

## FRANCHISE DISCLOSURE DOCUMENT

B & P Burke, Inc.  
A California corporation  
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Huntington Beach, CA 92648  
714-846-3800  
simone@grasons.com  
www.Grasons.com



We offer franchises for businesses that specialize in estates sale services under the trade name “Grasons Estate Sales Services”. The total investment necessary to begin operation of a Grasons Estate Sale Services franchise is \$38,900 to \$73,600. This includes \$30,000 to \$40,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Simone Kelly at 18281 Gothard St., Suite 203, Huntington Beach, CA 92648 and 714-846-3800.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC- HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW. Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: August 13, 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 Exhibit F.
<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>	Exhibit D 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 Grasons Estate Sale Services business 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 Grasons Estate Sale Services franchisee?</b>	Exhibit F 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 clients, what you sell, how you market, and your hours of operation.

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Guaranty of Performance.** All the owners of the franchise will be required to execute personal guarantees. This requirement places the personal assets of the franchise owner(s) at risk.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

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### **EXHIBITS**

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
  - C. Form of General Release
  - D. Financial Statements
  - E. Operations Manual Table of Contents
  - F. Current and Former Franchisees
  - G. State Addenda to Disclosure Document
  - H. State Addenda to Franchise Agreement
- Receipt (2 copies)

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

General

In this disclosure document, “we”, “us,” or “our” refers to B & P Burke, Inc., the franchisor. “You” means the person to whom we grant a franchise. If you are an entity, each owner must sign our Guaranty and Non-Compete Agreement, which means that all of the Franchise Agreement’s provisions also will apply to your owners. We are a California corporation incorporated May 8, 2014.

We began offering franchises (“Franchises”) under the Grasons Estate Sale Services mark, associated logos, commercial symbols and other trade names, service marks and trademarks as now or are later designated as a part of the System (collectively, the “Marks”) in November 2014. The distinguishing characteristics of our system (the “System”) include, without limitation, distinctive business formats; procedures; the Confidential Operations Manual (the “Manual”); procedures for operations, accounting, and management; training and assistance; and advertising and promotional programs. We may change the System periodically.

We do business under our corporate name and “Grasons Estate Sale Services.” Although our affiliate, QKS, Inc., owned and operated a Grasons Estate Sale Services business in Huntington Beach, CA from 2008 until 2015, we do not operate businesses of the type being franchised, nor do not engage in any other business activities other than offering, selling and supporting Grasons Estate Sale Services franchises. We have not offered franchises in other lines of business.

Parents, Predecessors and Affiliates

We have no parents or predecessors. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Agents for Service of Process

Our agent for service of process in California is Simone Kelly, and her principal business address is 18281 Gothard St., Suite 203, Huntington Beach, CA 92648. Our agents for service of process in other states are disclosed in Exhibit A.

The Franchise Rights Offered

If you sign a Franchise Agreement with us, you will develop and operate a business under the Marks and System that specializes in assisting individuals, trustees and personal representatives to dispose of personal property due to long-distance moves, divorce, death, or bankruptcy, or another change in circumstances (collectively, the “Estate Sale Services”) within a geographic territory specified in the Franchise Agreement that will have a minimum population of 500,000 people (the “Territory”). See Item 5 for further information.

We anticipate that you will operate your Franchise from a home office, which must be located in your Territory. The Estate Sale Services are generally offered at private homes. You



will also receive training on innovative online sales techniques using live sales and “buy it now” sales on various types of social media platforms and curbside pick-up for sold items.

### General Market and Competition

The general market for Estate Sale Services is well developed. Your clients will include individuals, trustees and personal representatives of estates.

You will compete against other providers of estate sales services, most of which are independently owned and operated.

Sales are not seasonal.

We are not aware of any laws or regulations specific to our industry. We recommend that you consult with legal counsel to investigate and comply with any laws and regulations.

## **Item 2 BUSINESS EXPERIENCE**

**Simone Kelly – President.** Simone Kelly has been our President since May 2014. This position is held in Huntington Beach, California.

**Victor Burke – On-Site/Off-Site Training Manager.** Victor has been our On-Site/Off-Site Training Manager for us since November 2014. Victor is also the owner of a Grasons Estate Sale Services franchise. These positions are held in Huntington Beach, California.

**Brenda Gomez - On-Site/Off-Site Training and Support Manager.** Brenda has been our On-site/Off-Site Training and Support Manager since October 2017. Before that, she was a teller and customer service representative at Bank of the West, a position she held from July 2015 to September 2017. These positions are held in Huntington Beach, California.

**Genesis Ramirez – Administrative Assistant** Genesis has been our Administrative Assistant in Huntington Beach, California since October 2021. From March 2017 to October 2021, she was employed as a senior service banker at Bank of the West in Huntington Beach, California.

## **Item 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **Item 4 BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**Item 5  
INITIAL FEES**

When you sign your Franchise Agreement, you must pay us \$40,000 in lump sum as the initial franchise fee for the first Franchise. For your second and greater Franchise, we will charge an initial franchise fee of \$30,000. Under a Franchise Agreement, you will receive a Territory that includes a minimum population of 500,000 people. The initial franchise fee is uniformly charged.

We also provide you with an initial equipment package that includes 10 yard signs, a banner, a tear drop sign, a tote, a notebook, a branded polo shirt, and 250 business cards at no additional charge.

If you are a qualifying veteran or member of the U.S. armed forces, the initial franchise fee for your first Franchise will be 10% less or \$36,000. To qualify, you must be a veteran who has received an honorable discharge from the U.S. Military, and, you must give us a copy of your Form DD 214 showing your status as a veteran.

If (1) you fail to complete the initial training program to our satisfaction, or (2) we conclude, no more than 10 days after you complete the initial training program, that you do not have the ability to satisfactorily operate your Franchise, then we have the right to terminate your Franchise Agreement. If we do so, we will refund your franchise fee less any out-of-pocket costs we have incurred, subject to your signing a general release of our liability. Otherwise, the franchise fee is not refundable.

**Item 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6.5% of Gross Revenue during your first six months of operation; thereafter, the greater of \$500 per month or 6.5% of Gross Revenue	Monthly, on the 1st day of the following month	

Type of Fee	Amount	Due Date	Remarks
Marketing Fund Contribution	1% of Gross Sales	Monthly, on the 1st day of the following month	
Local Advertising	A reasonable amount up to \$500 per month (currently, approximately \$250 a month)	Varies	We require you to spend a reasonable amount on Internet and other advertising to assist you to market your Franchise.
Technology Fee	\$175 per month	Monthly, on the 1 <sup>st</sup> day of the following month	<i>We may increase the Technology Fee by 3% of last year's Technology Fee each year.</i>
Third Party Vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and client feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Non-compliance fee	If you provide Estate Sale Services for a client outside of your Territory, the greater of (a) \$500; or (b) 75% of the amount paid by such client to you. For any other non-compliance, \$250	On demand	If you are in breach of the Franchise Agreement because you provided Estate Sale Services to a client outside of your Territory, we may charge this fee, which is a reasonable estimate of our internal costs such breach. We may charge \$250 if your business is not in compliance with our System specifications or the Franchise Agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 20% as an administrative fee	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.

Type of Fee	Amount	Due Date	Remarks
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$50 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Client complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a client complaint about your business. If we respond to a client complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported sales.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Transfer fee	\$15,000	When transfer occurs	

Type of Fee	Amount	Due Date	Remarks
Renewal fee	\$10,000	When you renew your franchise	Payable prior to the expiration of the initial term
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our intentional misconduct or gross negligence).
Liquidated Damages	Average of monthly Royalty Fees and Advertising Fund Contributions for the past 12 months (or shorter period of time the Franchise has been open if less) multiplied by 36 months (or remaining months in term), discounted to present value	On demand	Only if the Franchise Agreement is terminated by us due to your default, or if you terminate the Franchise Agreement in violation of its terms.
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.
Annual Conference	A reasonable registration fee (currently, \$250 per registering)	At the time of registration	Your attendance at our annual franchisee conference is mandatory.

Note 1: "Gross Revenue" is defined in our Franchise Agreement as the total dollar amount of all revenue generated by your Franchise for a given period, including, but not limited to, commissions received by you and any other payments for any services or products sold by you, whether for cash or credit. Gross Revenue does not include (i) sales proceeds for property sold that is properly remitted to clients, (ii) bona fide refunds to customers, and (iii) sales taxes.

All fees are payable only to us. All fees are imposed by us and collected by us. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

There are no marketing cooperatives, purchasing cooperatives, or other cooperatives; therefore, our own outlets do not have any voting power on any fees imposed by a cooperative.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee (see Note 1)	\$30,000 - \$40,000	Check or wire transfer	Upon signing the franchise agreement	Us
Computer Systems (see Note 2)	\$450 - \$5,900	Check, debit, and/or credit	As incurred	Vendors and suppliers and designated suppliers
Insurance	\$500 - \$3,000	Check	Upon ordering	Insurance company
Vehicle (see Note 3)	\$0 - \$3,000	Check	Upon purchase	Vendor
Office Expenses/Supplies	\$950 - \$1,200	Check, debit, and/or credit	As incurred	Vendors
Licenses and Permits	\$500 - \$1,500	Check	Upon application	Government
Dues and Subscriptions	\$1,000 - \$3,000	Check, debit, and/or credit	As incurred	Vendors, trade organizations

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Professional Fees (lawyer, accountant, etc.)	\$0 - \$2,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$1,500 - \$2,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 4)	\$4,000 - \$12,000	Varies	Varies	Employees, suppliers
Total	\$38,900 - \$73,600			

### Notes

1. The initial franchise fee is \$40,000 for the first Franchise, and \$30,000 for the second and greater Franchise. Amounts paid to us or our affiliates are not refundable, except as specifically described in Item 5. Amounts paid to a third party may be refundable depending on contracts, if any, between you and the third party.

2. You will need a laptop or tablet computer and software including POS software that we specify. See Item 11 for current requirements. The low-end estimate assumes you already own a laptop or tablet that you use for the business. The high-end estimate assumes you do not have your own computer, and you purchase a new approved register stand, drawer and tablet for your POS system.

3. You must have a vehicle to be used for the operation of your business. We do not require any particular type of vehicle. It must be in good condition, clean, dent-free, and otherwise presenting a professional appearance. The low end assumes you will use your current vehicle in the operation of the franchised business. The high end assumes you purchase a vehicle for use in the franchised business.

4. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, folding tables, tablecloths, pop up tent, sales tags, blue tape, rent, and other operating expenses in excess of income generated by the business. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a Grasons Estate Sales Services business by our affiliate, the experience of our franchisees, and our general knowledge of the industry.

**Item 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

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

A. Insurance and Bonding. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage for primary vehicle along with any trailers and box trucks used in the business in an amount of not less than \$1,000,000, and (iii) Workers Compensation and disability insurance coverage as required by state law. Your insurance policies must add us and our affiliates as additional insured. You must also obtain a \$25,000 bond.

B. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

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

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

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier’s capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our System, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after testing in our headquarters and/or a limited market test in operating units.



We do not derive revenue from the required purchases and leases by franchisees. However, the Franchise Agreement does not prohibit us from doing so.

We estimate that the required purchases and leases to establish your business are 20 to 50% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 10% to 20% of your total purchases and leases of goods and services to operate your business.

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the Franchise Agreement does not prohibit us from doing so.

No purchasing or distribution cooperative currently exists. We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

### **Item 9 FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	§ 6.1	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.7, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.7, 7.8 – 7.10, 7.12, 10.1, 10.4, 11.1	Items 8, 11 and 14

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and client service requirements	§§ 7.7, 7.8,	Item 8
k. Territorial development and sales quotas	7.20	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Not applicable	Item 7
n. Insurance	§ 7.12	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

## **Item 10 FINANCING**

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

**Item 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

Our Pre-Opening Obligations

Before you open your business:

A. *Your Site.* Because we expect you will have a home-based business, we do not assist you in (i) locating your site and negotiating the purchase or lease of the site, (ii) conforming the premises to local ordinances and building codes and obtaining any required permits, or (iii) constructing, remodeling, or decorating the premises.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. All hiring decisions and conditions of employment are your sole responsibility.

C. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

D. *Operating Manual.* We will give you access to our Manual (Section 5.1).

E. *Initial Training Program.* We will conduct our initial training program. (Section 6.4). The current initial training program is described below.

F. *Business plan review.* If you request, we will review your pre-opening business plan and financial projections. (Section 5.4).

G. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Section 5.4).

H. *On-site opening support.* If you request, we will have a representative provide on-site support for two days in connection with your business opening. (Section 5.4).

I. *Equipment Package.* We provide you with an equipment package that includes 10 yard signs, a banner, a tear drop sign, a tote, a notebook, a branded polo shirt, and 250 business cards at no charge. (Section 5.4).

## Length of Time To Open

The typical length of time between signing the Franchise Agreement and the opening of your business is 30 days. Factors that may affect the time period include your ability to obtain financing, obtain business permits and licenses, schedule initial training, and hire employees.

## Our Post-Opening Obligations

After you open your business:

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

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5).

D. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control. (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our System.

E. *Marketing Fund.* We will administer the Marketing Fund. (Section 5.5).

F. *Website.* We will maintain a website for the Grasons Estate Sale Services brand, which will include your business information and telephone number. (Section 5.5)

## Advertising

(i) *Our obligation.* We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

(ii) *Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed

rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

(iii) *Advertising council.* We do not have an advertising council composed of franchisees. The Franchise Agreement does not give us the power to form an advertising council.

(iv) *Local or Regional Advertising Cooperatives.* We do not have any local or regional advertising cooperatives, and we do not require you to participate in a local or regional advertising cooperative.

(v) *Advertising Fund.* You and all other franchisees must contribute to our Marketing Fund. Your required contribution is 1% of Gross Sales per month. Other franchisees may have contractual obligations for higher or lower contributions. Any outlets that we operate also contribute to the Marketing Fund on the same basis. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

In 2020, we used the Marketing Fund for social media and internet marketing (80%) and public relations (20%). If not all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new Franchise sales.

