for an offering of stock or partnership interests in Franchisee or any of Franchisee's affiliates which are required by federal or state law shall be submitted to Success for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Success for such review prior to their use. No offering by Franchisee or any of Franchisee's affiliates shall imply (by use of the Marks or otherwise) that Success is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates; and Success's review of any offering shall be limited solely to the relationship between Success and Franchisee and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Success may, at its option, require the offering materials to contain a written statement prescribed by Success concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the owners, and all other participants in the offering must fully indemnify Success, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Success to endorse such indemnification. For each proposed offering, Franchisee shall pay Success a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse Success for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Success written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Success's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

### **13. DEFAULT AND TERMINATION**

13.1. Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment of \$10,000 or more against Franchisee or Franchisee's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless an appeal bond or a supersedeas bond is filed); or if Franchisee is dissolved; or if an attachment or execution is levied against Franchisee's business or property, including Franchisee's bank accounts, or any receivables and is not dismissed within thirty (30) days; or if

suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within five (5) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2. Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Success may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Success (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1. If Franchisee fails to obtain approval of the site for the Franchised Business pursuant to this Agreement or the Site Selection Addendum;

13.2.2. If Franchisee fails to construct, maintain, repair or renovate the Franchised Business in accordance with this Agreement or Success's plans and specifications or fails to equip the Franchised Business in accordance with Success's standards and specifications;

13.2.3. If Franchisee, its Principal Owner, or Designated Manager fail to complete the Initial Training Program pursuant to Section 5.4 of this Agreement;

13.2.4. If Franchisee at any time without the written consent of Success ceases to operate or otherwise abandons the Franchised Business for three (3) consecutive business days, or loses the right to possession of the Franchised Business premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Success's approval to relocate and/or reconstruct the Franchised Business, which approval shall not be unreasonably withheld;

13.2.5. If Franchisee defaults under any lease or sublease for the Franchised Business (the "**Lease**") and fails to cure the default within the time period specified in the Lease, or if the Lease is terminated, for any reason, or expires;

13.2.6. If Franchisee, any owner of Franchisee, or any affiliate of Franchisee is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Success believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Success's interest therein;

13.2.7. If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

13.2.8. If a threat or danger to public health or safety results from the construction/build-out, maintenance, or operation of the Franchised Business;

13.2.9. If Franchisee or any of Franchisee's owners purports to Transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12;

13.2.10.If Franchisee fails to permit an inspection pursuant to Section 5.13 or an audit pursuant to Section 7.4;

13.2.11.If Franchisee fails to comply with the covenants in Section 10.5 or fails to timely obtain execution of the covenants required under Section 10.8;

13.2.12.If, contrary to the terms of Sections 9 or 10 above, Franchisee discloses or divulges the contents of the Manuals or other Confidential Information;

13.2.13.If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Success;

13.2.14.If Franchisee makes, or has made, any misrepresentation or engaged in any act of fraud in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement;

13.2.15.If Franchisee fails to pay any supplier or vendor when due, and fails to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

13.2.16.If Franchisee fails to pay any third party, including a lender, seller or lessor of products, services or equipment, any amount due by Franchisee to such parties on any note, financing, obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

13.2.17.If Franchisee makes any unauthorized or improper use of the Marks, or if Franchisee or any owner of Franchisee fails to utilize the Marks solely in the manner and for the purposes directed by Success, or directly or indirectly contests the validity of Success's ownership of the Marks or Success's right to use and to license others to use the Marks;

13.2.18.If Franchisee fails on more than three occasions during any 12-month period to comply with one or more requirements of this Agreement or any other agreement with Success;

13.2.19.If Franchisee fails to comply with any laws as more specifically set forth in Section 5.24; or

13.2.20.If the right of Franchisee to possess the Franchised Business terminates for any reason whatsoever.

13.3. Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of Franchisee's obligations hereunder, Success may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Success's satisfaction, and by promptly providing proof thereof satisfactory to Success, all within the thirty (30) (or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to

Franchisee effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

13.4. Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Success within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Success shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Success upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Success does not elect to exercise the options described in this Section 13.4, any Transfer pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other Transfer set forth in Section 12.

13.5. Other Remedies. Success shall have the right to undertake any one or more of the following actions in addition to terminating this Agreement:

13.5.1. Success may require Franchisee to close the Franchised Business and take the necessary steps to bring the Franchised Business (including the operation, maintenance, repair and restoration of the Franchised Business) into strict conformity with Success's standards and specifications and the requirements of this Agreement. Franchisee shall not reopen the Franchised Business until Franchisee has brought it into conformity with Success's standards and specifications;

13.5.2. Success may modify, or eliminate completely, the Designated Marketing Area described in Section 1.2 above;

13.5.3. Success may elect, but has no obligation, to assume complete operating control and possession of the Franchised Business and operate the same in the capacity of a receiver. Success shall apply funds received from that operation, first to the payment of all of Success's costs and expenses of operation, then to the current obligations of Franchisee to Success or any third party, and then to the past due obligations of Franchisee to Success or any third party, with any remaining funds paid over to Franchisee;

13.5.4. Success may disable access to or remove all or any references to the Franchised Business or webpage(s) of the Franchised Business from the Authorized Website, until such time as the default is fully cured;

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.5, such action shall be without prejudice to Success's right to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, and/or to terminate any other rights,

options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

#### **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

14.1. Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

14.1.1. Cease Operations. Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold Franchisee out as a present or former franchisee of Success.

14.1.2. Cease Use of the System and Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the marks “Success,” “Success Coworking & Coaching,” and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Marks, remove all such articles and/or permit Success to enter the Franchised Business and remove or permanently cover all signs or advertisements identifiable in any way with Success’s name or business, at Franchisee’s expense.

14.1.3. Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks “Success,” “Success Coworking & Coaching,” and all other Marks, and/or any other service mark or trademark, and Franchisee shall furnish Success with evidence satisfactory to Success of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.1.4. Pay Monies Owed; Liquidated Damages. Franchisee shall pay Success all sums then due and, in the event that this Agreement is terminated prior to its expiration due to a default by Franchisee, Franchisee shall also pay Success damages for the right to receive the Royalty Fees for the remaining term of this Agreement, together with any other damages suffered by Success as a result of the default. The damages for royalties due during the remainder of the term of this Agreement shall equal the product of the average yearly amount of all fees paid or payable by Franchisee under Section 3 of this Agreement during the three (3) years immediately preceding the termination (or such period as the Franchised Business was open for business, if the Franchised Business was not open for business during the entire three year period), multiplied by the number of years remaining in the term, minus 20%. The payments called for in this Section 14.1.4 are not a penalty. A precise calculation of the full extent of damages that Success will incur if this Agreement terminates because Franchisee defaults cannot be reasonably determined. Nevertheless, the parties agree that the lump-sum payment provided under this Section 14.1.4 is reasonable in light of the damages for premature termination that may reasonably be expected to occur in such event. Franchisee shall also pay to Success, in addition to any amounts then due and owing, all expenses incurred by Success as a result of any default, including reasonable attorneys’ fees, expenses, and costs, and interest on such attorneys’ fees, expenses, and costs.

14.1.5. Return of Manuals and Other Materials. Franchisee shall immediately deliver to Success the Manuals, plans and specifications, designs, records, data, samples, models, programs, handbooks and drawings relating to Success’s operations or business, and all other

materials containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be Success's property.

14.1.6. No Confusion. Franchisee agrees that, if it continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Success's rights in and to the Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Success, the System, or the Marks.

14.1.7. Assign Lease. Success shall have the right and option, but not the obligation, to acquire the Lease for the Franchised Business, or otherwise acquire the right to occupy the premises. Success may assign or delegate this right to Success's designee, without notice to, or request for approval from, the landlord of the Franchised Business premises. Success acknowledges that this obligation may be subject to approval or consent by the landlord. Franchisee will exert its reasonable efforts to secure any required consent from such landlord to cause the Lease to be assigned to Success or its designee.