(vi) *Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.

(vii) *Local Advertising.* We require you to spend a reasonable amount up to \$500 each month on local and Internet advertising. Currently, you are required to spend \$250 on designated local and Internet advertising.

### Computer Systems

We require you to use a personal computer and a tablet, which may be one that you already own. You will also use Square for your POS system. You must purchase a compatible tablet, stand and cash drawer (and you cannot operate Square from your phone), along with wifi capabilities. You must have typical office software such as Outlook, Excel, Quickbooks online and the latest operating program for Microsoft Windows.

The Square system is a portable point of sale system, capable of taking credit cards, debit cards, and cash transactions for all items pre- and post-sold and at the actual sale. Your computer systems will generate or store data such as daily sales report, complete final sales report per sale (which you will provide to us and to your clients) and monthly revenue, credit card charges and discounts given to buyers. A detailed list of items sold must be input into the Square system which must be shared with your clients and us.

(i) The personal computer and tablet will be \$0 to \$5,000 dollars (the low end assuming you use a computer and tablet you already own), plus \$150 to \$300 per month for subscription-based software (for Square, Quickbooks online, Microsoft Windows).

(ii) We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do not require you enter into any such contract with a third party.

(iii) You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

(iv) We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts (including subscription-based software) will be \$360 to \$1800 per year. You may also be required to pay a fee of approximately \$50 per month to Square to enable us to have access to the information contained on the POS system.

You must give us independent access to the information that will be generated or stored in these systems, including any merchant processing system. The information that we may access will include sales, client data, and reports. There is no contractual limitation on our right to access the information. The risks associated with the lack of contractual limits on our ability to access to software data includes risk of disclosure of your sensitive client/customer, employee, or company information resulting from cyber security events and/or data braches.

### Operating Manual

See Exhibit E for the table of contents of our Manual as of the date of this disclosure document, with the number of pages devoted to each subject. There are 404 pages total in the Manual.

### Training Program

Our training program consists of the following:

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Monday – on site at office -Review operations manual, sign completion - How to Get Ready for the Sale	8	-	Huntington Beach, CA
Tuesday – off site at sale Staging and Set Up a Mock Sale - How to Stage - How to Price - How to Get Ready for the Sale - On the Job Training - Managing an Actual Set up of a Sale	-	8	Huntington Beach, CA

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
<p>Wednesday – onsite at office</p> <ul style="list-style-type: none"> <li>-Review Q&amp;A for previous day of staging etc.</li> <li>-Guest speaker by recognized Social Media and website expert</li> <li>- Marketing</li> <li>- Internet Advertising</li> <li>-Setting up social media, listing sites &amp; web page</li> <li>-Review and teach the Sale Contract</li> <li>- Mock up Interview to prepare for a Client Appointment</li> <li>-Attend a Client appointment (time can vary)</li> </ul>	8	-	Huntington Beach, CA
<p>Thursday – offsite at sale</p> <ul style="list-style-type: none"> <li>- Actual Sale</li> <li>- Signage and Set Up</li> <li>- How to Manage and Handle the Actual Sale</li> <li>- Greeting clients, helping buyers, staging thru out sale, register training</li> <li>- Security</li> <li>- Q &amp; A</li> </ul>	-	8	Huntington Beach, CA
<p>Friday – onsite at office</p> <ul style="list-style-type: none"> <li>-Q&amp;A review of previous day sale experience</li> <li>-Guest speaker renowned business owner importance of branding</li> <li>-Supply list review, order supplies signs, banners, marketing etc.</li> <li>-Photography protocol for sales</li> <li>-Entering listing into all sites and media</li> <li>-Information provided for local Chamber and Industry leaders</li> <li>-Intranet training, accounting review</li> <li>- Wrap Up and Conclusion</li> </ul>	8	-	Huntington Beach, CA

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Saturday – Offsite at sale (optional) - Final Day of Sale - Assist and prepare to run the final day of sale with experienced franchisee - Train on final day discounts - Clean Out - Q&A		8 (optional)	Huntington Beach, CA
<b>TOTALS:</b>	40	24 + 8 optional	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training class once per month. Training will be held at our offices in Huntington Beach, CA. Currently, classroom training is offered virtually.

The instructional materials consist of the Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led by Simone Kelly. Her experience is described in Item 2. She has over ten years of experience in our industry.

There is no fee for up to two persons to attend training. You must pay the travel and living expenses of persons attending training.

You must attend training. You may send up to one additional person to training. You must complete training to our satisfaction at least four weeks before opening your business.

We intend to hold an annual franchisee conference each year, and if we do, your Operating Principal’s attendance is mandatory. The conference registration fee is currently \$250 per person.

Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## Item 12 TERRITORY

We anticipate that you will operate from a home office which must be located in your Territory. You may relocate your business headquarters anywhere in your Territory, and your Territory will remain unchanged.

Your Franchise Agreement will specify a Territory which will have a minimum population of approximately 500,000 people. The boundaries of your territory will be specified by zip codes, county or city lines, or other limit.



You do not have the right to establish additional Franchises or expand into additional territory. If you desire to do so, you must (1) meet our then-current criteria for new franchisees, (2) be in compliance with your Franchise Agreement at all times since opening your business, (3) have demonstrated your capability to operate a multi-Territory Franchise successfully, and (4) obtain our agreement. You do not receive any options, rights of first refusal, or similar rights to acquire additional Franchises.

You will not receive an exclusive territory. You may face competition other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control. However, you are granted certain territorial protections in your Territory. Except as described below, we will not (i) provide Estate Sale Services under the Marks for clients in your Territory; or (ii) license or franchise another party to provide Estate Sale Services under the Marks for clients in the Territory. Except as provided in the preceding sentence, you are not granted any exclusive or protected territorial rights under the Franchise Agreement. Specifically, we and our affiliates reserve the right to:

(a) provide Estate Sale Services for clients (or authorize third parties to provide Estate Sale Services for clients) in your Territory if you are in default, or if you are incapable of meeting client demand in your Territory;

(b) operate businesses that offer products and services that may be similar to the Estate Sale Services (including, without limitation, business liquidation services) under the Marks or similar marks in your Territory and grant third parties the right or license to operate businesses that offer similar products and services under the Marks or similar marks in your Territory;

(c) operate businesses that offer the Estate Sale Services under the Marks outside of your Territory and grant third parties the right or license to operate businesses that offer Estate Sale Services under the Marks outside of your Territory;

(d) sell and distribute, and license others to sell and distribute, products and services bearing the Marks or other marks through other channels of distribution including, without limitation, the internet, telemarketing, direct marketing or catalogs anywhere; and

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

In the circumstances where the Franchise Agreement does not prohibit us from soliciting or accepting orders from inside your Territory, we do not pay any compensation to you.

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

- (a) During the first Performance Year, you must have had at least 12 estate sales;
  - (b) During the second Performance Year, you must have had at least 24 estate sales;
- and
- (c) During the third Performance Year and for each remaining Performance Year during the initial term, you must have had at least 36 estate sales.

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


All Estate Sale Services must be provided by you for clients located in your Territory. You cannot solicit or market to potential clients for Estate Sale Services outside of your Territory, except for solicitations or marketing which are primarily targeted inside the Territory and which incidentally reach potential customers outside of the Territory. You cannot provide Estate Sale Services for clients outside of your Territory without our prior written permission. We may withdraw permission at any time. However, there are no limitations with respect to your marketing and sales activities for the customers who purchase items from estate sales for clients located in your Territory.


We or our affiliates intend to operate businesses and offer franchises for the operation of businesses that specialize in business liquidation services for commercial enterprises under marks that are similar to the Marks in the near future. Except for that, neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the Franchise Agreement does not prohibit us from doing so.

### Item 13 TRADEMARKS

The Item contains information regarding the principal Marks that we license to you. These Marks are owned by us.

The Marks appearing in the following table have been registered on the Principal Register of the United States Patent and Trademark Office. All required affidavits and renewals have been filed for these Marks.

Trademark	Registration Date	Registration Number
	March 10, 2015	4698802

Trademark	Registration Date	Registration Number
	April 6, 2021	6314307
GRASONS	May 11, 2021	6345450

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks in a manner material to the Franchise.

We protect your right to use the Marks listed in this Item, and protect you against claims of infringement or unfair competition arising out of your use of the Marks, to the extent described in this section.

The Franchise Agreement obligates you to notify us of the use of, or claims of rights to, a Mark identical to or confusingly similar to a Mark licensed to you. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a Mark licensed by us to you.

If you use our Marks in accordance with the Franchise Agreement, then (i) we will defend you (at our expense) against any legal action by a third-party alleging infringement by your use of the Mark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the Franchise Agreement, we may require you to modify or discontinue using a Mark, at your expense.

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

#### **Item 14**

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

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

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

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

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

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

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

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

You (and your owners, if the Franchise is owned by an entity) must protect the confidentiality of our Manual and other proprietary information, and use our confidential information only for your Franchise. We may require your managers and key employees to sign confidentiality agreements.

## **Item 15**

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

If you are the sole owner of the Franchise, then you are deemed the “Operating Principal”. If the business is owned through a corporation or limited liability company, you must designate one person as your “Operating Principal”. The Operating Principal is the executive primarily responsible for your business, must have the authority to bind you and must use his or her full time and best efforts to manage the day-to-day business of the Franchise. The Operating Principal is required to own at least 10% of the Franchise. The Operating Principal must complete our initial training program and post-opening training programs that we develop in the future. The Operating Principal must make reasonable efforts to attend all in-person meetings and remote meetings (such

as telephone conference calls), including regional or national brand conferences, that we require. The Operating Principal cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 2 to Exhibit B). We do not require spouses to sign a guaranty.

When your business performs Estate Sale Services for a client, you are not required to personally conduct “on-premises” supervision of your business. However, we recommend on-premises supervision by you.

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

If the Franchise is owned by an entity, we do not require that the general manager own any equity in the entity.

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

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

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

You must offer the Estate Sale Services only for clients located in your Territory. You may not offer business liquidation services or other similar types of services for commercial enterprises under the Marks. There are no limitations with respect to the customers who purchase items from estate sales for clients located in your Territory.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	§ 3.1	10 years from date of Franchise Agreement.
b. Renewal or extension of the term	§ 3.2	You may obtain a successor Franchise Agreement for up to two additional 5-year terms.
c. Requirements for franchisee to renew or extend	§ 3.2	<p>For our System, “renewal” means that at the end of your term, you sign our successor Franchise Agreement for an additional five-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance; conform your business to then-current standards for new franchisees; sign then-current form of Franchise Agreement; pay renewal fee; have met Minimum Performance Criteria; sign general release (unless prohibited by applicable law).</p>
d. Termination by franchisee	§ 14.1	If we violate a material provision of the Franchise Agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§ 14.2	

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate Franchise Agreement other than non-curable default (30 days to cure).
h. "Cause" defined--non-curable defaults	§ 14.2	Misrepresentation when applying to be a franchisee; intentionally submitting false information; bankruptcy; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; libel or defamation of us; cease operations for more than 5 consecutive days; failure to meet Minimum Performance Criteria; three defaults in 12 months; termination or acceleration of another agreement between us and you or any affiliates; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of Franchise Agreement which by its nature cannot be cured. If you own more than one unit, termination of one unit could cause the termination of other unit(s) at our option.
i. Franchisee's obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification.
j. Assignment of agreement by franchisor	§ 15.1	Unlimited

Provision	Section in franchise or other agreement	Summary
k. "Transfer" by franchisee – defined	Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the Franchise Agreement, (iii) direct or indirect ownership interest of more than 25% of the business, or (iv) control of the business.
l. Franchisor's approval of transfer by franchisee	§ 15.2	No transfers without our approval.
m. Conditions for franchisor's approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners signs our then-current Franchise Agreement and guaranty; you've made all payments to us and are in compliance with the Franchise Agreement; buyer completes training program; you sign a general release; business complies with then-current System specifications.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	
o. Franchisor's option to purchase franchisee's business	Not Applicable	
p. Death or disability of franchisee	§§ 15.4, 11.9	If you die or become incapacitated, your executor must transfer the business to a third party within nine months. We have the right to temporarily operate the business if you die or become incapacitated.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor.



Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, no ownership or employment by a competitor operating in your former territory or the territory of any other Grasons Estate Sale Services business operating on the date of termination.
s. Modification of the agreement	§ 18.4	No modification or amendment of the Franchise Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or System specifications.
t. Integration/merger clause	§ 18.3	<p>The Franchise Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. However, this does not disclaim the representations made by us in this disclosure document.</p> <p>Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.</p>
u. Dispute resolution by arbitration or mediation	§ 17.1	All disputes are resolved by arbitration (with certain exceptions) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Huntington Beach, California) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).

Provision	Section in franchise or other agreement	Summary
w. Choice of law	§ 18.8	California (subject to applicable state law)

For additional disclosures required by certain states, refer to Exhibit G - State Addenda to Disclosure Document.

**Item 18  
PUBLIC FIGURES**

We do not use any public figure to promote your Franchise.

**Item 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Below is certain historical financial data for all Franchises for calendar year 2020:

	<b>Franchise Opening Month/Year</b>	<b>Locations</b>	<b>Approximate Population in Territory</b>	<b>Full/Part-Time 2020</b>	<b>Gross Amount of Property Sold in 2020</b>	<b># of Estate Sales 2020</b>
1.	October 2014	1	561,100	Full	\$86,570	14
2.	October 2014	1	1,020,637	Full	\$463,989	65
3.	January 2015	1	938,000	Full	\$191,890	32
4.	February 2015	4	3,351,460	Full	\$517,136	73
5.	March 2015	1	1,488,231	Full	\$576,282	67
6.	April 2015	1	1,154,000	Full	\$222,721	38
7.	July 2015	3	2,733,029	Full	\$453,222	24
8.	August 2015	1	441,060	Full	\$542,121	59
9.	January 2016	1	725,991	Full	\$192,815	30
10.	March 2016	1	577,000	Part	0	0
11.	September 2016	1	1,200,000	Full	\$178,773	16
12.	October 2016	1	765,000	Full	\$290,701	30
13.	May 2017	2	2,365,202	Full	\$188,126	16
14.	November 2017	1	1,047,000	Full	\$419,406	45
15.	November 2017	1	541,781	Full	\$121,019	17
16.	March 2018	2	1,666,753	Full	\$82,284	15
17.	May 2018	1	377,000	Part	\$9,652	2
18.	August 2018	1	856,000	Full	\$185,700	10
19.	August 2018	1	820,000	Part	\$84,356	8
20.	December 2018	1	592,465	Part	\$37,909	4
21.	October 2019	1	1,163,671	Full	\$71,188	9
22.	January 2020	1	412,915	Full	\$93,119	14
23.	January 2020	1	559,723	Full	\$202,887	35
24.	February 2020	1	762,148	Full	\$86,326	19
25.	September 2020	1	558,911	Part	\$43,753	5
26.	September 2020	1	716,521	Part	\$4,039	2
27.	December 2020	1	377,421	N/A	N/A	N/A

## Notes to Chart

1. **“Franchise Opening Month/Year”** is the month and year that the Franchise first opened for business. In certain instances, a Franchise may have been opened by a different franchisee and then transferred to the current owner.
2. **“Locations”** is the number of physical locations that a Franchisee has in a given Territory.
3. **“Population”** is the population of the Franchise’s Territory per the U.S. Census Bureau Population and Housing Bureau reports between 2007 and 2010.
4. Certain of the Franchises are not operated on a full-time basis, which we define as having an Operating Principal that works an average of 35 or more hours. We require all future franchisees to have an Operating Principal who dedicates his or her full time and best efforts to the operation of the Franchise.
5. **“Gross Amount of Property Sold”** is the total dollar amount of all property sold by the Franchise, less sales taxes and bona fide refunds, for the given year.

We prepared the information in the table above from information provided by our franchisees. These reported results are not audited, and we have not independently verified data provided by our franchisees, although we believe it to be accurate.

The information provided herein is an historic financial performance representation, and is not a forecast of future potential performance.

You will incur expenses in the operation of your Franchise, which are not included in this Item 19, such as payroll and benefits, bank charges, advertising costs, accounting and management costs, licenses and permits, printing and supplies, training expense, telephone expense, insurance, maintenance and utilities, debt service, taxes, and royalties and other amounts due to us under the Franchise Agreement (see Item 6 for more information on amounts payable to us under the Franchise Agreement).

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

**Some Franchises have earned this amount. Your individual results may differ. There is no assurance you’ll earn as much.**

We recommend that you make your own independent investigation to determine whether or not the Franchise may be profitable and that you consult with an attorney and other advisors prior to executing the Franchise Agreement.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives

to make any such representations either orally or in writing. If you are purchasing an existing Outlet, however we may provide you with the actual records of that Outlet. If you receive any other financial performance information or projections of your future income you should report it to our management by contacting Simone Kelly, 18281 Gothard St., Suite 203, Huntington Beach, CA 92648, and 714-846-3800, the Federal Trade Commission and the appropriate state agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years 2018 to 2020**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2018	15	22	+7
	2019	22	24	+2
	2020	24	29	+5
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	15	22	+7
	2019	22	24	+2
	2020	24	29	+5

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2018 to 2020**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
California	2018	1
	2019	2
	2020	2
Total	2018	1
	2019	2
	2020	2

**Table 3**  
**Status of Franchised Outlets**  
**For years 2018 to 2020**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Arizona	2018	1	2	0	0	0	0	3
	2019	3	0	0	0	0	2	1
	2020	1	0	0	0	0	0	1
California	2018	11*	6	1	0	0	0	16
	2019	16	4**	0	0	0	1	20
	2020	20	5	0	0	0	0	25
Massachusetts	2018	0	1	1	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Ohio	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Pennsylvania	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Texas	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Totals	2018	15	9	2	0	0	1	22
	2019	22	4	0	0	0	2	24
	2020	24	5	0	0	0	0	29

\*One of these outlets is the subject of a single Franchise Agreement and is therefore counted only once in the chart above, but two addresses are listed on Exhibit F (Huntington Beach and Newport Beach, California).

\*\*One of the outlets counted at the beginning 2019 was split into two territories at the end of 2019. Column 4 for 2019 includes one outlet as an “outlet” opened that relates to this split (Southbay Beachside and PV-Carson and Del Reys).

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2018 to 2020**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Totals	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

**Table 5**  
**Projected Openings As Of December 31, 2020**

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

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

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

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

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

As a standard practice, when we enter into a Termination and Release Agreement with a former franchisee, we require the former franchisee to maintain all information that the former franchisee has about us confidential. We have entered into these Termination and Release Agreements (including the confidentiality clause) within the past 3 years. Sometimes, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but know that not all franchisees can communicate with you.

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

**Item 21**  
**FINANCIAL STATEMENTS**

Exhibit D contains our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2019, and December 31, 2018, and our unaudited interim financial statements for the period from January 1, 2021 through August 31, 2021.

**Item 22**  
**CONTRACTS**

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

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- G. State Addenda to Franchise Agreement

**Item 23**  
**RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.



## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

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

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Bureau Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231 (518) 473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard Ave. State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-68-2 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Washington	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760	
Wisconsin	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448	Administrator Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



## FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	
2. Effective Date	
3. Initial Franchise Fee	\$
4. Business Location	
5. Territory	
6. Opening Deadline	
7. Operating Principal	
8. Franchisee's Address	

## FRANCHISE AGREEMENT

This Agreement is made between B & P Burke, Inc., a California corporation (“Franchisor”), and Franchisee on the Effective Date.

### Background Statement:

A. Franchisor has created and owns a system (the “System”) for developing and operating businesses that specialize in providing Estate Sale Services (as defined) under the trade name Grasons Estate Sale Services.

B. The distinguishing characteristics of the System include, without limitation, distinctive business formats; procedures; the Confidential Operating Manual (the “Manual”); procedures for operations, accounting, and management; training and assistance; and advertising and promotional programs, which may be changed periodically.

C. The parties desire that Franchisor license the Marks and the System to Franchisee for Franchisee to develop and operate a Grasons Estate Sale Services business on the terms and conditions of this Agreement.

## ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Products and Services which has been approved by Franchisor.

“**Business**” means the Grasons Estate Sale Services business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers (a) Estate Sale Services; or (b) business liquidation services (with the exception of any businesses operated by you pursuant to a license from us or one of our affiliates).

“**Confidential Information**” means all non-public information of or about the System, Franchisor, and any Grasons Estate Sale Services business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, client data, information and know-how.

“**Estate Sale Services**” means the sale and disposal of personal property for individuals, trustees and personal representatives due to long-distance moves, divorce, death, bankruptcy, or another change in circumstances. For avoidance of doubt, Estate Sale Services do not include business liquidation services or other similar services for businesses or any type of commercial enterprise.

“**Gross Revenue**” means the total dollar amount of all revenue generated by the Business for a given period, including, but not limited to, commissions received and any other payments for any services or products sold by Franchisee, whether for cash or credit. Gross Revenue does not include (i) sales proceeds for property sold by Franchisee to third parties that is properly remitted to clients, (ii) bona fide refunds to sale customers, and (iii) sales taxes collected by Franchisee.

“**Location**” means the location stated on the Summary Page.

“**Losses**” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of Franchisor’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

“**Manual**” means Franchisor’s confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

“**Marketing Fund**” means the fund established (or which may be established) by Franchisor into which Marketing Fund Contributions are deposited.

“**Marks**” means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by Franchisor from time to time for use in a Grasons Estate Sale Services business.

“**Owner**” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“**Products and Services**” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

“**Required Vendor**” means a supplier, vendor, or distributor of Products and Services that Franchisor requires franchisees to use.

“**System Standards**” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Franchisor, including without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, client service, design, equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product offerings, quality of services, reporting, safety, service offerings, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, other software, backup and archiving systems, communications systems, payment acceptance systems,

and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

“**Territory**” means the territory stated on the Summary Page.

“**Transfer**” means for Franchisee (or any Owner of Franchisee) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) direct or indirect ownership interest of more than 25% of the Business, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** Franchisor grants to Franchisee the right to operate a Grasons Estate Sale Services business that offers Estate Sale Services solely in the Territory. Franchisee shall develop, open and operate a Grasons Estate Sale Services business in the Territory for the entire term of this Agreement. The parties acknowledge that Franchisee must operate the Business to meet Franchisor’s minimum System Standards, but that the means of satisfying the System Standards are left to the control and discretion of Franchisee.

### **2.2 Protected Territory.**

(a) Limitation. Franchisee shall not solicit or market to potential clients for Estate Sale Services outside of the Territory, except for solicitations or marketing which are primarily targeted inside the Territory and which incidentally reach potential clients outside of the Territory.

(b) Service. Franchisee shall not provide Estate Sale Services for clients outside of the Territory without Franchisor’s prior written permission. Franchisor may withdraw permission at any time. If Franchisee provides Estate Sale Services for a client outside of the Territory without Franchisor’s prior written commission, Franchisor may impose a fee equal to the greater of (i) \$500 or (ii) 75% of the amount paid by such client to Franchisee. This fee is a reasonable estimate of Franchisor’s internal cost of personnel time attributable to addressing Franchisee’s breach of this Section, and is not a penalty or estimate of all damages arising from Franchisee’s breach. This fee is in addition to all of Franchisor’s other rights and remedies.

(c) Territorial Protections. Except as provided below, Franchisor and its affiliates shall not (i) provide Estate Sale Services under the Marks for clients in the Territory; or (ii) license or franchise another party to provide Estate Sale Services under the Marks for clients in the Territory. Except as expressly provided in the preceding sentence, Franchisee is not granted any exclusive or protected territorial rights and Franchisor reserves all rights. Franchisor and its affiliates reserve the right to:

(1) provide Estate Sale Services for clients (or authorize third parties to provide Estate Sale Services for clients) in your Territory if you are in default, or if you are incapable of meeting client demand in your Territory;



(2) operate businesses that offer other types of products and services that may be similar to the Estate Sale Services (including, without limitation, business liquidation services) under the Marks or similar marks, or license or franchise to another party the right to engage in such businesses, in your Territory or otherwise; (3) operate Estate Sale Services businesses under the Marks outside of the Territory and grant third parties the right or license to operate Estate Sale Services businesses under the Marks outside of the Territory;

(4) sell and distribute, and license others to sell and distribute, products and services bearing the Marks or other marks through other channels of distribution including, without limitation, the internet, telemarketing, direct marketing or catalogs anywhere; and

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

(d) Policies. Franchisor may set policies binding on all franchisees regarding soliciting, marketing, and serving clients in another franchisee's territory, and Franchisor may waive or modify such policies in any circumstance as Franchisor determines. If Franchisee obtains a client in the protected territory of another franchisee, then, in addition to all other rights and remedies Franchisor may have, Franchisor may in its discretion (i) require Franchisee to transfer the client to such other franchisee, (ii) require Franchisee to pay such other franchisee 75% of the revenue received from such client, or (iii) fashion such other remedy as Franchisor deems appropriate.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify Franchisor within 10 days.

**2.4 Operating Principal.** Franchisee agrees that the person designated as the "Operating Principal" on the Summary Page is the executive primarily responsible for the Business, has decision-making authority on behalf of and authority to bind Franchisee. The Operating Principal must have at least 10% ownership interest in Franchisee. The Operating Principal must devote his or her full time and best efforts to the operation of the Business. If the Operating Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Operating Principal, subject to Franchisor's reasonable approval.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Franchisor, in the form of Attachment 2.

**2.6 No Conflict.** Franchisee represents to Franchisor that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for 10 years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to two additional periods of five years each, subject to the following conditions prior to each renewal:

- (i) Franchisee notifies Franchisor of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Franchisor (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to Franchisor) renovations and changes to the Business as Franchisor requires to conform to the then-current System Standards;
- (iv) Franchisee executes Franchisor's then-current standard form of franchise agreement, which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section;
- (v) Franchisee pays renewal fee of \$10,000; and
- (vi) Franchisee and each Owner executes a general release (on Franchisor's then-standard form) of any and all claims against Franchisor, its affiliates, and their respective owners, officers, directors, agents and employees.

### ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable, except as provided in Section 6.4.

**4.2 Royalty Fee.** During the first six months of operations, Franchisee shall pay Franchisor a monthly royalty fee equal to 6.5% of Gross Revenue, and thereafter, the greater of \$500 per month or 6.5% of Gross Revenue (the "Royalty Fee"). The Royalty Fee is due on or before the first day of the month following the month in which the Gross Revenue accrued.

**4.3 Marketing Fund Contribution.** Franchisee shall pay Franchisor a monthly contribution to the Marketing Fund of 1% of Gross Revenue (the "Marketing Fund Contribution"), payable at the same time as the Royalty Fee.

**4.4 Technology Fee.** Franchisee shall pay Franchisor a monthly technology fee of \$175 (the “Technology Fee”), payable at the same time as the Royalty Fee. B & P may increase the Technology Fee annually by 3% of the prior year’s Technology Fee.

**4.5 Third Party Vendors.** If Franchisor requires Franchisee to use a designated third-party vendor, Franchisor has the right (but not the obligation) to collect payment on behalf of the vendor and remit the payment to the vendor. If Franchisor does so, it may impose a reasonable markup or charge for administering the payment program.

**4.6 Non-Compliance Fee.** Franchisor may charge Franchisee \$250 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to Franchisor) which Franchisee fails to cure after 30 days’ notice. Thereafter, Franchisor may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franchisor’s internal cost of personnel time attributable to addressing the non-compliance, and is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of Franchisor’s other rights and remedies.