14.1.8. Modification of Premises. If Success or its designee does not elect or is unable to exercise any option Success may have to acquire the Lease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the Franchised Business premises operated immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from that of other Success Spaces, and shall make such specific additional changes thereto as Success may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Success requests shall transfer to Success, all telephone numbers, customer lists, and any domain names, websites, email addresses, and any other identifiers, whether or not authorized by Success, used by Franchisee while operating the Franchised Business, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business telephone directories, including "yellow" and "white" pages, or at Success's request transfer the same to Success. If Franchisee fails or refuses to comply with the requirements of this Section 14.1.8, Success (or its designee) shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, which expense Franchisee agrees to pay upon demand.

14.1.9. Option to Purchase Equipment and Furnishings. Success shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the equipment or inventory related to the operation of the Franchised Business, at the lesser of the fair market value or Franchisee's book value. The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Success elects to exercise any option to purchase herein provided, Success shall set off all amounts due from Franchisee. Notwithstanding any term or provision in this subparagraph to the contrary, Success expressly reserves the right, but not the obligation, to negotiate to purchase the equipment directly from the lessor of the equipment. The transfer of the equipment from Franchisee to Success shall take place

within sixty (60) days after the expiration or termination of this Agreement upon receipt of payment or any applicable transfer and release documents from Success; provided, however, that if the transfer cannot take place within that time period because of delays caused by Franchisee's lender or lessor, the time period shall extend by a like number of days. If Success exercises the foregoing option, Franchisee shall leave all of the equipment at the Franchised Business in good working order and repair and shall allow Success to use the equipment without charge until the transfer of the equipment takes place.

14.1.10. Damages and Costs. Franchisee shall pay Success all damages, costs, interest, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Success subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.1.9.

## **15. TAXES, PERMITS AND INDEBTEDNESS**

15.1. Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to Success, then, to the extent that Success is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Success shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Success would have received had no tax payment been required, provided that such shortfall is not caused by Success's negligence in filing the claims, or for reasons that can be solely attributable to Success.

15.2. Tax Disputes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

15.3. Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. Franchisee shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or Success's other instructions, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Success.

15.4. Notification of Claims. Franchisee shall notify Success in writing within three (3) days after receipt of notice of any health or safety violation, 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, or within three (3) days occurrence of any accident



or injury which may adversely affect the operation of the Franchised Business or Franchisee's financial condition, or give rise to liability or a claim against Franchisee or Success.

## 16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

16.1. It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Success and Franchisee; that Franchisee shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever.

16.1.1. Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Success.

16.1.2. No Agency. Franchisee shall not act or attempt to act or represent itself, directly or by implication, as an agent of Success. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Success's behalf, or to incur any debt or other obligation in Success's name; and that Success shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Success be liable by reason of any act or omission by Franchisee in Franchisee's conduct of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Success. Franchisee shall not have the authority, express or implied, to bind or obligate Success in any way.

16.1.3. Indemnification. Franchisee, on behalf of itself, its affiliates, and their respective owners, shall, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Success, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "**Indemnified Parties**") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees and consequential damages (together, "**Losses and Expenses**") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Franchised Business, any breach of this Agreement or the Manuals, by Franchisee, its affiliates, any of their respective owners, or any breach by Franchisee, its affiliate, or any of their respective owners of any other agreement between Success or its affiliate, on the one hand, and Franchisee, its affiliate, or any of their respective owners, on the other hand. Success has the right, at its option, to defend any such claim against it at Franchisee's sole cost and expense. If Franchisee defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Success's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding, the expiration or earlier termination of this Agreement. Under no circumstances will Success or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Franchisee's Losses and Expenses, in order to maintain and recover fully a claim against Franchisee, Franchisee's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable by Success or another Indemnified Party from Franchisee, Franchisee's affiliate, or their respective owners.

## 17. GOVERNING LAW AND DISPUTE RESOLUTION

17.1. Governing Law. This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Texas, without regard to its conflicts of laws provisions. However, the laws of the state in which the Franchised Business operates shall govern the enforcement of the non-compete provisions of Section 10 of this Agreement. Nothing in this Section 17 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Texas to which this Agreement would not otherwise be subject.

17.2. Venue. Subject to the terms and provisions of Section 17.3 below, the parties agree that any action brought by one party against the other in any court, whether federal or state, shall be brought only before a federal or state court of competent jurisdiction in Dallas County, Texas. The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee and its owners hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

17.3. Arbitration. Except as otherwise provided in this Agreement, any claim, controversy or dispute arising out of or relating to this Agreement, the Franchised Business, or the relationship created by this Agreement, including any claim by Franchisee or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other Agreement between the parties shall be referred to arbitration in accordance with the following provisions:

17.3.1. Demand to Arbitrate. The claimant shall send a notice of a demand for arbitration, in writing, to the other party to the dispute. The demand shall state with particularity the nature and grounds of the claim, dispute or controversy and the nature of relief being sought. A claimant shall make a demand for arbitration promptly after the claim, dispute or other matter in question has arisen; but, in any event, before the applicable statute of limitations would bar the institution of legal or equitable proceedings based on the claim, dispute or other matter in question.

17.3.2. Appointment of Arbitrators. The number of arbitrators will be (i) one (1) if the amount in controversy in the dispute is less than \$1,000,000 or (ii) three (3) if the amount in controversy in the dispute is \$1,000,000 or more. If the arbitration is to be conducted by a sole arbitrator, then the arbitrator will be jointly selected by the parties. If the parties fail to agree upon the arbitrator within thirty (30) days after the commencement of the arbitration, then the administrator of the American Arbitration Association will appoint the arbitrator. If the arbitration is to be conducted by three (3) arbitrators, then each party will appoint one arbitrator within thirty (30) days of the commencement of the arbitration, and the two arbitrators so appointed will select the presiding arbitrator within thirty (30) days after the latter of the party-appointed arbitrators have been appointed by the parties. If a party fails to appoint its party-appointed arbitrator or if the party-appointed arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the administrator of the American Arbitration Association will appoint the remainder of the three arbitrators not yet appointed. Unless otherwise specifically stated in this Section 17.3.2, the appointment of an arbitrator shall take place in accordance with the rules of the American Arbitration Association, or its successor, then in effect. If the American Arbitration Association, or successor, no longer exists, either party may apply to the U.S. District Court for the Northern District of Texas, Dallas County for the appointment of the arbitrators.

17.3.3. Conduct of Arbitration. Notwithstanding any requirements imposed by law (except to the extent mandatory), the following provisions shall apply to any arbitration conducted under this Section 17.3.3:

17.3.3.1. Presiding Arbitrator. If a three-person panel of arbitrators is selected, the arbitrators shall select a presiding arbitrator of panel, who shall rule on all procedural matters including the selection of the time and place for the hearing, matters relating to discovery, and the admissibility of evidence.

17.3.3.2. Response to Demand. Within five (5) days after the appointment of the last arbitrator, the party against whom arbitration is sought shall file with the arbitrators and serve on the other party a statement (i) responding with particularity to the claims set forth in the demand to arbitrate, (ii) setting forth any defensive matters, and (iii) setting forth any claims that the person has against the party instituting the arbitration. The statement required by this provision shall take substantially the same form as required for answers and cross-complaints by the Federal Rules of Civil Procedure. If the other party does not file a statement required by this provision in a timely manner, it shall not have the right to assert any defensive matters or any claims against the party instituting the arbitration.

17.3.3.3. Amendment of Claim. If, after the delivery of the notice of demand for arbitration, either party desires to make any new or different claim, the party shall make the claim in writing and shall file it with the arbitrators if the chairman, upon good cause shown, determines the other party may file the amended claim. The filing of an amended claim shall not extend the time for the holding of the arbitration hearing or the making of an award.

17.3.4. Application of Federal Rules of Civil Procedure. Except as provided otherwise in this Section 17.3.4, any arbitration conducted under this Section 17.3.4 shall take place in accordance with the Federal Rules of Civil Procedure then in effect.

17.3.5. Finality; Enforcement; Venue. The award of the arbitrators shall constitute a final award and shall bind all parties to the arbitration, and the parties may enter a judgment on the award in any court of competent jurisdiction. All arbitrations shall take place in Dallas, Texas.

17.3.6. Arbitration Costs, Attorneys' Fees and Costs. Each party shall bear their share of the costs of the arbitration proceeding. The prevailing party to the arbitration shall have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Success or Franchisee seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17.3.7. Survival. This agreement to arbitrate shall survive the expiration or termination of this Agreement.

17.4. Injunctive Relief. Notwithstanding anything to the contrary contained in this Section 17, either party may file suit in a court of competent jurisdiction for the entry of temporary or preliminary injunctive relief, restraining orders and orders of specific performance, including

injunctive relief pertaining to Franchisee's use of the System, including Success's trademarks and service marks.

17.5. Consolidated, Common or Class Actions. Any lawsuit or arbitration shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Franchisee and its owners waive any and all rights to proceed on a consolidated, common, or class basis.

17.6. Limitation of Actions. **EXCEPT WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO SUCCESS PURSUANT TO THIS AGREEMENT, CLAIMS RELATED TO FRANCHISEE, ITS AFFILIATES OR ITS PRINCIPALS UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, AND ANY CLAIMS FOR INJUNCTIVE RELIEF UNDER SECTION 17.4, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING THE OFFER AND SALE OF THIS AGREEMENT), THE FRANCHISE RELATIONSHIP, OR FRANCHISEE'S OPERATION OF THE FRANCHISED BUSINESS, (INCLUDING ANY DEFENSES AND ANY CLAIMS OF SET-OFF OR RECOUPMENT), SHALL BE IRREVOCABLY BARRED UNLESS BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM. CLAIMS ATTRIBUTABLE TO UNDERREPORTING OF SALES, AND CLAIMS OF THE PARTIES FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS.**

17.7. Waiver of Damages. **EXCEPT AS OTHERWISE DESCRIBED IN THIS AGREEMENT SUCCESS, FRANCHISEE, AND FRANCHISEE'S OWNERS HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY LOST FUTURE PROFITS OR PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR MULTIPLE DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE AMONG THEM EACH SHALL BE LIMITED TO THE RECOVERY ONLY OF DIRECT DAMAGES SUSTAINED BY SUCCESS, FRANCHISEE, OR FRANCHISEE'S OWNERS.**

## 18. TIME IS OF THE ESSENCE

As to all reports and fees payable to or to be made to Success and any inspections initiated by Success under Section 5.13, time shall be of the essence.

## 19. APPROVALS, WAIVERS AND BINDING EFFECTS

19.1. Approvals. Whenever this Agreement requires Success's prior approval or consent, Franchisee shall make a timely written request to Success for the approval or consent, which Success shall grant, if at all, only in writing.

19.2. No Warranties. Success makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Agreement or by reason of any neglect, delay or denial of any request.

19.3. Waivers. Except as set forth in this Agreement, no rights or remedies set forth in this Agreement shall exclude any other right or remedy allowed by law or in equity. No failure by any party to this Agreement to take action on account of any default by any other party, or to exercise any right hereunder, whether in a single instance or repeatedly, shall constitute a waiver of any such default or right or the performance required of such other party. Subsequent acceptance by Success of payments due shall not constitute a waiver by Success of any prior breach.

19.4. Binding Effect; No Other Rights. This Agreement shall bind the parties and their respective executors, administrators, successors and assigns. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Success, and such of the parties' respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 12.3 above, any rights or remedies under or by reason of this Agreement.

## **20. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses below, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

Success: Success Franchising, LLC  
750 North St. Paul St., Ste 250  
PMB 30053  
Dallas, Texas 75201  
Attention: Legal Operations  
Email: ted.laatz@success.com  
Email: legal@success.com

With a copy to: Jan S. Gilbert, Esq.  
Polsinelli PC  
1401 Eye Street N.W., Suite 800  
Washington, D.C. 20005  
  
Email: JGilbert@polsinelli.com

Franchisee: Franchisee's notice address set forth on Exhibit A to this Agreement

With a copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**21. FORCE MAJEURE**

Except as otherwise provided in this Agreement, neither Success nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform the obligations of Success or Franchisee results from: transportation shortages, inadequate supply of equipment, merchandise, 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; compliance with any law; or acts of God (including, pandemics, epidemics or public health emergencies). Any delay resulting from any of such causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that such causes shall not excuse payments of amounts owed at the time of such occurrence or payment of fees and all other amounts due to Success and its affiliates thereafter. The party whose performance is affected by any of such causes shall give prompt written notice of the circumstances of such event to the other party, but in no event more than five (5) days after the commencement of such event. The notice shall describe the nature of the event and an estimate as to its duration.

**22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES**

Notwithstanding anything in this Agreement to the contrary, Franchisee and its affiliates may, in accordance with any applicable law, including the federal Defend Trade Secrets Act, disclose Confidential Information, including Success's trade secrets, (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

## 23. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between Success and Franchisee concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements, no other representations having induced Franchisee to execute this Agreement. There are no other oral or written understandings or agreements between Success and Franchisee, or oral representations by Success, or written representations by Success (other than those set forth in the Franchise Disclosure Document, if any, that Success provided to Franchisee), relating to the subject matter of this Agreement, the franchise relationship, or the Franchised Business (and any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Success in the Franchise Disclosure Document that Success furnished to Franchisee, if any. Except for those permitted to be made unilaterally by Success hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Success at any time, at Success's option.

## 24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION

24.1. Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the agreement unless in Success's reasonable opinion the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon Success shall have the right by notice in writing to Franchisee to immediately terminate this Agreement.

24.2. Enforceability of Covenants. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Success and Franchisee are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

24.3. Construction. All captions and headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision. Each pronoun used in this Agreement shall include the other numbers and genders, as appropriate. The words "include" and "including" will be construed to include the words "without limitation."

**25. JOINT AND SEVERAL OBLIGATION**

If Franchisee consists of more than one person or entity, each person and entity shall have joint and several liability for Franchisee's obligations under this Agreement.

**26. INCORPORATION OF EXHIBITS**

All exhibits referred to in this Agreement constitute an integral part of this Agreement.

**27. COUNTERPARTS**

This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

**28. SURVIVAL OF PROVISIONS**

All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

**29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS**

29.1. Franchisee represents, warrants and acknowledges to Success as follows:

29.1.1. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that the business involves risks which make the success of the venture dependent upon factors which are beyond the control of Success and largely dependent upon Franchisee's ability. Success expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, expressed or implied, as to the potential sales volume, profits or operating success of the business venture contemplated by this Agreement.

29.1.2. Receipt of Documents. Franchisee acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed, and with sufficient time within which to review the Agreement, with advisors of Franchisee's choosing. Franchisee further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

29.1.3. No Other Representations. Success expressly disclaims the making of, and Franchisee acknowledges that it has not received from Success or any employee, representative or other party purporting to act on Success's behalf, any warranty, promise or guarantee, express or implied, as to the potential sales volume, profits, or success of the business venture contemplated by this Agreement. Franchisee has no knowledge of, and has not relied upon, any financial performance representations or any other representations by Success or any employee, representative or other party purporting to act on Success's behalf about the business contemplated by this Agreement contrary to the terms of this Agreement or the information set forth in the most recent franchise disclosure document provided to Franchisee.



29.1.4. Consultation. Franchisee has read and understands this Agreement and Success has afforded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

29.1.5. Modification of Offers. Franchisee understands that present and future franchisees of Success may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and rights contained in this Agreement. Franchisee also acknowledges and agrees that Success may modify the offer of Success franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

29.1.6. No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

29.1.7. Franchised Business Location. Franchisee acknowledges having sole and complete responsibility for the choice of the location of the Franchised Business; that Success has not (and shall not be deemed to have, even by Success's approval of the location) given any representation, promise, or guarantee of Franchisee's success at the location; and that Franchisee shall be solely responsible for Franchisee's own success at the location.