**4.7 Reimbursement.** Franchisor may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If Franchisor does so or intends to do so, Franchisee shall pay such amount plus a 20% administrative charge to Franchisor within 15 days after invoice by Franchisor accompanied by reasonable documentation.

#### **4.8 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, Technology Fee, and any other amounts owed to Franchisor by pre-authorized bank draft or in such other manner as Franchisor may require.

(b) Calculation of Fees. Franchisee shall report monthly Gross Revenue to Franchisor by the 5<sup>th</sup> day of the following month. If Franchisee fails to report monthly Gross Revenue, then Franchisor may withdraw estimated Royalty Fees equal to 125% of the last Gross Revenue reported to Franchisor, and Marketing Fund Contributions and Technology Fees as specified in Sections 4.3 and 4.4 above. The parties will true-up the actual Royalty Fees due after Franchisee reports Gross Revenue. Franchisee acknowledges that Franchisor has the right to remotely access Franchisee’s computer software and hardware to calculate Gross Revenue.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 “late fee” plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. Franchisor may charge \$50 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisor shall repay any costs incurred by Franchisor (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. Franchisor may apply any payment received from Franchisee to any obligation and in any order as Franchisor may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to Franchisor any fees or amounts described in this Agreement are not dependent on Franchisor's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** Franchisor shall make its Manual available to Franchisee.

**5.2 Assistance in Hiring Employees.** Franchisor shall provide its suggested staffing levels to Franchisee. Franchisor shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

**5.3 Assistance in Training Employees.** Franchisor shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

**5.4 Pre-Opening Assistance.**

(a) Selecting Location. If Franchisee's Location is not listed on the Summary Page, then Franchisee shall select a headquarters Location within the Territory. Franchisee's Location is subject to Franchisor's reasonable approval.

(b) Pre-Opening Specifications and Vendors. To the extent not included in the Manual, Franchisor shall provide Franchisee with (i) applicable System Standards and other specifications as Franchisor deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (ii) Franchisor's lists of Approved Vendors and/or Required Vendors.

(c) Business Plan Review. If requested by Franchisee, Franchisor shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that Franchisor accepts no responsibility for the performance of the Business.**

(d) Pre-Opening Training. Franchisor shall make available its standard pre-opening training to the Operating Principal and up to one other employee, at Franchisor's headquarters and/or at a Grasons Estate Sale Services business designated by Franchisor. Franchisor shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses.

(e) Market Introduction Plan. Franchisor shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(f) On-Site Opening Assistance. If requested by Franchisee, Franchisor shall have a representative support Franchisee's business opening with at least two days of onsite opening training and assistance.

(g) Equipment Package. Franchisor will provide Franchisee with an equipment package at no charge.

## **5.5 Post-Opening Assistance.**

(a) Advice, Consulting, and Support. If Franchisee requests, Franchisor will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent Franchisor deems reasonable. If Franchisor provides in-person support in response to Franchisee's request, Franchisor may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, Franchisor will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. Franchisor will provide Franchisee with Franchisor's recommended administrative, bookkeeping, accounting, and inventory control procedures. Franchisor may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. Franchisor shall manage the Marketing Fund.

(e) Internet. Franchisor shall maintain a website for Grasons Estate Sale Services, which will include Franchisee's location (or territory) and telephone number.

## **ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING**

**6.1 Location.** Franchisee is solely responsible for selecting the Location. If the Location is not stated on the Summary Page, then Franchisee shall find a suitable Location within the Territory.

**6.2 Development.** If the Location will be open to the public or used for meeting clients or potential clients, then the following applies: Franchisee shall construct (or remodel) and finish the Location in conformity with Franchisor's System Standards. If required by Franchisor, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining Franchisor's approval of Franchisee's plans. Franchisor may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by Franchisor or its representatives regarding any architectural, engineering or legal matters in the development and construction of the Business, and Franchisor assumes no liability with respect thereto. Franchisor's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering or legal standards.

**6.3 New Franchisee Training.** Franchisee's Operating Principal must complete Franchisor's training program for new franchisees. If the Operating Principal (i) fails to complete the initial training program to Franchisor's satisfaction, or (ii) Franchisor concludes, no more than 10 days after the Operating Principal completes the initial training program, that the Operating Principal does not have the ability to satisfactorily operate the Business, then Franchisor may terminate this Agreement. In such event, Franchisor shall refund the initial franchise fee to Franchisee (less any out-of-pocket costs incurred by Franchisor), subject to Franchisee's prior execution of a general release of liability of Franchisor and its affiliates, in a form prescribed by Franchisor.

**6.4 Conditions To Opening.** Franchisee shall notify Franchisor at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franchisee has hired sufficient employees, (5) Franchisee's officers and employees have completed all of Franchisor's required pre-opening training; (6) Franchisee has conducted the market introduction campaign required under Section 9.6, and (7) Franchisor has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

## ARTICLE 7. OPERATIONS

**7.1 Compliance With Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all System Standards and with all other mandatory obligations contained in the Manual.

**7.2 Compliance With Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

**7.3 Products and Services.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Franchisor in the Manual or otherwise in writing. You may not offer business liquidation services or other similar types of services for commercial enterprises, except pursuant to a separate written agreement with us or our affiliates.

**7.4 Prices.** Franchisee retains the sole discretion to determine the prices it charges for products and services.

**7.5 Personnel.**

(a) Service. Franchisee shall cause its personnel to render competent and courteous service to all clients and members of the public.

(b) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(c) **Sole Responsibility.** Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Franchisor are not joint employers, and no employee of Franchisee will be an agent or employee of Franchisor.

**7.6 Post-Opening Training.** Franchisor may at any time require that the Operating Principal and/or any other employees complete training programs, in any format and in any location determined by Franchisor. Franchisor may charge a reasonable fee for any training programs. Franchisor may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Operating Principal or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Client Complaints.** Franchisee shall use its best efforts to promptly resolve any client complaints. Franchisor may take any action it deems appropriate to resolve a client complaint regarding the Business, and Franchisor may require Franchisee to reimburse Franchisor for any expenses.

**7.8 Client Evaluation and System Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by Franchisor for obtaining client evaluations and/or reviewing Franchisee's compliance with the System, which may include (but are not limited to) a client feedback system, client survey programs, and mystery shopping. Franchisor shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by Franchisor for such programs.

**7.9 Payment Systems.** Franchisee shall accept payment from clients in any form or manner designated by Franchisor (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Franchisor. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.10 Vehicles.** If Franchisee purchases or leases one or more vehicles for the Business, Franchisee shall ensure that all vehicles comply with all applicable System Standards, including without limitation required equipment and exterior décor. Franchisee shall keep all vehicles in good repair, clean, and free of dents and other damage, and shall ensure that the vehicles presents a first-class image appropriate to Franchisor's System. Franchisee shall use the vehicle solely for the Business.

**7.11 Meetings.** The Operating Principal shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that Franchisor requires, including any local affiliate, national or regional brand conventions. If Franchisor holds an annual franchisee conference, the Operating Principal must attend. Franchisor must pay a reasonable per person registration fee which is non-refundable for attendance at such annual conference. Franchisee shall not permit the Operating Principal to fail to attend more than three consecutive required meetings.

## **7.12 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Franchisor in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage for primary vehicle along with any trailers and box trucks used in the Business in an amount of not less than \$1,000,000; and
- (iii) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies must list Franchisor and its affiliates as an additional insured and the policies must stipulate that Franchisor shall receive a 30 day prior written notice of cancellation. Franchisee shall provide Certificates of Insurance evidencing the required coverage to Franchisor prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of Franchisor.

(c) Franchisee must obtain a bond of at \$25,000 from a bonding agency acceptable to Franchisor.

**7.13 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Grasons Estate Sale Services, the Business, or any particular incident or occurrence related to the Business, without Franchisor’s prior written approval.

**7.14 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without Franchisor’s prior written approval.

**7.15 No Other Businesses.** If Franchisee is an entity, Franchisee shall not own or operate any other business except the Grasons Estate Sale Services businesses.

**7.16 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Franchisor, which will not be unreasonably withheld.

**7.17 No Co-Branding.** Franchisee shall not “co-brand” or associate any other business activity with the Business in a manner which is likely to cause the public to perceive it to be related to the Business.



**7.18 No Subcontracting.** Franchisee shall not subcontract or delegate to a third party any services to be performed by Franchisee for a client (other than engaging individuals as independent contractors in the ordinary course of business).

**7.19 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Franchisor.

**7.20 Minimum Performance Criteria.** Franchisee must meet or exceed the following minimum performance criteria (the “Minimum Performance Criteria”) during each 12-month period during the term of this Agreement (each such 12-month period is referred to herein as a “Performance Year”):

(a) During the first Performance Year, Franchisee must have had at least 12 estate sales;

(b) During the second Performance Year, Franchisee must have had at least 24 estate sales; and

(c) During the third Performance Year and for each remaining Performance Year during the initial term, Franchisee must have had at least 36 estate sales.

## **ARTICLE 8. SUPPLIERS AND VENDORS**

**8.1 Generally.** Franchisee shall acquire all Products and Services required by Franchisor from time to time in accordance with System Standards. Franchisor may require Franchisee to purchase or lease any Products and Services from Franchisor, Franchisor’s designee, Required Vendors, Approved Vendors, and/or under Franchisor’s specifications. Franchisor may change any such requirement or change the status of any vendor. To make such requirement or change effective, Franchisor shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If Franchisor requires Franchisee to purchase a particular Product or Service only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Product or Service from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franchisor. Franchisor may condition its approval on such criteria as Franchisor deems appropriate, which may include evaluations of the vendor’s capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Franchisor will provide Franchisee with written notification of the approval or disapproval of any propose new vendor within 30 days after receipt of Franchisee’s request.

**8.3 Alternate Product or Service Approval.** If Franchisor requires Franchisee to purchase a particular Product or Service, and Franchisee desires to purchase an alternate to the Product or Service, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franchisor. Franchisor will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Product or Service within 30 days after receipt of Franchisee’s request.

**8.4 Purchasing.** Franchisor may implement a centralized purchasing system and negotiate prices and terms with vendors on behalf of the System. Franchisor may receive rebates or payments from vendors in connection with purchases by franchisees. Franchisor may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Franchisor may determine.

## ARTICLE 9. MARKETING

**9.1 Implementation.** Franchisee shall not use any marketing materials or campaigns (including point-of-sale materials, advertising, social media marketing, and sponsorships) that have not been approved by Franchisor. Franchisee shall implement any marketing plans or campaigns determined by Franchisor.

**9.2 Use By Franchisor.** Franchisor may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to Franchisor for such purpose.

**9.3 Marketing Fund.** Franchisor may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If Franchisor has established a Marketing Fund:

(a) Separate Account. Franchisor shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Franchisor's other accounts.

(b) Use. Franchisor shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as Franchisor reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of Franchisor's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect to Franchisee. The Marketing Fund will be spent at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Marketing Fund.

(d) Surplus or Deficit. Franchisor may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor may loan such funds to the National Marketing Fund on reasonable terms.

(e) Financial Statement. Franchisor will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of Franchisor's fiscal year and will provide the financial statement to Franchisee upon request.

**9.4 Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain Franchisor's approval of the marketing plan at least 30 days before the projected opening date of the Business.

**9.5 Local Advertising.** Franchisor may be required to spend a reasonable amount not to exceed \$500 per month on marketing the Business, including, without limitation, internet advertising.

**9.6 Internet Marketing.** Franchisor has the exclusive right to conduct and manage all marketing and commerce on the internet or other electronic medium, including all websites and "social media" marketing. Franchisee shall not conduct such marketing or commerce, nor establish any website or social media presence independently, except as Franchisor may specify, and only with Franchisor's consent. Franchisor retains the right to approve any linking to or other use of Franchisor's website. Franchisee must comply with any internet, online commerce and/or social media policy that Franchisor may prescribe. If Franchisor provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and authorizes Franchisor to access such communications.

## **ARTICLE 10. RECORDS AND REPORTS**

**10.1 Systems.** Franchisee shall use such client data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Franchisor may specify in the Manual or otherwise in writing.

### **10.2 Reports.**

(a) Financial Reports. Franchisee shall provide such periodic financial reports as Franchisor may require in the Manual or otherwise in writing, including:

- (i) a quarterly profit and loss statement and balance sheet for the Business within 30 days after the end of each fiscal quarter of Franchisor's fiscal year;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of Franchisor's fiscal year; and
- (iii) any information Franchisor requests in order to prepare a financial performance representation for Franchisor's franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify Franchisor of any Action or threatened Action by any client, governmental authority, or other third party against

Franchisee or the Business, or otherwise involving the Franchisee or the Business, but in no event later than 48 hours after Franchisee has become aware of the Action. Franchisee shall provide such documents and information related to any such Action as Franchisor may request.

(c) **Government Inspections.** Franchisee shall give Franchisor copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) **Other Information.** Franchisee shall submit to Franchisor such other financial statements, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that Franchisor may reasonably request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to Franchisor a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Franchisor's Franchise Disclosure Document and with such other information as Franchisor may request.

**10.4 Business Records.** Franchisee shall keep accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as Franchisor may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** Franchisor may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. Franchisor may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Franchisor. Franchisee shall also reimburse Franchisor for all costs and expenses of the examination or audit if (i) Franchisor conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated the Royalty Fee.

**10.6 Point of Sale System.** Franchisee must enter each item sold on behalf of a client in its point of sale system and otherwise strictly adhere to Franchisor's instructions and policies regarding use of the point of sale system. Franchisee shall give Franchisor unlimited access to Franchisee's point of sale system and other software systems related to the operation of the Business, by any means designated by Franchisor.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by Franchisor. Franchisor may supplement, revise, or modify the Manual, and Franchisor may change, add or delete System Standards at any time in its discretion. Franchisor may inform Franchisee thereof by any method that Franchisor deems appropriate (which need not

qualify as “notice” under Section 18.9). In the event of any dispute as to the contents of the Manual, Franchisor’s master copy will control.