29.1.8. Compliance with Anti-Terrorism Laws and Other Laws. Franchisee and its owners represent and warrant to Success that: (a) neither Franchisee nor any of its owners have made any untrue statement of any material fact nor omitted to state any material fact in Franchisee and their franchise application and other documents and information submitted to Success, or in obtaining the rights granted herein; (b) neither Franchisee nor any of its owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in Franchisee's franchise application materials; (c) Franchisee and its owners have a legal right to own and operate the Franchised Business, and the owner or officer that executes this Franchise Agreement on Franchisee's behalf has all legal right an authority to execute on Franchisee's behalf and to legally and contractually bind Franchisee; and (d) neither Franchisee nor its owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of "**Specially Designated Nationals**" or "**Blocked Persons**" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx/>); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law. Franchisee recognizes that Success approved Franchisee in reliance on all of the statements Franchisee and its owners have made in connection therewith,

and that Franchisee has a continuing obligation to advise Success of any material changes in these statements and representations made to Success in this Agreement or in the franchise application.

**30. BUSINESS JUDGMENT**

Franchisee understands and agrees that Success may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Success has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Success may make such decision or exercise its right and/or discretion on the basis of its judgment of what is in Success's best interests, including Success's judgment of what is in the best interests of Success Spaces, at the time Success's decision is made or Success's right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Success; (2) Success's decision or the action taken promotes Success's financial or other individual interest; (3) Success's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Success company-owned or affiliate-owned operations; or (4) Success's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Success will have no liability to Franchisee for any such decision or action. Success and Franchisee intend that the exercise of Success's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Success and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Success the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

Executed as of the day and year first set forth above.

Success Franchising, LLC:

SUCCESS FRANCHISING, LLC

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

Franchisee:

\_\_\_\_\_

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

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

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

**Exhibit A**

**Identification of Franchisee**

1. Name of Franchisee: \_\_\_\_\_
2. Notice Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
E-Mail: \_\_\_\_\_
3. Location of Franchised Business: \_\_\_\_\_  
\_\_\_\_\_
4. Designated Marketing Area: \_\_\_\_\_  
(subject to Section 1.2) \_\_\_\_\_  
of the Franchise Agreement) \_\_\_\_\_
5. Date of Opening: \_\_\_\_\_
6. Owners (and % interest): \_\_\_\_\_

## Exhibit B

### Site Selection Addendum

Success Franchising, LLC (“**Success**”), a \_\_\_\_\_ limited liability company, and the undersigned (the “**Franchisee**”) have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”) entered into a Success Franchise Agreement (“**Franchise Agreement**”) and desire to supplement its terms as set out below in this Site Selection Addendum (this “**Site Selection Addendum**”).

#### Agreement

1. **Time to Locate Site:** Within \_\_\_\_\_ (\_\_\_\_) days after the Effective Date (the “**Search Period**”), Franchisee shall acquire or lease/sublease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “**Franchised Business**”) at a site consented to Success as hereinafter provided. Such location shall be within the following area: \_\_\_\_\_

(the “**Site Selection Area**”). The Site Selection Area is described solely for the purpose of selecting a site for the Franchised Business. Success shall not establish, nor franchise another to establish, a Success Space operating under the System within the Site Selection Area until Success consents to a location for the Franchised Business, or until the expiration of the Search Period, whichever event first occurs. If a suitable site has not been identified and consented to by the end of the Search Period, Success may, at its option, extend the Search Period by up to sixty (60) days. Franchisee acknowledges and agrees that Success shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee. Failure by Franchisee to acquire or lease an approved site for the Franchised Business within the Search Period shall constitute a default under Section 13 of the Franchise Agreement and under this Addendum, and Success may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 13 of the Franchise Agreement.

2. **Site Evaluation Services:** Success shall furnish to Franchisee suggested site selection criteria, which is currently reflected in advice based on site and demographic factors, and will include Success’s minimum standards for a location for the Franchised Business. Success will also provide such site selection counseling and assistance as Success may deem advisable. Success shall perform any on-site evaluation as Success may deem advisable in response to Franchisee’s requests for site approval; provided, however, that Success shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Success (on its own initiative or at Franchisee’s request) for any Franchised Business to be established, Franchisee shall reimburse Success for all reasonable expenses incurred by Success in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

3. **Additional Site Evaluation Services:** Franchisee shall engage the services of a real estate or site evaluation professional or business designated or approved by Success, to assist with the analysis and evaluation of a prospective sites for the Franchised Business location. Franchisee acknowledges and agrees that any site evaluation model or service is only one tool or factor that may be used to evaluate a potential site, and it is not a predictor of future sales. Further, Franchisee acknowledges that Success does not represent or guarantee that any particular site will achieve any level of sales, revenues or profits.

4. **Site Selection Package Submission and Approval:** Franchisee shall submit to Success, in the form specified by Success, such site approval forms and data that Success may specify, which may include a copy of the site plan, financial information, and such other information or materials as Success

may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Success which confirms Franchisee's favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Success shall have thirty (30) days after receipt of a complete site selection package and request for approval and such information and materials as Success may request to approve or disapprove the proposed site in writing as the location for the Franchised Business, at Success's option. In the event Success does not disapprove a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed approved by Success.

5. **Lease Responsibilities:** Within sixty (60) days after site approval by Success, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Success's approval of any lease is conditioned upon inclusion in the lease of the Lease Rider attached to the Franchise Agreement as Exhibit G. However, Success shall not be responsible for review of the Lease for any terms other than those contained in the Lease Rider.

6. **Approved Location:** After the location for the Franchised Business is consented to by Success pursuant to Section 4 hereof and leased or acquired by Franchisee pursuant to Section 5 hereof, the location shall constitute the approved location described in Section 1.1 of the Franchise Agreement. The Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Designated Marketing Area, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that consent by Success of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Consent by Success of the site indicates only that Success believes the site complies with acceptable minimum criteria established by Success solely for its purposes as of the time of the evaluation. Both Franchisee and Success acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Success of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Success could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Success. Success shall not be responsible for the failure of a site approved by Success to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

7. **Entire Agreement:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

Executed as of the day and year first set forth above.

Success: SUCCESS FRANCHISING, LLC

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

Franchisee: \_\_\_\_\_

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

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

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

**Exhibit C**

**Authorization Agreement for Prearranged Payments**

**(Direct Debits)**

The undersigned depositor (“**Depositor**”) hereby authorizes Success Franchising, LLC (“**Success**”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“**Depository**”) to debit such account pursuant to Success’s instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Street Address, City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Success and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Success and Depositor with 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
Depositor

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

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

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

**Exhibit D**

**Statement of Ownership Interests (List of Owners)**

The following is a list of all of Franchisee’s owners, the percentage of their ownership interest and a description of the nature of their ownership interest:

Effective Date: This Exhibit D is current and complete  
as of \_\_\_\_\_, 20\_\_

Franchisee and Its Owners

1. Form of Franchisee Entity.

(a) Individual Proprietorship. Franchisee’s owner(s) (is) (are) as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Corporation, Limited Liability Company, or Partnership. The Franchisee entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee’s partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Franchisee’s owners (as defined in the Franchise Agreement), or an owner of one of Franchisee’s owners, and fully describes the nature of each owner’s interest (attach additional pages if necessary).



	<u>Owner's Name/Address/Tax Identification No.</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
	_____	_____
	_____	
	_____	
(b)	_____	_____
	_____	_____
	_____	
	_____	
(c)	_____	_____
	_____	_____
	_____	
	_____	
(d)	_____	_____
	_____	_____
	_____	
	_____	

3. Principal Owner. Franchisee's Principal Owner as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). Franchisee may not change the Principal Owner without Franchisor's prior written approval.

Franchisee:

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

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

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

**Exhibit E**

**Guaranty, Indemnification, and Acknowledgement**

As an inducement to Success Franchising, LLC (“**Success**” or “**Franchisor**”) to execute the Success Franchise Agreement between Success and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_, 20\_\_ (the “**Agreement**”), the undersigned jointly and severally, agree as follows:

The following is a list of Franchisee’s owners (“**Owners**”) as of the Effective Date:

<b>Name</b>	<b>Position(s) Held</b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Each Owner hereby personally and unconditionally guarantees to Success and its Successors and assigns, for the term of the Agreement and any renewal term of the Agreement as provided in the Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant of Franchisee and any affiliate set forth in the Agreement including, but not limited to, any monetary obligations and obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities. Each Owner consents and agrees that it will render any payment or performance required under the Agreement upon demand if Franchisee or any affiliate as required under the Agreement fails or refuses punctually to do so.

Each Owner hereby unconditionally agrees to be personally bound by, and personally liable for, the breach of each and every obligation of an Owner in the Agreement, including, but not limited to, Sections 8, 9, 10, 12, and 14 by and between Success and Franchisee.

Each Owner consents and agrees that such liability will not be contingent or conditioned upon pursuit by Success of any remedies against Franchisee or any other person and waives any right it may have to require that an action be brought against Franchisee or any other person as a condition of his or her liability. Each Owner further waives protest and notice of default, demand for payment or nonperformance or any obligations guaranteed; and any and all other notices and legal or equitable defenses to which it may be entitled in its capacity as guarantor.

Each Owner consents and agrees that such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Success may periodically 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 will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each Owner 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.

This Guaranty, Indemnification, and Acknowledgement may be executed in multiple counterparts, each to constitute an original, but all in the aggregate to constitute one agreement as executed; provided, however, in making proof of this Guaranty, Indemnification, and Acknowledgement, it will not be necessary to produce or account for more than one counterpart.

Unless specifically stated otherwise, the terms used in this Guaranty, Indemnification, and Acknowledgement shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 17 of the Agreement. This Guaranty, Indemnification, and Acknowledgement shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature as of the date shown above.

**OWNER:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## Exhibit F

### Non-Disclosure and Non-Competition Agreement

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”)** is made this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_ (the “Franchisee”), and \_\_\_\_\_, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “Obligee”).

#### BACKGROUND:

i. Success Franchising, LLC (“**Success**”), as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the “**Success System**” or “**System**”) for establishing and operating businesses that offer (a) co-working workspaces, private offices, conference and meeting rooms, and common area spaces, (b) access to an on-site, full time dedicated business coach, (c) a café offering a variety of pre-packaged and made-to-order menu items, bottled beverages and fresh ground/brewed and specialty coffees, and (d) retail merchandise, beverages, food and other related services and products that Success designates or approves under the System and using the Marks, defined below (“**Success Services and Products**”)(each referred to as a “**Success Space**”);

ii. Success identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin designated or hereinafter designated by Success (the “**Marks**”);

iii. Success and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate one (1) Success Space (the “**Franchised Business**”) and to produce and distribute products and services approved by Success and use the Marks in connection therewith under the terms and conditions of the Franchise Agreement;

iv. The Obligee, by virtue of his or her position with Franchisee, will gain access to certain of Success’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Obligee shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of operation of the Franchised Business which may be communicated to Obligee or of which Obligee may be apprised by virtue of Franchisee’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which Success designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Success; or which, at or after the time of disclosure by Success to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Obligeo specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Obligeo will receive valuable specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Success and the System.

(b) Obligeo covenants and agrees that during the term of Obligeo's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by Success, Obligeo shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Success Space using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Success's Marks and the System; or

(ii) Own, maintain, operate, engage in, be employed by, or have any interest in any business that derives more than twenty five percent (25%) of its revenues from the sale or rental of co-working-space or flex-space services or the sale or rental of other related services and products ("**Competitive Business**") located or operated anywhere within the United States.

(c) Obligeo covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Success, Obligeo shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competitive Business which is, or is intended to be, located: (a) within the Designated Marketing Area of the Franchised Business or (b) within five (5) miles of any other Success Space owned and/or operated or then under construction by Success or any other franchisee or licensee of Success as of the time that the obligations under this section commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 of the Franchise Agreement with respect to Obligeo; and/or (b) termination of Obligeo's employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Obligeo acknowledges that any failure to comply with the requirements of this Agreement will cause Success irreparable injury, and Obligeo agrees to pay all court costs and reasonable attorney's fees incurred by Success in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Obligeo agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Success's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Obligeo agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by Success or the Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right

provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue and Choice of Law. This agreement shall be interpreted and construed in accordance with Section 17 of the Agreement. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

7. Third-Party Beneficiary. Obligee hereby acknowledges and agrees that Success is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Obligee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE

OBLIGEE

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**Exhibit G**

**Lease Rider**

THIS LEASE RIDER is made and entered into \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_ (the “**Landlord**”), \_\_\_\_\_ (the “**Tenant**”), and Success Franchising, LLC, a Colorado limited liability company (“**Success**,” “**we**,” “**us**” or “**our**”).

RECITALS:

A. This Lease Rider supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated \_\_\_\_\_ (the “**Lease**”) for the premises situated at the premises known by street address as \_\_\_\_\_ (the “**Premises**”) to be used by the Tenant as part of a Success Space.

B. This Lease Rider is entered into in connection with Success’s approval of the location of the Premises as a Success Space and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”).

C. This Lease Rider is intended to make Success, or any party it designates, have rights as third party beneficiaries to the Lease and to provide Success the opportunity to reserve the Premises as a Success Space under the circumstances set out below.

D. The Landlord agrees that our affiliates shall have the right but not the obligation to 1) cure defaults of Tenant and 2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice (“**second notice**”) specifying the defaults that the Tenant has failed to cure. We shall have forty-five (45) days following receipt of the second written notice to a) cure the default or b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 We shall begin paying rent upon the Landlord delivering possession of the Premises to us pursuant to Section 1.1 above.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason or expires during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by us, assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guaranty, Indemnification, and Acknowledgement in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 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 us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign or sublet our interest under the Lease to a third party, which may or may not be an operator of a Success Space, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, we shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we fail to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Success Space and to promptly remove signs, decor and other items which we reasonably request be removed as



being distinctive and indicative of a Success Space. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS LEASE RIDER TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Lease 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 addresses below or to such other address as any party to this Lease Rider may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by \_\_\_\_\_  
as Landlord by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by \_\_\_\_\_  
as Tenant by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by Success Franchising, LLC  
by its duly authorized officer in the  
presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

Addresses for Notices:

Landlord:

\_\_\_\_\_  
\_\_\_\_\_

Tenant:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT D**

**STATE SPECIFIC ADDENDA**

*None.*

**EXHIBIT E**

**LISTS OF CURRENT AND FORMER FRANCHISEES**

**LIST OF CURRENT FRANCHISEES  
AS OF DECEMBER 31, 2020**

*None*

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED  
AS OF DECEMBER 31, 2020**

*None*

**LIST OF FORMER FRANCHISEES  
AS OF DECEMBER 31, 2020**

*None*

**TRANSFERS  
AS OF DECEMBER 31, 2020**

*None*

**EXHIBIT F**

**FORM OF GENERAL RELEASE**

## FORM OF GENERAL RELEASE

The Franchisee, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Franchise Agreement or Federal or state laws, including franchise investment laws, against Success Franchising, LLC (“Success”), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Franchisee realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Success may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Franchisee freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Franchisee is in any way incorrect. The Franchisee expressly waives any and all rights and benefits against Success conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code reads as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

**EXHIBIT G**

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**EXHIBIT H**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT**

As you know, Success Franchising, LLC (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a Success Space. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting for the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

If you are intending to purchase an existing Success Space from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement along with a purchase or transfer of an existing Success Space from an existing Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if needed.)

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5. Have you received and personally reviewed the Franchisor’s Disclosure Document that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if needed.)