**11.2 Franchisor’s Right To Cure.** If Franchisee breaches or defaults under any provision of this Agreement, Franchisor may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse Franchisor for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.3 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, Franchisor may (i) require that Franchisee pay cash on delivery for products or services supplied by Franchisor, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third party vendors to not sell or provide products or services to Franchisee. No such action by Franchisor shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Franchisor are in addition to any other right or remedy available to Franchisor.

**11.4 Innovations.** Franchisee shall disclose to Franchisor all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, “Innovations”) conceived or developed by Franchisee, its employees, agents or contractors. Franchisor will automatically own all Innovations, and will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee.

**11.5 Delegation.** Franchisor may delegate any duty or obligation of Franchisor under this Agreement to an affiliate or a third party.

**11.6 System Variations.** Franchisor may vary or waive any System Standard for any one or more franchisees due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.7 Business Data.** All client data and other non-public data generated by the Business is Confidential Information and is exclusively owned by Franchisor. Franchisor hereby licenses such data back to Franchisee without charge solely for Franchisee’s use in connection with the Business for the term of this Agreement.

**11.8 Communication Systems.** If Franchisor provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and authorizes Franchisor to access such communications.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by Franchisor, and only in the manner as Franchisor may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Franchisor.

**12.2 Change of Marks.** Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after Franchisor makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### 12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) Franchisor shall defend Franchisee (at Franchisor's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) Franchisor will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement By Third Party. Franchisee shall promptly notify Franchisor if Franchisee becomes aware of any possible infringement of a Mark by a third party. Franchisor may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. Franchisor shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Franchisor for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by Franchisor, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by Franchisor (except for Confidential Information which Franchisor licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### 13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor operating in any of Franchisee’s Territory or the territory of any other Grasons Estate Sale Services business operating on the date of termination or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franchisor. Franchisee agrees that the existence of any claim it may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 Employee Recruitment.** During the term of this Agreement and for one year after termination, transfer, or expiration of this Agreement, Franchisee shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by Franchisor.

**13.4 General Manager and Key Employees.** If requested by Franchisor, Franchisee will cause its general manager and other key employees to sign Franchisor’s then-current form of confidentiality and non-compete agreement.

## ARTICLE 14. DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if Franchisor violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after Franchisor receives written notice of termination.

### 14.2 Termination by Franchisor.

(a) Subject to 10-Day Cure Period. Franchisor may terminate this Agreement if Franchisee does not make any payment to Franchisor when due under this Franchise Agreement or otherwise, or if Franchisee does not have sufficient funds in its account when Franchisor attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Franchisor gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and fails to cure such breach to Franchisor’s

satisfaction within 30 days after Franchisor gives notice to Franchisee of such breach, then Franchisor may terminate this Agreement.

(c) Without Cure Period. Franchisor may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee intentionally submits any false report or intentionally provides any other false information to Franchisor;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vi) Franchisee abandons or ceases operation of the Business for more than 30 days;
- (vii) Franchisee fails to meet the Minimum Performance Criteria in any Performance Year;
- (viii) Franchisee or any Owner slanders or libels Franchisor or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by Franchisor or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2.
- (x) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xi) Franchisor (or any affiliate) terminates or accelerates indebtedness under any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate); or



- (xii) Franchisee or any Owner is charged with, pleads guilty to, or is convicted of a felony, or is accused by any governmental authority or third party of any act that in Franchisor's opinion is reasonably likely to materially and unfavorably affect Franchisor's brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to Franchisor based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to Franchisor all copies of the Manual, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to Franchisor or any new franchisee as may be directed by Franchisor, and Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) immediately and permanently cease to operate the Franchise or use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System and the Marks.

**14.4 Remove Identification.** If Franchisee operates from a Location other than Franchisee's home, then within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Grasons Estate Sale Services business, to the reasonable satisfaction of Franchisor. Franchisee shall comply with any reasonable instructions and procedures of Franchisor for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Franchisor may enter the Location to remove the Marks and de-identify the Location. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Franchisor.

**14.5 Other Claims.** Termination of this Agreement by Franchisor will not affect or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether arising before or after termination. In addition to any other claims Franchisor may have (other than claims for lost future Royalty Fees and Advertising Fund Contributions), if Franchisor terminates this Agreement based on Franchisee's default or if Franchisee terminates this

Agreement in violation of its terms, Franchisee must pay Franchisor liquidated damages calculated as follows: (a) the average of Franchisee's monthly Royalty Fees and Advertising Fund Contributions due for the last 12 months (or for such shorter period of time that the Franchise has been in operation) before termination, (b) multiplied by the lesser of 36 or the number of months remaining in the then-current term, and (c) discounted to present value as of the effective date of termination using the then-current prime rate of interest quoted by Franchisor's principal commercial bank. The parties hereto agree that calculation of damages if Franchisor terminates due to default or if Franchisor terminates this Agreement in violation of its terms will be difficult to measure and quantify, and the damages described in this Section 14.5 are a reasonable approximation of such damages, and are not a penalty.

## ARTICLE 15. TRANSFERS

**15.1 By Franchisor.** Franchisor may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and Franchisor may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Franchisor at least 60 days prior notice of the proposed Transfer, and without obtaining Franchisor's consent. In granting any such consent, Franchisor may impose conditions, including, without limitation, the following:

- (i) Franchisor receives a transfer fee equal to \$15,000;
- (ii) the proposed assignee and its owners have completed Franchisor's franchise application processes, meet Franchisor's then-applicable standards for new franchisees, and have been approved by Franchisor as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes Franchisor's then-current form of franchise agreement, which form may contain materially different provisions;
- (v) Franchisee has paid all monetary obligations to Franchisor in full, and Franchisee is not otherwise in default or breach of this Agreement;
- (vi) the proposed assignee and its owners and employees undergo such training as Franchisor may require;
- (vii) Franchisee, its Owners, and the transferee and its owners execute a general release of Franchisor in a form satisfactory to Franchisor; and
- (viii) the Business fully complies with all of Franchisor's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Franchisor, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Franchisor, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the person with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Franchisor within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.6 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## ARTICLE 16. INDEMNITY

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to Franchisor) Franchisor, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against Franchisor and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from claims arising as a result of any Indemnitee's intentional misconduct or gross negligence. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption by Franchisor.** Franchisor may elect to assume the defense and/or settlement of any Action subject to this indemnification, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## ARTICLE 17. DISPUTE RESOLUTION

### 17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided to the contrary in this Agreement, any controversy or claim arising out of or relating to this Agreement or the relationship of the parties shall be settled by arbitration administered by the American Arbitration Association (the "AAA") in accordance with its Commercial Arbitration Rules. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction. Any dispute as to

whether this arbitration clause applies or whether any particular claim is subject to arbitration shall be decided by arbitration in accordance with this Article 17.

(b) Location. The place of arbitration shall be the AAA office located nearest to Franchisor's principal place of business on the date the arbitration action is filed.

(c) Arbitration on Claims. The parties agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. The parties further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is waived and forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either party. Notwithstanding the foregoing, if any court determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding. For purposes of this Section, Franchisor and its affiliates includes their respective shareholders, partners, members and other owners, officers, directors, managers, agents, representatives, employees, successors and assigns.

(d) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Franchisor to comply with laws and regulations applicable to the sale of franchises.

(e) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, Franchisor and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

(f) Injunctive Relief. Notwithstanding anything contained herein, Franchisor reserves the right to seek and obtain temporary restraining orders or other emergency temporary or preliminary equitable injunctive relief and file actions to collect royalties and other amounts owed by Franchisee to Franchisor (collection actions) in federal or state courts located in the state in which the Business is located. The parties acknowledge and agree that the rights of Franchisor under this Agreement with respect to the use of the Marks and the System and the enforcement of the in-term and post-term noncompetition covenants of Franchisor are of a specialized and unique nature and that immediate and irreparable damage will result to Franchisor if Franchisee fails or refuses to perform obligations under this Agreement, and, notwithstanding any election by Franchisor to claim damages from Franchisee as a result of such failure or refusal, Franchisor may, in addition to any other remedies and damages available, seek an injunction in any court of competent jurisdiction to restrain such failure or refusal.

**17.2 Damages.** Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary or other monetary damages not based on actual damages incurred against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

**17.3 Waiver of Jury Trial; Waiver of Class Actions.** Franchisor and Franchisee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding. The parties agree that any claims arbitrated, litigated or otherwise resolved shall be on an individual basis, that neither party shall pursue class claims nor multi-plaintiff actions, and that an arbitration proceeding between Franchisor and its affiliates, or any of them, on the one hand, and Franchisee and its affiliates and any of their respective officers, directors, managers, agents, representatives, employees, successors and assigns, on the other hand, may not be consolidated with any other arbitration proceeding to which Franchisor and/or its affiliates are a party.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where Franchisor's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where Franchisor's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

## **ARTICLE 18. MISCELLANEOUS**

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. Franchisor is not a fiduciary of Franchisee and does not control Franchisee or its Business. Franchisor has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Franchisor, and Franchisor's affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Franchisor's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. Solely with respect to the non-competition covenants of Section 13.2, the parties agree that the laws of the state where Franchisee is located shall apply.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to Franchisor, addressed to 18281 Gothard St., Suite 203, Huntington Beach, CA 92648. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, Franchisor may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

**18.10 Joint and Several Liability.** If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

**18.11 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by Franchisor does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Franchisor.

## **ARTICLE 19. CERTIFICATION OF FRANCHISOR'S COMPLIANCE**

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in Franchisor's Disclosure Document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace.
- (3) That no person acting on Franchisor's behalf made any statement or promise regarding the costs involved in operating a Grasons Estate Sale Services franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on Franchisor's behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in this Disclosure Document.
- (5) That no person acting on Franchisor's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Grasons Estate Sale Services franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That no person acting on Franchisor's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) Franchisee understands that this Agreement contains the entire agreement between Franchisor and Franchisee concerning the Grasons Estate Sale Services franchise, which means that any oral or written statements not set out in this Agreement or the Franchise Disclosure Document will not be binding.

Agreed to by:

FRANCHISOR:

B & P BURKE, INC.

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

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

*[if an entity:]*

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

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

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

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington
- \_\_\_\_\_ Other



**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

- \_\_\_\_\_ *Sole Proprietorship*  
\_\_\_\_\_ *Partnership*  
\_\_\_\_\_ *Limited Liability Company*  
\_\_\_\_\_ *Corporation*

State: \_\_\_\_\_

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

**Attachment 2 to Franchise Agreement**

**GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this "Guaranty") is executed by the undersigned person(s) (each, a "Guarantor") in favor of B & P Burke, Inc., a California corporation ("B & P Burke").

**Background Statement:** \_\_\_\_\_ ("Franchisee") desires to enter into a Franchise Agreement with B & P Burke for the franchise of a Grasons Estate Sale Services business (the "Franchise Agreement"; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce B & P Burke to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to B & P Burke and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to B & P Burke, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and B & P Burke upon demand from B & P Burke. Guarantor waives (a) acceptance and notice of acceptance by B & P Burke of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) 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 execution of and performance under this Guaranty by the undersigned; (f) any law which requires that B & P Burke make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by B & P Burke for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by B & P Burke, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any

Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by B & P Burke or its affiliates (except for Confidential Information which B & P Burke licenses from another person or entity). Guarantor acknowledges that all client data generated or obtained by Guarantor is Confidential Information belonging to B & P Burke. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor operating in any of Franchisee’s Territory or the territory of any other Grasons Estate Sale Services business operating on the date of termination or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of B & P Burke. If such covenants are held to be unenforceable or unreasonable, the other provisions of this Guaranty shall remain in effect. Guarantor agrees that the existence of any claim it or Franchisee may have against B & P Burke shall not constitute a defense to the enforcement by B & P Burke of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Employee Recruitment.** During the term of the Franchise Agreement and for one year after termination, transfer, or expiration of the Franchise Agreement, Guarantor shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by B & P Burke.

**5. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which B & P Burke may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**6. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of California. Solely with respect to the non-competition covenants of Section 3, the parties agree that the laws of the state where Guarantor is located shall apply, and not California law. The provisions of Article 17 (Dispute Resolution) of

the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

## EXHIBIT C

### FORM OF GENERAL RELEASE

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of B & P Burke, Inc., a California corporation (“B & P Burke”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

1. **Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases B & P Burke, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).

2. **Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.