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8. Have you discussed the benefits and risks of establishing and operating a Success Space with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Do you understand that the success or failure of your Success Space will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Do you acknowledge that the Franchisor is responsible for fulfilling obligations to you under the Franchise Agreement, and that while some ongoing support may be provided to you by a designee of the Franchisor, that the principal initial and ongoing support, including training, marketing, research and development will be provided by personnel at Franchisor's headquarters in Dallas, Texas, where records of your franchise relationship will be maintained?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Do you understand that, per the Disclosure Document and your Franchise Agreement, it is your responsibility to review and understand the licensing requirements in your state?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Have you independently investigated your state's licensing requirements and the likely time and cost needed to comply with them?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee of a Broker or other person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee of a Broker or other person speaking for the Franchisor made any statement or promise concerning the total amount of revenue the Success Space will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Has any employee of a Broker or other person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating the Success Space that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Has any employee of a Broker or other person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Success Space?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Has any employee of a Broker or other person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes \_\_\_\_\_ No \_\_\_\_\_

19. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

21. Do you understand that the Franchisor may modify the franchise program throughout the term of your agreements?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you have answered No to question 9 or 12, or Yes to any one of questions 11 or 13-19, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if needed, and refer to them below.) If you have answered Yes to questions 9 or 12, and No to each of questions 11-18, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist along with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None." \_\_\_\_\_

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C. You also acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You also covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Sign here if you are acquiring the franchise as an

Sign here if you are acquiring the franchise as a

**INDIVIDUAL**

**CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Legal Entity

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

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

\_\_\_\_\_  
Signature

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

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

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

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Signature

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

**EXHIBIT I**

**FORM OF SOFTWARE LICENSE AGREEMENT**

# Software License Agreement

This Software License Agreement (this "**Agreement**"), effective as of [DATE] (the "**Effective Date**"), is by and between Success Franchising, LLC, a Delaware limited liability company with offices located at 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201 ("**Licensor**") and [FRANCHISEE], a [TYPE AND JURISDICTION OF FRANCHISEE] with offices located at [ADDRESS] ("**Franchisee**"). Licensor and Franchisee may be referred to herein collectively as the "**Parties**" or individually as a "**Party**."

**WHEREAS**, Licensor desires to license, or sub-license as needed, the Software described in 0 attached hereto to Franchisee; and

**WHEREAS**, Franchisee desires to obtain a license, or sub-license as needed, to use the Software for its internal business purposes, subject to the terms and conditions of this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## 1. Definitions.

(a) "**Documentation**" means the user manuals, handbooks, and installation guides relating to the Software provided by Licensor to Franchisee either electronically or in hard copy form and end user documentation relating to the Software.

(b) "**Software**" means the products described in 0 in object code format, including any Updates provided to Franchisee pursuant to this Agreement.

(c) "**Software Maintenance**" shall mean the work done by Leadword to correct Errors and to provide Fixes, Upgrades and Enhancements to the Software.

(d) "**Support Services**" shall mean the work done by Licensor in support of the Software, including but not limited to, installation services, training, consultant support, telephone support, and such other services as may be defined in an accepted order.

(e) "**Third-Party Products**" means any third-party products described in 0 provided with or incorporated into the Software.

(f) "**Updates**" means any updates, bug fixes, patches, or other error corrections to the Software that Licensor generally makes available free of charge to all licensees of the Software.

## 2. License.

(a) License Grant.

Subject to the terms and conditions of this Agreement, Licensor hereby grants Franchisee a non-exclusive, non-sublicenseable, and non-transferable (except in compliance with Section 0) license during the Term to: (i) use the Software solely for Franchisee's internal business purposes; and (ii) use and make



a reasonable number of copies of the Documentation solely for Franchisee's internal business purposes in connection with Franchisee's use of the Software. Franchisee may make one copy of the Software solely for back-up, disaster recovery, and testing purposes. Any such copy of the Software: (x) remains Licensor's, or, as applicable, the third-party's exclusive property; (y) is subject to the terms and conditions of this Agreement; and (z) must include all copyright or other proprietary rights notices contained in the original.

(b) Use Restrictions.

Franchisee shall not use the Software or Documentation for any purposes beyond the scope of the license granted in this Agreement. Without limiting the foregoing and except as otherwise expressly set forth in this Agreement, Franchisee shall not at any time, directly or indirectly: (i) copy, modify, or create derivative works of the Software or the Documentation, in whole or in part; (ii) rent, lease, lend, sell, sublicense, assign, distribute, publish, transfer, or otherwise make available the Software or the Documentation; (iii) reverse engineer, disassemble, decompile, decode, adapt, or otherwise attempt to derive or gain access to the source code of the Software, in whole or in part; (iv) remove any proprietary notices from the Software or the Documentation; or (v) use the Software in any manner or for any purpose that infringes, misappropriates, or otherwise violates any intellectual property right, or other right, of any person, or that violates any applicable law.

(c) Reservation of Rights.

Licensor reserves all rights not expressly granted to Franchisee in this Agreement. Except for the limited rights and licenses expressly granted under this Agreement, nothing in this Agreement grants, by implication, waiver, estoppel, or otherwise, to Franchisee or any third party any intellectual property rights or other right, title, or interest in or to the Software.

(d) Delivery.

Licensor shall deliver the Software electronically or by other means, in Licensor's sole discretion, to Franchisee within [ NUMBER ] ([NUMBER]) days following the Effective Date.

**3. Franchisee Responsibilities.**

(a) General.

Franchisee is responsible and liable for all uses of the Software and Documentation resulting from access provided by Franchisee, directly or indirectly, whether such access or use is permitted by or in violation of this Agreement.

(b) Third-Party Products.

Licensor may distribute certain Third-Party Products with the Software. For purposes of this Agreement, such Third-Party Products are subject to their own license terms and the applicable flow through provisions referred to in 0. If Franchisee does not agree to abide by the applicable terms for such Third-Party Product, then Franchisee should not install or use such Third-Party Products.

#### 4. Support.

Licensor shall provide Franchisee Software Maintenance and Support Services subject to the provisions of this Agreement..

#### 5. Fees and Payment.

##### (a) Fees.

Franchisee shall pay Licensor the fees ("**Fees**") set forth in 0 without offset or deduction. Franchisee shall make all payments hereunder in US dollars on or before the due date set forth in 0. If Franchisee fails to make any payment when due, in addition to all other remedies that may be available: (i) Licensor may charge interest on the past due amount at the rate of [INTEREST RATE] percent ([INTEREST RATE]%) per month calculated daily and compounded monthly or, if lower, the highest rate permitted under applicable law; and (ii) Franchisee shall reimburse Licensor for all costs incurred by Licensor in collecting any late payments or interest, including attorneys' fees, court costs, and collection agency fees.

##### (b) Taxes.

All Fees and other amounts payable by Franchisee under this Agreement are exclusive of taxes and similar assessments. Franchisee is responsible for all sales, use, and excise taxes, and any other similar taxes, duties, and charges of any kind imposed by any federal, state, or local governmental or regulatory authority on any amounts payable by Franchisee hereunder, other than any taxes imposed on Licensor's income.

##### (c) Auditing Rights and Required Records.

Franchisee agrees to maintain complete and accurate records in accordance with generally accepted accounting principles during the Term and for a period of two (2) years after the termination or expiration of this Agreement with respect to matters necessary for accurately determining amounts due hereunder. Licensor may, at its own expense, on reasonable prior notice, periodically inspect and audit Franchisee's records with respect to matters covered by this Agreement, provided that if such inspection and audit reveals that Franchisee has underpaid Licensor with respect to any amounts due and payable during the Term, Franchisee shall promptly pay the amounts necessary to rectify such underpayment, together with interest in accordance with Section 5(a). Franchisee shall pay for the costs of the audit if the audit determines that Franchisee's underpayment equals or exceeds ([UNDERPAYMENT PERCENTAGE] percent ([UNDERPAYMENT PERCENTAGE] %) for any quarter. Such inspection and auditing rights will extend throughout the Term of this Agreement and continue for a period of two (2) years after the termination or expiration of this Agreement.

#### 6. Confidential Information.

From time to time during the Term, either Party may disclose or make available to the other Party information about its business affairs, products, confidential intellectual property, trade secrets, third-party confidential information, and other sensitive or proprietary information, whether orally or in written, electronic, or other form or media, and whether or not marked, designated, or otherwise identified as "confidential" (collectively, "**Confidential Information**"). Confidential Information does not include

information that, at the time of disclosure is: (a) in the public domain; (b) known to the receiving Party at the time of disclosure; (c) rightfully obtained by the receiving Party on a non-confidential basis from a third party; or (d) independently developed by the receiving Party. The receiving Party shall not disclose the disclosing Party's Confidential Information to any person or entity, except to the receiving Party's employees who have a need to know the Confidential Information for the receiving Party to exercise its rights or perform its obligations hereunder. Notwithstanding the foregoing, each Party may disclose Confidential Information to the limited extent required (i) in order to comply with the order of a court or other governmental body, or as otherwise necessary to comply with applicable law, provided that the Party making the disclosure pursuant to the order shall first have given written notice to the other Party and made a reasonable effort to obtain a protective order; or (ii) to establish a Party's rights under this Agreement, including to make required court filings. On the expiration or termination of the Agreement, the receiving Party shall promptly return to the disclosing Party all copies, whether in written, electronic, or other form or media, of the disclosing Party's Confidential Information, or destroy all such copies and certify in writing to the disclosing Party that such Confidential Information has been destroyed. Each Party's obligations of non-disclosure with regard to Confidential Information are effective as of the Effective Date.

## **7. Intellectual Property Ownership; Feedback.**

### **(a) Intellectual Property Ownership.**

Franchisee acknowledges that, as between Franchisee and Licensor, Licensor owns all right, title, and interest, including all intellectual property rights, in and to the Software and Documentation and, with respect to Third-Party Products, the applicable third-party licensors own all right, title and interest, including all intellectual property rights, in and to the Third-Party Products.

### **(b) Feedback.**

If Franchisee or any of its employees or contractors sends or transmits any communications or materials to Licensor by mail, email, telephone, or otherwise, suggesting or recommending changes to the Software or Documentation, including without limitation, new features or functionality relating thereto, or any comments, questions, suggestions, or the like ("**Feedback**"), Licensor is free to use such Feedback irrespective of any other obligation or limitation between the Parties governing such Feedback. Franchisee hereby assigns to Licensor on Franchisee's behalf, and on behalf of its employees, contractors and/or agents, all right, title, and interest in, and Licensor is free to use, without any attribution or compensation to any party, any ideas, know-how, concepts, techniques, or other intellectual property rights contained in the Feedback, for any purpose whatsoever, although Licensor is not required to use any Feedback.

## **8. Warranty Disclaimer.**

THE SOFTWARE AND DOCUMENTATION ARE PROVIDED "AS IS" AND LICENSOR HEREBY DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE. LICENSOR SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT, AND ALL WARRANTIES ARISING FROM COURSE OF DEALING, USAGE, OR TRADE PRACTICE. LICENSOR MAKES NO WARRANTY OF ANY KIND THAT THE SOFTWARE AND DOCUMENTATION, OR ANY PRODUCTS OR RESULTS OF THE USE

THEREOF, WILL MEET LICENSEE'S OR ANY OTHER PERSON'S REQUIREMENTS, OPERATE WITHOUT INTERRUPTION, ACHIEVE ANY INTENDED RESULT, BE COMPATIBLE OR WORK WITH ANY SOFTWARE, SYSTEM OR OTHER SERVICES, OR BE SECURE, ACCURATE, COMPLETE, FREE OF HARMFUL CODE, OR ERROR FREE.

9. Indemnification.

(a) Licensor Indemnification.

(i) Licensor shall indemnify, defend, and hold harmless Franchisee from and against any and all losses, damages, liabilities, costs (including reasonable attorneys' fees) ("**Losses**") incurred by Franchisee resulting from any third-party claim, suit, action, or proceeding ("**Third-Party Claim**") that the Software or Documentation, or any use of the Software or Documentation in accordance with this Agreement, infringes or misappropriates such third party's US intellectual property rights, provided that Franchisee promptly notifies Licensor in writing of the claim, cooperates with Licensor, and allows Licensor sole authority to control the defense and settlement of such claim.

(ii) If such a claim is made or appears possible, Franchisee agrees to permit Licensor, at Licensor's sole discretion, to (A) modify or replace the Software or Documentation, or component or part thereof, to make it non-infringing, or (B) obtain the right for Franchisee to continue use. If Licensor determines that none of these alternatives is reasonably available, Licensor may terminate this Agreement, in its entirety or with respect to the affected component or part, effective immediately on written notice to Franchisee.

(iii) This Section 9(a) will not apply to the extent that the alleged infringement arises from: (A) use of the Software in combination with data, software, hardware, equipment, or technology not provided by Licensor or authorized by Licensor in writing; (B) modifications to the Software not made by Licensor; or (C) use of any version other than the most current version of the Software or Documentation delivered to Franchisee; or (D) Third-Party Products.

(b) Franchisee Indemnification.

Franchisee shall indemnify, hold harmless, and, at Licensor's option, defend Licensor from and against any Losses resulting from any Third-Party Claim based on Franchisee's: (i) negligence or willful misconduct; (ii) use of the Software or Documentation in a manner not authorized or contemplated by this Agreement; (iii) use of the Software in combination with data, software, hardware, equipment or technology not provided by Licensor or authorized by Licensor in writing; (iv) modifications to the Software not made by Licensor; or (v) use of any version other than the most current version of the Software or Documentation delivered to Franchisee, provided that Franchisee may not settle any Third-Party Claim against Licensor unless such settlement completely and forever releases Licensor from all liability with respect to such Third-Party Claim or unless Licensor consents to such settlement, and further provided that Licensor will have the right, at its option, to defend itself against any such Third-Party Claim or to participate in the defense thereof by counsel of its own choice.

(c) Sole Remedy.

THIS SECTION 9 SETS FORTH LICENSEE'S SOLE REMEDIES AND LICENSOR'S SOLE LIABILITY AND OBLIGATION FOR ANY ACTUAL, THREATENED, OR ALLEGED CLAIMS

THAT THE SOFTWARE OR DOCUMENTATION INFRINGES, MISAPPROPRIATES, OR OTHERWISE VIOLATES ANY INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY. IN NO EVENT WILL LICENSOR'S LIABILITY UNDER THIS SECTION 9 EXCEED {AMOUNT} DOLLARS (\$ {AMOUNT}).

**10. Limitation of Liability.**

IN NO EVENT WILL LICENSOR BE LIABLE UNDER OR IN CONNECTION WITH THIS AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY, INCLUDING BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, AND OTHERWISE, FOR ANY: (a) CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, ENHANCED, OR PUNITIVE DAMAGES; (b) INCREASED COSTS, DIMINUTION IN VALUE OR LOST BUSINESS, PRODUCTION, REVENUES, OR PROFITS; (c) LOSS OF GOODWILL OR REPUTATION; (d) USE, INABILITY TO USE, LOSS, INTERRUPTION, DELAY OR RECOVERY OF ANY DATA, OR BREACH OF DATA OR SYSTEM SECURITY; OR (e) COST OF REPLACEMENT GOODS OR SERVICES, IN EACH CASE REGARDLESS OF WHETHER LICENSEE WAS ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES OR SUCH LOSSES OR DAMAGES WERE OTHERWISE FORESEEABLE. IN NO EVENT WILL LICENSOR'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY, INCLUDING BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, AND OTHERWISE THE TOTAL AMOUNTS PAID AND AMOUNTS ACCRUED BUT NOT YET PAID TO LICENSOR UNDER THIS AGREEMENT IN THE TWELVE (12) MONTH PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

**11. Term and Termination.**

(a) Term.

The term of this Agreement and the granted license to use the Software, including Third-Party Products, shall commence upon the execution of this Agreement, and shall continue for the sooner of as long as you operate the Success Space franchise subject to that certain Franchise Agreement between Franchisee and Licensor dated \_\_\_\_\_, 2021 (the "**Franchise Agreement**") or unless otherwise terminated by Licensor or Franchisee under the terms of this Agreement.

(b) Termination.

In addition to any other express termination right set forth in this Agreement:

(i) Licensor may terminate this Agreement, effective on written notice to Franchisee, if Franchisee breaches any of its obligations under Section 2(b) or Section 6;

(ii) either Party may terminate this Agreement, effective on written notice to the other Party, if the other Party materially breaches this Agreement, and such breach: (A) is incapable of cure; or (B) being capable of cure, remains uncured thirty (30) days after the non-breaching Party provides the breaching Party with written notice of such breach; or

(iii) either Party may terminate this Agreement, effective immediately upon written notice to the other Party, if the other Party: (A) becomes insolvent or is generally unable to pay, or fails

to pay, its debts as they become due; (B) files or has filed against it, a petition for voluntary or involuntary bankruptcy or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law; (C) makes or seeks to make a general assignment for the benefit of its creditors; or (D) applies for or has appointed a receiver, trustee, custodian, or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business.