3. **Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

4. **Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that B & P Burke reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

*[Signatures on next page.]*

Agreed to by:

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

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

**EXHIBIT D**  
**FINANCIAL STATEMENTS**

**THESE FINANCIAL STATEMENTS FOR THE PERIOD ENDING AUGUST 31, 2021 ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**



# B & P Burke, Inc.

## Balance Sheet

As of August 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
B & P Burke, Inc.	182,468.84
Bank of the West Business Checking	-49,186.39
Bank of the West SBA	5,209.58
Franchise Marketing Fund	3,440.67
Petty Cash	0.00
QuickBooks Cash Account	124,368.58
<b>Total Bank Accounts</b>	<b>\$266,301.28</b>
Accounts Receivable	
Accounts Receivable	-3,561.00
<b>Total Accounts Receivable</b>	<b>\$ -3,561.00</b>
Other Current Assets	
Notes Receivable - Initial Franchise Fees	103,954.00
Payroll Refunds	0.00
Uncategorized Asset	481.54
Undeposited Funds	7,989.07
<b>Total Other Current Assets</b>	<b>\$112,424.61</b>
<b>Total Current Assets</b>	<b>\$375,164.89</b>
Fixed Assets	
Accumulated Depreciation	-38,546.00
Furniture & Eqpt	79,140.00
Software	11,002.00
Vehicle	0.00
<b>Total Fixed Assets</b>	<b>\$51,596.00</b>
Other Assets	
Contract Asset	15,467.00
Investments - other	10,000.00
Security Deposit	1,450.00
<b>Total Other Assets</b>	<b>\$26,917.00</b>
<b>TOTAL ASSETS</b>	<b>\$453,677.89</b>

# B & P Burke, Inc.

## Balance Sheet

As of September 30, 2021

	TOTAL
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	3,503.00
Auto Insurance Payable	2,073.89
<b>Total Accounts Payable</b>	<b>\$5,576.89</b>
Credit Cards	
Discover	0.00
<b>Total Credit Cards</b>	<b>\$0.00</b>
Other Current Liabilities	
Accrued Payroll	1,442.00
Accrued Rent	0.00
Auto Loan Payable - Capital One	0.00
Current Portion of Note Payable	11,745.00
Direct Deposit Payable	0.00
Due to Shareholder	3,000.00
Payroll Liabilities	
CA PIT / SDI	-884.11
CA SUI / ETT	-556.58
Federal Taxes (941/944)	-6,618.57
Federal Unemployment (940)	4.43
<b>Total Payroll Liabilities</b>	<b>-8,054.83</b>
Trust Accounts - Liabilities	400.00
<b>Total Other Current Liabilities</b>	<b>\$8,532.17</b>
<b>Total Current Liabilities</b>	<b>\$14,109.06</b>
Long-Term Liabilities	
Less Current Portion LTD	-11,745.00
PPP Loan	14,435.00
SBA Loan	147,900.00
<b>Total Long-Term Liabilities</b>	<b>\$150,590.00</b>
<b>Total Liabilities</b>	<b>\$164,699.06</b>
Equity	
Opening Balance Equity	0.00
Partner Distributions	-24,389.12
Retained Earnings	61,066.65
Net Income	252,301.30
<b>Total Equity</b>	<b>\$288,978.83</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$453,677.89</b>

# B & P Burke, Inc.

## Profit and Loss

January - August, 2021

	TOTAL
Income	
Discounts	200.00
Refunds-Allowances	50.00
Sales	780,746.65
Unapplied Cash Payment Income	-693.78
<b>Total Income</b>	<b>\$780,302.87</b>
Cost of Goods Sold	
Cost of Goods Sold	-360.00
<b>Total Cost of Goods Sold</b>	<b>\$ -360.00</b>
<b>GROSS PROFIT</b>	<b>\$780,662.87</b>
Expenses	
Advertising	3,404.49
Advertising/Promotional	3,500.00
Auto Expense	1,514.59
Bank Charges	4,966.59
Business Gifts	102.37
Business License	48.99
Commissions & fees	69,378.75
Consulting	150.00
Dues & Subscriptions	2,751.79
Computer Software	6,333.39
<b>Total Dues &amp; Subscriptions</b>	<b>9,085.18</b>
Franchise Marketing	81,539.67
Gas	94.02
General Liability	4,908.98
Insurance	308.85
Insurance - Automobile	295.29
Insurance - Health	9,860.50
Insurance - Liability	5,061.99
Insurance - life	3,481.66
Insurance-Workmans Comp	454.21
Legal & Professional Fees	21,114.10
Meals and Entertainment	4,538.58
Medical-Health	950.32
Melio Credit card fee	20.00
Office Equipment	7,439.23
Office Expenses	1,325.78
Computer software	45.99
<b>Total Office Expenses</b>	<b>1,371.77</b>
Office Supplies	2,472.20
Other General and Admin Expenses	198.66

# B & P Burke, Inc.

## Profit and Loss

January - September, 2021

	TOTAL
Payroll	104.45
Payroll Expenses	
Taxes	22,978.60
Wages	196,755.22
<b>Total Payroll Expenses</b>	<b>219,733.82</b>
Purchases	108.66
QuickBooks Payments Fees	4,768.71
Rent or Lease	9,850.00
Subcontractors	1,900.00
Taxes & Licenses	2,000.00
FTB - State Income Tax	800.00
Property Tax	257.16
<b>Total Taxes &amp; Licenses</b>	<b>3,057.16</b>
telephone/internet	9,283.44
Training	4,400.00
Travel	257.51
Travel Meals	550.00
Unapplied Cash Bill Payment Expense	2,944.09
Uncategorized Expense	35,405.74
Utilities	737.00
<b>Total Expenses</b>	<b>\$529,361.57</b>
NET OPERATING INCOME	<b>\$251,301.30</b>
Other Income	
Rent Income	1,000.00
<b>Total Other Income</b>	<b>\$1,000.00</b>
NET OTHER INCOME	<b>\$1,000.00</b>
NET INCOME	<b>\$252,301.30</b>

**B & P Burke, Inc.**

Audited Financial Statements

As of and for the Year Ended December 31, 2020

**B & P Burke, Inc.**

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## Independent Auditor's Report

To the Stockholder and Management of  
**B & P Burke, Inc.**  
Huntington Beach, CA

We have audited the accompanying financial statements of **B & P Burke, Inc.**, which comprise the balance sheet as of December 31, 2020 and the related statements of operations and changes in retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of **B & P Burke, Inc.** as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

**Correction of Error**

As described in Note 9 to the financial statements, beginning retained earnings, as previously reported, was decreased by \$62,239 to correct for certain asset, liability and equity accounts that management determined were incorrectly reported at December 31, 2019. Our conclusion is not modified with respect to this matter.

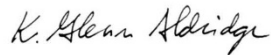
**Prior Year Financial Statements**

The financial statements of **B & P Burke, Inc.** for the year ended December 31, 2019, before the restatement described in Note 9, were audited by another auditor whose report dated May 1, 2020, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2020 financial statements, we also audited the adjustments described in Note 9 that were applied to restate the December 31, 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2019 financial statements of **B & P Burke, Inc.** other than with respect to the adjustments; accordingly, we do not express an opinion or any other form of assurance on the December 31, 2019 financial statements as a whole.

**Adoption of New Accounting Pronouncements**

As discussed in Note 2 to the financial statements, effective January 1, 2020, **B & P Burke, Inc.** adopted *Revenue from Contracts with Customers* (ASU 2014-09) (Topic 606), as amended and clarified, using the modified retrospective method, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient* (ASU 2021-02) and ASC Topic 340 – *Other Assets and Deferred Cost* (ASC 340). Our opinion is not modified with respect to this matter.



K. Glenn Aldridge, PC  
(d/b/a Aldridge & Associates)  
August 13, 2021



**B & P Burke, Inc.**Balance Sheet  
For the Year Ended December 31, 2020**Assets**

## Current assets:

Cash	\$ 30,125
Accounts receivable	13,446
Current portion of notes receivable	30,000
Current portion of prepaid customer acquisition costs	3,400
Total current assets	<u>76,971</u>

## Noncurrent assets:

Noncurrent portion of prepaid customer acquisition costs	12,067
Noncurrent portion of notes receivable	73,954
Property and equipment, net	51,596
Other assets	11,450
Total noncurrent assets	<u>149,067</u>

Total assets	<u>\$ 226,038</u>
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**Liabilities and Stockholder's Equity**

## Current liabilities:

Accounts payable and accrued liabilities	\$ 3,942
Due to stockholder	3,000
Current portion of notes payable	11,745
Total current liabilities	<u>18,687</u>

## Noncurrent liabilities:

Notes payable, net of current portion	<u>150,590</u>
Total liabilities	<u>169,277</u>

## Stockholder's equity:

Common stock (\$0.00 par value; 1,000 shares authorized, issued and outstanding)	-
Retained earnings	56,761
Total stockholder's equity	<u>56,761</u>

Total liabilities and stockholder's equity	<u>\$ 226,038</u>
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See accompanying notes to financial statements.

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**B & P Burke, Inc.**

Statement of Operations and Changes in Retained Earnings  
For the Year Ended December 31, 2020

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Revenues:	
Franchise royalty fees	\$ 190,459
Initial franchise and transfer fees	240,000
Marketing fees	<u>71,576</u>
Total revenues	502,035
Selling, general and administrative expenses	<u>508,973</u>
Loss from operations	<u>(6,938)</u>
Other income and (expense):	
Interest expense	<u>(461)</u>
Net loss	<u>(7,399)</u>
Retained earnings at December 31, 2019, as originally reported	26,310
Prior period adjustment	<u>62,239</u>
Retained earnings at December 31, 2019, as corrected	88,549
Shareholder distributions	<u>(24,389)</u>
Retained earnings at December 31, 2020	<u>\$ 56,761</u>

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See accompanying notes to financial statements.

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**B & P Burke, Inc.**Statement of Cash Flows  
For the Year Ended December 31, 2020

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Cash flows from operating activities:	
Net loss	\$ (7,399)
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	13,113
Noncash issuance of notes receivable to franchisees	(85,000)
Changes in assets and liabilities:	
Accounts receivable	17,334
Prepaid customer acquisition costs	(15,467)
Accounts payable and accrued liabilities	1,342
Net cash used by operating activities	<u>(76,077)</u>
Cash flows from investing activities:	
Payments received on notes receivable	18,341
Stockholder distributions	(24,389)
Purchase of franchise	(10,000)
Purchase of property and equipment	<u>(26,796)</u>
Net cash used by investing activities	<u>(42,844)</u>
Cash flows from financing activities:	
Proceeds from notes payable	162,335
Due to stockholder	3,000
Repayments on notes payable	<u>(17,399)</u>
Net cash provided by financing activities	<u>147,936</u>
Net increase in cash	29,015
Cash, beginning of year	<u>1,110</u>
Cash, end of year	<u>\$ 30,125</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 461

See accompanying notes to financial statements.

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## B & P Burke, Inc.

Notes to Financial Statements  
For the Year Ended December 31, 2020

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### 1. Description of Business

B & P Burke, Inc. (the Company) was formed on May 8, 2014, under the General Corporation Law of California as a franchisor that grants franchise agreements to businesses (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees offer real estate services within the counties they are located. These franchisees conduct business under the trademark, "Grasons Co."

The Company makes money by receiving a percentage of the sales that the franchisees make over the course of the year. In addition, the Company also instates the following fees per the franchisee's operating agreement: royalty fees, marketing fees, and technology fees.

A summary of franchisee activity for 2020 follows:

Franchisees at December 31, 2019	24
2020 additions	5
2020 terminations	-
Franchisees at December 31, 2020	29

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### Estimates and Assumptions

The preparation of financial statements 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 financial statements and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates underlying the accompanying financial statements include the application of guidance for revenue recognition.

#### Use of Estimates in Financial Statements

The financial statements include some amounts that are based on management's best estimates and judgments. The more significant estimates relate to costs incurred prior to opening of a franchisee, useful lives of property and equipment; allowance for doubtful accounts; and application of guidance for revenue recognition. These estimates may be

## B & P Burke, Inc.

Notes to Financial Statements  
For the Year Ended December 31, 2020

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adjusted as more current information becomes available, and any adjustments could be significant.

### **Cash and Cash Equivalents**

The Company may from time to time maintain bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Company believes it mitigates any risks by depositing cash with reputable financial institutions. The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents. As of December 31, 2020, there were no amounts of cash over the FDIC limits.

### **Accounts Receivable**

Accounts receivable, which consist of amounts owed to the Company related to initial franchise fees, franchise royalty fees, marketing fund fees, software fees, and monthly contract payments, are recorded at the amounts billed less an estimated allowance for bad debt expense and charge backs. The Company has determined that no allowance for doubtful accounts or charge backs was required as of December 31, 2020.

### **Prepaid Customer Acquisition Costs**

The Company has evaluated the need to capitalize certain incremental costs to obtain customer contracts, and certain costs to fulfill contracts pursuant to ASC 340 – *Other Assets and Deferred Cost* (Topic 340) and determined that it is necessary to capitalize amounts spent on franchise sales commission and broker fees, when applicable, as prepaid customer acquisition costs upon signing of the franchise agreement, and then amortize such costs over the life of the franchise agreements.

### **Property and Equipment**

The Company's capitalization policy is to capitalize, at cost, property and equipment with a purchase price in excess of \$1,000 and which has a useful life greater than one year.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are eliminated from the asset and accumulated depreciation accounts and gains or losses from disposals are included in the statement of operations and retained earnings and statement of cash flows.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method. The following provides the estimated life of each fixed asset classification: furniture, fixture and equipment, furniture, 5-7 years; and software, 15 years.

### Impairment

Long-lived assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available, and independent appraisals to determine fair value. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions and / or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. Management concluded that there was no impairment during 2020.

### Revenue and Cost Recognition

#### *Recently Adopted Accounting Pronouncements*

Revenue from Contracts with Customers (ASU 2014-09) ("Topic 606") supersedes the existing revenue recognition guidance and provides a new framework for recognizing revenue. The core principle of the standard is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Additionally, the guidance requires improved disclosure to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. Guidance subsequent to ASU 2014-09 has been issued to clarify various provisions in the standard, including principal versus agent considerations, identifying performance obligations, licensing transactions, as well as various technical corrections and improvements. According to the superseding standards 2015-04 and 2020-05, that deferred the effective dates of the preceding, and because the Company is a private company, the standard became effective for the Company on January 1, 2020.

This standard may be adopted using either a retrospective or modified retrospective method. The Company adopted this standard by recognizing the cumulative effect as an adjustment to opening retained earnings at January 1, 2020, under the modified retrospective method for contracts not completed as of the day of adoption. Under the modified retrospective method, the Company was not required to restate comparative financial information prior to the adoption of these standards and, therefore, such information presented prior to January 1, 2020 continue to be reported under the Company's previous accounting policies.

There was no significant impact to the Company for adopting the revenue recognition standard.