(c) Effect of Expiration or Termination.

Upon expiration or earlier termination of this Agreement, the license granted hereunder will also terminate, and, without limiting Franchisee's obligations under Section 6, Franchisee shall cease using and delete, destroy, or return all copies of the Software, including any Third-Party Products, and Documentation and certify in writing to the Licensor that the Software, any Third-Party Products, and Documentation has been deleted or destroyed. No expiration or termination will affect Franchisee's obligation to pay all Fees that may have become due before such expiration or termination, or entitle Franchisee to any refund.

(d) Survival.

This Section 11(d) and Sections 1, 5, 6, 7, 8, 9, 10, and 12 survive any termination or expiration of this Agreement. No other provisions of this Agreement survive the expiration or earlier termination of this Agreement.

**12. Miscellaneous.**

(a) Entire Agreement.

This Agreement, together with any other documents incorporated herein by reference and all related Exhibits, constitutes the sole and entire agreement of the Parties with respect to the subject matter of this Agreement and supersedes all prior and contemporaneous understandings, agreements, and representations and warranties, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements made in the body of this Agreement, the related Exhibits and any other documents incorporated herein by reference, the following order of precedence governs: (a) first, this Agreement, excluding its Exhibits; (b) second, the Exhibits to this Agreement as of the Effective Date; and (c) third, any other documents incorporated herein by reference.

(b) Notices.

All notices, requests, consents, claims, demands, waivers, and other communications hereunder (other than routine communications having no legal effect) must be in writing and will be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile, or email (in each case, with confirmation of transmission or receipt) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as may be specified in a notice given in accordance with this Section 12(b)).

If to Licensor: Success Franchising, LLC  
750 North St. Paul St.  
Suite 250  
PMB 30053  
Dallas, TX 75201  
Attention: Legal Operations  
legal@success.com

If to Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
E-Mail: \_\_\_\_\_

Notwithstanding the foregoing, any notice to Licensor must in all events be e-mailed to each of Licensor’s e-mail addresses, set forth above, or such notice will not be deemed as having been delivered to Licensor.

(c) Interpretation.

For purposes of this Agreement, (a) the words “include,” “includes,” and “including” will be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto,” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Sections, Schedules, and Exhibits refer to the Sections of, and Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. Any Schedules and Exhibits referred to herein will be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

(d) Headings.

The headings in this Agreement are for reference only and do not affect the interpretation of this Agreement.

(e) Force Majeure.

In no event shall either Party be liable to the other Party, or be deemed to have breached this Agreement, for any failure or delay in performing its obligations under this Agreement (except for any obligations to make payments), if and to the extent such failure or delay is caused by any circumstances beyond such Party's reasonable control, including but not limited to acts of God, flood, fire, earthquake,

explosion, war, terrorism, invasion, riot or other civil unrest, strikes, labor stoppages or slowdowns or other industrial disturbances, or passage of law or any action taken by a governmental or public authority, including imposing an embargo.

(f) Amendment and Modification; Waiver.

No amendment to or modification of this Agreement is effective unless it is in writing and signed by an authorized representative of each Party. No waiver by any Party of any of the provisions hereof will be effective unless explicitly set forth in writing and signed by the Party so waiving. Except as otherwise set forth in this Agreement, (i) no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement will operate or be construed as a waiver thereof and (ii) no single or partial exercise of any right, remedy, power or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

(g) Severability.

If any provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

(h) Governing Law; Submission to Jurisdiction.

This Agreement is governed by and construed in accordance with the internal Laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of Laws of any other. Any legal suit, action, or proceeding arising out of or related to this Agreement will be instituted exclusively in the federal courts of the United States or the courts of the State of Texas in each case located in the city of Dallas and County of Dallas, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. Service of process, summons, notice, or other document by mail to such party's address set forth herein will be effective service of process for any suit, action, or other proceeding brought in any such court.

(i) Waiver of Jury Trial.

Each party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any claim, suit, action, or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(j) Assignment.

Franchisee may not assign or transfer any of its rights or delegate any of its obligations hereunder, in each case whether voluntarily, involuntarily, by operation of law or otherwise, without the prior written consent of Licensor. Any purported assignment, transfer, or delegation in violation of this Section is null and void. No assignment, transfer, or delegation will relieve the assigning or delegating Party of any of



its obligations hereunder. This Agreement is binding upon and inures to the benefit of the Parties hereto and their respective permitted successors and assigns.

(k) No Third-Party Beneficiaries.

This Agreement is for the sole benefit of the Parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or will confer upon any other person any legal or equitable right, benefit, or remedy of any nature whatsoever, under or by reason of this Agreement.

(l) Binding Agreement.

This Agreement is binding upon and inures to the benefit of the parties hereto and their respective permitted successors and assigns.

(m) Export Regulation.

The Software may be subject to US export control laws, including the Export Control Reform Act and its associated regulations. Franchisee shall not, directly or indirectly, export, re-export, or release the Software to, or make the Software accessible from, any jurisdiction or country to which export, re-export, or release is prohibited by law, rule, or regulation. Franchisee shall comply with all applicable federal laws, regulations, and rules, and complete all required undertakings (including obtaining any necessary export license or other governmental approval), prior to exporting, re-exporting, releasing, or otherwise making the Software available outside the US.

(n) Equitable Relief.

Each Party acknowledges and agrees that a breach or threatened breach by such Party of any of its obligations under Section 6 or, in the case of Franchisee, Section 2(b), would cause the other Party irreparable harm for which monetary damages would not be an adequate remedy and agrees that, in the event of such breach or threatened breach, the other Party will be entitled to equitable relief, including a restraining order, an injunction, specific performance, and any other relief that may be available from any court, without any requirement to post a bond or other security, or to prove actual damages or that monetary damages are not an adequate remedy. Such remedies are not exclusive and are in addition to all other remedies that may be available at law, in equity, or otherwise.

(o) Counterparts.

This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement as of the Effective Date.

**SUCCESS FRANCHISING, LLC**

**[FRANCHISEE]**

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

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

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

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

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

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

## EXHIBIT A

Capitalized terms used but not defined in this Exhibit A have the meaning given to those terms in the Agreement or the Franchise Agreement as appropriate.

### 1. DESCRIPTION OF THIRD-PARTY SOFTWARE:

- LETESOFT – Software License Agreement between Letesoft, LLC and Licensor;
- NEXUDUS – Proposal from Nexodus Limited to Licensor subject to web based Terms and Conditions, Privacy Policy and Service Limits;
- Schoox – Services Agreement between Schoox and Licensor dated February 5, 2021.

### 2. FEES:

Total Fees due: \$1,650, subject to change by Licensor on thirty (30) days written notice.

Payment terms: Payable on the 10<sup>th</sup> of each month in the same manner as the Royalty Fees.

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	Pending
Hawaii	Not registered
Illinois	Not registered
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Not registered
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Pending
Washington	Not registered
Wisconsin	Not registered

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.

## 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 Success Franchising, LLC (“Success”) offers you a franchise, Success must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Success, or any affiliate of Success in connection with the proposed franchise sale.

New York and Iowa require that Success give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Success 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 Success 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 applicable state agency listed on Exhibit A to this Disclosure Document.

Only the following individuals have the authority to offer and sell Success franchises:

- Ted Laatz, at 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201, (800) 570-6414
- Kelli Schroeder, at 750 North St. Paul St., Suite 250, PMB 30053, Dallas, Texas 75201, (800) 570-6414

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: May 12, 2021

I have received this Disclosure Document dated May 12, 2021. Please refer to the State Cover Page for the effective date of this Disclosure Statement in your state. This Disclosure Document included the following exhibits:

A	State Administrators and Agents for Service of Process	E	Lists of Current and Former Franchisees
B	Financial Statements	F	Form of General Release
C	Franchise Agreement	G	Manual Table of Contents
D	State Specific Addenda	H	Franchisee Disclosure Acknowledgment
		I	Form of Software License Agreement

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_

Print Name

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_

Print Name

[Copy for Franchisee]

## RECEIPT

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Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_  
Print Name

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Date of Receipt

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Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_  
Print Name