## B & P Burke, Inc.

Notes to Financial Statements  
For the Year Ended December 31, 2020

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### *Initial Franchise fees*

Revenue from initial franchise fees, which includes the franchise fee and an access fee, is generated from a contract between the Company and a franchisee. The Company's initial performance obligation is to provide site selection assistance, design assistance, employee hiring and training, assistance with projections, access to the brand standards manual, assistance with a marketing plan, and assistance setting up a website and getting setup in the Company's system. Pursuant to ASU 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606) issued on January 28, 2021, the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation. The Company's ongoing performance obligation is developing products and services, establishing pricing and administrative procedures, administer the marketing fund and manage advertising platforms, and general consulting. The transaction price is set by the franchise agreement. Prior to the adoption of Topic 606, initial franchise fees were recognized as revenue in the month the franchise owner opened for business. Management determined that it currently provides services equal in value to the franchise fee received, enabling the Company to recognize one hundred percent (100%) of the initial franchise fee in the month the franchise opens for business.

For a fee, each franchise has the option to renew its franchise at the conclusion of the franchise agreement for two additional 5 year terms.

The Company also considers transfer fees to be initial franchise fees. Transfer fees are fees paid to the Company from a new franchisee taking over an existing franchise location. The Company's initial performance obligation incurred by the transfer fee includes providing assistance with employee hiring and training, access to the brand standards manual, assistance with a marketing plan, and getting set up in the Company's system.

### *Franchise Royalty fees*

The franchise agreement stipulates monthly royalty fees based on a percentage of the gross revenue of a franchisee and obligates the Company to ongoing services, such as developing products and services, establishing pricing and administrative procedures, and general consulting.

The Company recognizes franchise royalty fees by applying the percentage of sales method per each franchisee's gross sales. Franchisees pay varying amounts for this program depending on when the franchisee joined the Company.

### *Marketing fees*

The franchise agreement stipulates monthly marketing fund contributions based on a percentage of the gross revenue of a franchisee and obligates the Company to ongoing marketing services, such as administering the marketing fund, managing advertising platforms, and assisting with maintaining the website. Franchisees pay either a flat \$150 or 1.5% of gross sales for this program depending on when the franchisee joined the Company. The Company reports all marketing fees as monthly marketing fees.

## B & P Burke, Inc.

Notes to Financial Statements  
For the Year Ended December 31, 2020

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The Company has waived the monthly marketing fund fee for all franchisees beginning on April 1, 2020, due to the COVID-19 pandemic, and plans to require payments from franchisees sometime during the 2021 calendar year; however, no date has yet been set.

### *Technology fees*

The franchise agreement stipulates monthly software fee payments which grants the franchisee continued use to the Company's software program. This payment obligates the Company to continue to provide and maintain the program. Franchisees pay varying amounts for this program depending on when the franchisee joined the Company. The Company reports all technology fees as monthly royalty fees.

The Company has waived the monthly technology fee for all franchisees beginning on April 1, 2020, due to the COVID-19 pandemic, and plans to require payments from franchisees sometime during the 2021 calendar year; however, no date has yet been set.

### **Income Taxes**

The Company has elected under the Internal Revenue Code to be taxed as an S corporation. As an S corporation, the Company is not a taxpaying entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is allocated to its stockholder in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2017.

### **Advertising**

The Company expenses advertising and marketing costs as incurred. Advertising and marketing expenses charged to operations and recorded in selling, general and administrative expenses totaled \$83,013 in 2020.



**B & P Burke, Inc.**

Notes to Financial Statements  
For the Year Ended December 31, 2020

**3. PROPERTY AND EQUIPMENT**

At December 31, 2020, property and equipment consisted of the following:

Furniture, fixtures and equipment	\$	79,140
Software		11,002
		90,142
Less: accumulated depreciation		38,546
	\$	51,596

Depreciation expense totaled \$13,113 for the year ended December 31, 2020

**4. PREPAID CUSTOMER ACQUISITION COSTS**

A summary of prepaid customer acquisition costs for the year ended December 31, 2020 follows:

Balance at December 31, 2019	\$	-
Sales commissions		17,000
Less: amortization		1,533
Balance at December 31, 2020		15,467
Less: current portion of prepaid customer acquisition costs		3,400
Noncurrent portion of prepaid customer acquisition costs	\$	12,067

**5. DEBT**

**Paycheck Protection Program Loan**

On July 27, 2020, after determining its eligibility, the Company borrowed \$14,609 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Loan proceeds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven. The loan is uncollateralized and is fully guaranteed by the Federal government. No principal or interest payments have been paid on this loan and no interest, which is deemed insignificant, has been accrued as of December 31, 2020. The outstanding balance of this loan totaled \$14,609 at December 31, 2020.

The Company has accounted for this loan as a financial liability and the loan, plus any accrued interest, will remain as a liability until either 1.) the loan is, in part or wholly, forgiven and the Company has been released or 2.) the Company pays off the loan.

**B & P Burke, Inc.**

Notes to Financial Statements  
For the Year Ended December 31, 2020

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**SBA Section 7(b) Loan**

On June 1, 2020, the Company borrowed \$148,000 under the SBA Section 7(b) Program for working capital. The loan accrues interest at 3.75%. Monthly principal and interest payments of \$722 are required beginning twelve months after the funding of the loan and the balance is due on June 1, 2050. The loan is collateralized by substantially all assets of the Company. No principal or interest payments have been paid on this loan and no interest, which is deemed insignificant, has been accrued as of December 31, 2020. The outstanding balance of this loan totaled \$148,000 at December 31, 2020.

**Other Notes Payable**

During 2020, the Company repaid two additional notes payable with an outstanding balance at December 31, 2019 of \$17,399.

**A schedule of future maturities by reporting period follows:**

Year ending December 31,		
2021	\$	11,745
2022		8,556
2023		3,885
2024		4,030
Thereafter		<u>134,119</u>
	\$	<u>162,335</u>

Interest expense totaled \$461 for 2020.

**6. LEASES**

On January 24, 2019, the Company's lease agreement on its corporate office expired and was extended for an additional three years through January 2022. Rent expense under this operating lease totaled \$16,740 for 2020.

At December 31, 2020, minimum annual lease payments under the facility lease agreement were as follows:

Year ending December 31,		
2021	\$	17,325
2022		1,450

## B & P Burke, Inc.

Notes to Financial Statements  
For the Year Ended December 31, 2020

### 7. REVENUE DISAGGREGATION

A summary of disaggregated revenue by type for the year ended December 31, 2020 follows:

• Initial franchise fees, earned at closing	\$ 240,000
• Royalty, marketing fund, and software fees, earned monthly	262,035
<b>Total revenues</b>	<b>\$ 502,035</b>
Timing of revenue recognition	
Recognized at a point in time	\$ 240,000
Transferred over time	262,035
<b>Total revenues</b>	<b>\$ 502,035</b>
Revenue by geography:	
• California	90.8%
• Texas	0.1%
• Arizona	7.9%
• Ohio	1.4%
<b>Total revenues</b>	<b>100.2%</b>

### 8. COMMITMENTS AND UNCERTAINTIES

According to the terms of signed agreements between the Company and its franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which have negatively impacted the operation results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and related financial impact in years to come.

### 9. PRIOR PERIOD ADJUSTMENT

The Company determined that as of December 31, 2019, property and equipment was understated by \$49,003 due to the use of tax depreciation instead of book depreciation; accounts receivable and notes receivable were together understated by \$7,125 due to errors that had not been corrected; current assets were increased by \$1,450 due to a security deposit that had not been recorded; accounts payable increased by \$2,600 due to past due rent payments that were not recorded; notes payable increased by \$28,489 due to loans that had not been recorded; and additional paid in capital was decreased by \$50,000 due to "sweat equity" that had been improperly recorded as a stockholder contribution. Accordingly, beginning retained earnings at December 31, 2019 was increased by \$62,239 to correct for these errors. The effect to prior year net income was

not determinable.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 13, 2021 which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the balance sheet, but are not recognized if the conditions did not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading. The following subsequent event was identified by the Company for disclosure:

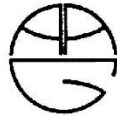
**Paycheck Protection Program Loan**

On July 16, 2021, the Company's PPP loan totaling \$14,609 was forgiven.

**Financing Agreements**

In August 2021, the Company decided to discontinue offering financing for initial franchise fees.

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A. ANDREW GIANIODIS  
CERTIFIED PUBLIC ACCOUNTANT

**B & P BURKE, INC.**  
DECEMBER 31, 2019, 2018 AND 2017  
FINANCIAL STATEMENTS

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

B & P BURKE, INC.

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**A. ANDREW GIANIODIS**  
**CERTIFIED PUBLIC ACCOUNTANT**

April 24, 2020

### **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of  
B & P Burke, Inc.:

#### **REPORT ON FINANCIAL STATEMENTS**

I have audited the accompanying balance sheet of B & P Burke, Inc. (a corporation) as of December 31, 2019, 2018 and 2017 and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

#### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

#### **AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with generally accepted auditing standards as 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 statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

-1-

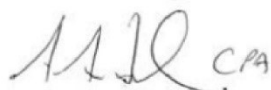
279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating 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 statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B & P Burke, Inc. (a corporation) as of December 31, 2019, 2018 and 2017 and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068



**B & P Burke, Inc.**  
**Balance Sheet**  
**December 31, 2019, 2018 and 2017**

ASSETS			
	2019	2018	2017
<b>CURRENT ASSETS</b>			
Cash	\$ 1,110	\$ 6,726	\$ 1,683
Receivables	75,200	108,300	70,268
<b>TOTAL CURRENT ASSETS</b>	<u>76,310</u>	<u>115,026</u>	<u>71,951</u>
<b>FIXED ASSETS</b>			
Equipment	56,941	56,941	32,066
Accumulated Depreciation	(56,941)	(56,930)	(32,033)
<b>TOTAL FIXED ASSETS</b>	<u>-</u>	<u>11</u>	<u>33</u>
<b>TOTAL ASSETS</b>	<u>\$ 76,310</u>	<u>\$ 115,037</u>	<u>\$ 71,984</u>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Due to Affiliates	\$ -	\$ -	\$ 21,984
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>21,984</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>21,984</u>
<b>MEMBERS' EQUITY</b>			
Common Stock			
1000 Shares authorized, issued and outstanding	50,000	50,000	50,000
Retained Earnings	26,310	65,037	-
<b>TOTAL STOCKHOLDERS EQUITY</b>	<u>76,310</u>	<u>115,037</u>	<u>50,000</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$ 76,310</u>	<u>\$ 115,037</u>	<u>\$ 71,984</u>

*See accompanying notes*

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**B & P Burke, Inc.**  
**Statement of Operations**  
**Years ending December 31, 2019, 2018 and 2017**

	2019	2018	2017
<b>Revenues</b>			
Franchise revenue	\$ 347,277	\$ 474,828	\$ 272,076
Total revenue	<u>347,277</u>	<u>474,828</u>	<u>272,076</u>
<b>Expenses</b>			
Advertising	59,105	68,681	53,816
Automobile expenses	7,188	21,875	12,592
Bank charges	3,415	3,645	3,723
Commissions	15,500	19,875	16,000
Computer	-	4,875	4,730
Dues and Subscriptions	-	3,685	5,143
Insurance	1,185	6,360	6,360
Office Expense	586	4,146	3,955
Payroll, taxes and benefits	73,720	67,967	74,796
Professional fees	7,195	4,575	6,000
Rent and occupancy expenses	15,600	15,432	15,432
Subcontractor	-	11,875	6,835
Supplies	1,215	5,124	4,780
Telephone	9,385	9,286	9,396
Travel, meals and entertainment	2,115	15,644	5,437
Utilities	2,785	2,845	1,485
Total expenses	<u>198,994</u>	<u>265,890</u>	<u>230,480</u>
Operating Income	148,283	208,938	41,596
Franchise taxes	(800)	(800)	(800)
Interest expense	(11,628)	(8,215)	-
Depreciation	(11)	(24,897)	(7,547)
Net Income	<u>\$ 135,844</u>	<u>\$ 175,026</u>	<u>\$ 33,249</u>

*See accompanying notes*

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B & P Burke, Inc.

Statement of Changes in Equity  
Years ending December 31, 2019, 2018 and 2017

	Common Stock	Retained Earnings	Total Equity
Equity at January 1, 2017	\$ 50,000	\$ -	\$ 50,000
2017 Distributions	-	(33,249)	(33,249)
Net Income		33,249	33,249
Equity at December 31, 2017	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Equity at January 1, 2018	\$ 50,000	\$ -	\$ 50,000
2018 Distributions	-	(109,989)	(109,989)
Net Income		175,026	175,026
Equity at December 31, 2018	<u>\$ 50,000</u>	<u>\$ 65,037</u>	<u>\$ 115,037</u>
Equity at January 1, 2019	\$ 50,000	\$ 65,037	\$ 115,037
2019 Distributions	-	(174,571)	(174,571)
Net Income		135,844	135,844
Equity at December 31, 2019	<u>\$ 50,000</u>	<u>\$ 26,310</u>	<u>\$ 76,310</u>

See accompanying notes

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**B & P Burke, Inc.**  
**Statement of Cash Flows**  
**Years ending December 31, 2019, 2018 and 2017**

	2019	2018	2017
Cash flows from operating activities:			
Net Income	<u>\$ 135,844</u>	<u>\$ 175,026</u>	<u>\$ 33,249</u>
Adjust			
Depreciation & amortization	11	24,897	7,547
Changes in assets and liabilities			
Current assets	33,100	(38,032)	(7,704)
Current liabilities	<u>-</u>	<u>(21,984)</u>	<u>8,437</u>
Net cash provided by operating activities	<u>168,955</u>	<u>139,907</u>	<u>41,529</u>
Cash flows from investing activities:			
Purchase of Fixed Assets	<u>-</u>	<u>(24,875)</u>	<u>(7,525)</u>
Net cash provided by investing activities	<u>-</u>	<u>(24,875)</u>	<u>(7,525)</u>
Cash flows from financing activities:			
Stockholder distributions	(174,571)	(109,989)	(33,249)
Issuance of Common Stock	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>(174,571)</u>	<u>(109,989)</u>	<u>(33,249)</u>
Net change in cash	(5,616)	5,043	755
Cash - beginning of year	<u>6,726</u>	<u>1,683</u>	<u>928</u>
Cash - end of year	<u>\$ 1,110</u>	<u>\$ 6,726</u>	<u>\$ 1,683</u>
Supplemental Disclosures			
Interest Paid	11,628	8,215	-
Income Taxes Paid	800	800	800

*See accompanying notes*

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B & P BURKE, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF BUSINESS**

The Company was incorporated under the laws of the State of California for the purpose of offering franchise opportunities to entrepreneurs who want to own their own Grasons Co. franchise.

**BASIS OF PRESENTATION**

The financial statements are presented on the accrual basis of accounting.

**REVENUE RECOGNITION**

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when recorded by the franchisee.

**COMPANY INCOME TAXES**

The Company, with the consent of its stockholders, has elected to be an s-corporation. In lieu of corporation income taxes, the stockholder(s) of an s-corporation is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

**NOTE 2      DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company estimates that the fair value of all financial instruments at December 31, 2019, 2018 and 2017, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

B & P BURKE, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3      FRANCHISE AGREEMENT**

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

**NOTE 4      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 24, 2020, the date that the financial statements were available to be issued.

## EXHIBIT E

### OPERATING MANUAL TABLE OF CONTENTS

<b>Manual Section</b>	<b>Number of Pages</b>
Introduction	16
Establishing A Grasons Estate Sale Services Business	84
Managing A Grasons Estate Sale Services Business Location	41
Personnel	79
Daily Procedures	149
Advertising	35
<b>Total Number of Pages</b>	<b>404</b>

**EXHIBIT F  
CURRENT AND FORMER FRANCHISEES**

Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

**ARIZONA**

1. **Grasons Estate Sale Services of Southern Arizona**  
9420 E. Golf Links Road  
Suite 108 #275  
Tucson, AZ 85730  
Telephone: 520-328-4386  
Owner: Joe & Marci Natale

**CALIFORNIA**

1. **Grasons Estate Sale Services Elite of North San Diego County**  
300 Carlsbad Village Drive  
Suite 108A-21  
San Diego, CA 92008  
Telephone: 949-838-7703  
Owners: Nicholas Wilder
2. **Grasons Estate Sale Services of South Orange County**  
24881 Alicia Pkwy  
Suite E111  
Laguna Hills, CA 92653  
Telephone: 949-690-2219  
Owner: Vincent Stirone
3. **Grasons Estate Sale Services of North Orange County**  
675 North Euclid Street  
Suite 284  
Anaheim, CA 92801  
Telephone: 949-838-7703  
Owners: Vincent Stirone & Nicholas Wilder
4. **Grasons Estate Sale Services in the LA Valley**  
13502 Whittier Blvd  
Suite H241  
Whittier, CA 90605  
Telephone: 626-861-5830  
Owner: Richard Garcia



**5. Grasons Estate Sale Services Beach Cities & Grasons Estate Sale Services of Newport Beach**

18281 Gothard St.  
Unit #205  
Huntington Beach, CA 92647  
Telephone: 949-698-2428  
Owner: Victor Burke

1024 Bayside Drive  
Suite 426  
Newport Beach, CA 92660  
Telephone: 949-698-2428  
Owner: Victor Burke

\*Victor Burke's outlets are counted as a single unit for Item 20 purposes, although are separate for operational purposes.

**6. Grasons Estate Sale Services South Bay Los Angeles**

2785 Pacific Coast Hwy Ste. E  
Torrance, CA 90505  
Telephone: 310-529-0605  
Owner: Marek Bozek

**7. Grasons Estate Sale Services City of Angels**

16350 Ventura Blvd.  
Suite D #183  
Encino, CA 91436  
Telephone: 310-824-3360  
Owner: Boni Wish

**8. Grasons Estate Sale Services Solano Marin Counties**

836 Southampton Rd  
Unit #B322  
Benicia, CA, 94510  
Telephone: 707-771-4884  
Owner: Deanna Reynolds

**9. Grasons Estate Sale Services South San Diego County**

1041 Market Street  
Unit #179  
San Diego, CA, 92101  
Telephone: 760-587-6692  
Owners: Nick Wilder & Marcus McMillan

10. **Grasons Estate Sale Services Elite North San Diego County**  
300 Carlsbad Village Drive  
Suite 108A-21  
Carlsbad, CA, 92008  
Telephone: 949-838-7703  
Owner: Nick Wilder
  
11. **Grasons Estate Sale Services of Ventura**  
4744 Telephone Road  
Unit #3-278  
Ventura California 93003  
Telephone: (562)446-7632  
Owner: Rhonda Walker
  
12. **Grasons Estate Sale Services of Prestige Pasadena & Territories**  
530 S Lake Avenue  
Unit #776  
Pasadena California 91101  
Telephone: (818)634-6117  
Owner: Boni Wish/Niloufar Hersel
  
13. **Grasons Estate Sale Services of Premier High Desert – Thousand Oaks**  
38713 Tierra Subida Ave  
Unit #131  
Palmdale California 93551  
Owner: Shalana Nelson (310)819-0757
  
14. **Grasons Estate Sale Services of Long Beach Metro**  
2201 N Lakewood Blvd  
Suite D #695  
Long Beach California 90815  
Telephone: (949)690-2219  
Owner: Marek Bozek & Vincent Stirone
  
15. **Grasons Estate Sale Services Integrity Fountain Valley to Downey**  
18627 Brookhurst St  
Unit # 525  
Fountain Valley California 92708  
Telephone: (714)561-8299  
Owner: Melissa Arellano & Camille Awad
  
16. **Grasons Estate Sale Services Coachella Valley and Grasons Estate Sale Services Estate Specialists Inland Empire\***  
  
12523 Limonite Ave.  
Unit #440-314

Jurupa Valley, CA 91752  
Telephone: 909-208-5398  
Owner: Anna Williams

12523 Limonite Ave.  
Unit #440-314  
Jurupa Valley, CA 91752  
Telephone: 909-208-5398  
Owner: Anna Williams\*

*\*A portion of the original territory known as “Grasons Estate Sale Services Specialists Inland Empire” was sold to by a franchisee to another franchisee in 2018 and operated as “Grasons Estate Sale Services of East Riverside”. The original franchisee repurchased the sold territory back in 2018. This franchise is now operated as two territories “Grasons Estate Sale Services Specialists Inland Empire” and “Grasons Estate Sale Services Coachella Valley”.*

**17. Grasons Estate Sale Services of South Bay**

2785 PCH Suite #E  
Torrance, California 90505  
Telephone: (310) 997-0966  
Owner: Kelly Charlshe and Rhonda Walker (split partnership April 2020)

**18. Grasons Estate Sale Services of Contra Costa County**

1839 Ygnacio Valley Road, #194  
Walnut Creek California 94598  
Telephone: 925-565-9056  
Owner: Raquel Reyes

**19. Grasons Estate Sale Services of East Alameda & Grasons Estate Sale Services of West Alameda**

1839 Ygnacio Valley Road, #194  
Walnut Creek, California 94598  
Telephone: 925-565-9056  
Owner: Raquel Reyes

**20. Grasons Estate Sale Services of Carson to Del Reys\***

552 E. Carson Street  
Carson, California 90745  
Telephone: (310) 997-0212  
Owner: Rhonda Walker

*\* Opened in April 2020. The original territory known as “Grasons Estate Sale Services South Bay Los Angeles” was sold in 2019 and is now operated as two territories “Grasons Estate Sale Services of South Bay Beach Cities” and “Grasons Estate Sale Services of Carson to Del Reys.”*

**21. Grasons Estate Sale Services Select Central Coast\***

133 E. De la Guerra#34  
Santa Barbara California 93101  
Telephone: (805)722-5748  
Owner: Anthony and Charlene Aguilar

*\*Opened in February 2020.*

**OHIO**

**1. Grasons Estate Sale Services of Summit County**

4786 Dressler Rd NW #187  
Canton, OH, 44718  
Telephone: 330-322-7983  
Owner: Kelley Dario

**PENNSYLVANIA**

**1. Grasons Estate Sale Services of Delaware County**

491 Baltimore Pike  
Springfield, PA, 19064  
Telephone: 610-285-1505  
Owner: Joseph Santella

**TEXAS**

**1. Grasons Estate Sale Services of Collin County**

190 E. Stacy Rd #306-129  
Allen, TX 75002  
Telephone: 214-290-6593  
Owner: James Burke

**Former Franchisees**

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during

the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

**CEASED OPERATIONS**

NONE

**TRANSFERRED**

**CALIFORNIA**

**Grasons Co. Classic Claremont** transferred - new location named  
**“Grason Co of Pomona Valley”**

Previous Owner: Lan Tran

714-391-4448

Transfer Date: 12/30/2020

**Grasons Co of Alameda County**

Previous Owner: Raquel Reyes

925-562-9056

Transfer Date: 07/21/2020

**EXHIBIT G**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of California only, this Disclosure Document is amended as follows:

### **Risk Factors**

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

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

3. FRANCHISEES CANNOT ENGAGE IN OR HAVE A FINANCIAL INTEREST IN ANY SIMILAR BUSINESSES AND POTENTIAL FRANCHISEES SHOULD SEE ITEM 16 OF THIS DISCLOSURE DOCUMENT FOR MORE INFORMATION.

**4. REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER.**

5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.

6. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

### **Item 3**

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

### **Item 17**

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

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

**Termination Upon Bankruptcy.** The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

**Post-Termination Noncompetition Covenants.** The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

**Arbitration.** The franchise agreement requires binding arbitration. The arbitration will occur at Huntington Beach, California, with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

**Applicable Law.** The franchise agreement requires application of the laws of the State of California. This provision may not be enforceable under California law.

**Modification.** Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

**General Releases.** You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).



## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Illinois only, this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Item 5 and Item 7 of the FDD are amended as follows:

Payment of initial franchise fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

## MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 11:

Fees related to advertising are to be raised and spent as follows: \_\_\_\_\_ . You may obtain an accounting of advertising expenditures by the Marketing Fund by making a written request to us.

The following is added to item 17:

Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

You are not required to assent to a period of limitations for causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland, other than the period of limitations set forth in that statute. You must bring an action under such law within three years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION**

**WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

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

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

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

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

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

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

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

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

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

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

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

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

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

8. The following is added to the end of the “Summary” sections of item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”: The foregoing choice of law should not be

considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.



## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

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

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

(See Exhibit H for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

**EXHIBIT H**  
**STATE ADDENDA TO FRANCHISE AGREEMENT**

**ILLINOIS RIDER TO FRANCHISE AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.

**2. Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

**3. Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

**4. Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**5. Fee Deferral.** Payment of initial franchise fees will be deferred until Franchisor has met its initial obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

**6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

B & P BURKE, INC.

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

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

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

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

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

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

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

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

## INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. **Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase

notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

B & P BURKE, INC.

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

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

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

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



**MARYLAND RIDER TO FRANCHISE AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Registration and Disclosure Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

**2. No Waiver of State Law In Sale.** Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, B & P Burke shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve B & P Burke or any other person from liability under the Maryland Franchise Registration and Disclosure Law.

**3. No Release of Liability.** Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**4. Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

**5. Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

**6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

B & P BURKE, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. **Amendments.** The Agreement is amended to comply with the following:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non- renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

3. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

B & P BURKE, INC.

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

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

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

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

**NEW YORK RIDER TO FRANCHISE AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve B & P Burke or any other person from any duty or liability imposed by New York General Business Law, Article 33.

**3 Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by B & P Burke with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

**4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.

**5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

B & P BURKE, INC.

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

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

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

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

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

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

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

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

## NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary & Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

B & P BURKE, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RHODE ISLAND RIDER TO FRANCHISE AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between B & P Burke, Inc., a California corporation (“B & P Burke”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

B & P BURKE, INC.

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

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

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

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

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

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

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

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

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
RIDER TO FRANCHISE AGREEMENT**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

Payment of the initial franchise fee by you to franchisor is deferred until we have fulfilled our pre-opening obligations and your franchise has opened for business.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of the arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Item 17(o) and the franchise agreement are amended to provide that we may be required to purchase your assets by law. RCW 19.100.180(2)(i) states: "For the purposes of this chapter and without limiting its general application, it shall be an unfair or deceptive act or practice or an unfair method of competition and therefore unlawful and a violation of this chapter for any person to . . . [r]efuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor, and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment, and furnishings not reasonably required in the conduct of the franchise business; PROVIDED, that compensation need not be made to a franchisee for good will if (i) the franchisee has been given one year's notice of nonrenewal and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor; PROVIDER FURTHER, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor."



Further, with regard to termination for good cause, RCW 19.100.180(2)(j) states in relevant part: “Upon termination for good cause, the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee’s inventory and supplies, exclusive of (i) personalized materials which have no value to franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii) if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the franchisor or on his or her express requirement; PROVIDED that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.”

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

B & P BURKE, INC.

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

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

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

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

This addendum may also be used as a rider to the Franchise Disclosure Document.

### State Effective Dates

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

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

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

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

## 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 B & P Burke, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If B & P Burke, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Simone Kelly	18281 Gothard St., Suite 203 Huntington Beach, CA 92648	714-846-3800

Issuance Date: August 13, 2021.

I received a disclosure document dated August 13, 2021, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
  
- D. Financial Statements
- E. Operating Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Franchise Agreement

Signature: \_\_\_\_\_

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

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

**Keep This Copy For Your Records**

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Signature: \_\_\_\_\_

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

**Return this copy to us.**

**B & P Burke, Inc.  
18281 Gothard St., Suite 203, Huntington Beach, CA 92648**