

FRANCHISE DISCLOSURE DOCUMENT

HB FRANCHISES, LLC.

a Nevada limited liability company

247 N 1<sup>st</sup> E, Rexburg, Idaho 83440

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HB Franchises, LLC offers franchises to qualified individuals and entities to own and operate a franchise under our HEAVEN'S BEST service marks, trade names, programs, and systems. Our franchisees offer quality residential and commercial carpet, flooring, and upholstery cleaning and restoration products and services to the public under the "Heaven's Best" names.

The total investment necessary to begin operation of a Heaven's Best franchise is between \$59,860 to \$110,100. This includes \$39,900 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dan Child at 247 N 1<sup>st</sup> E, Rexburg, Idaho 83440 or call (800)359-2095 or email: [Dan@HeavensBest.com](mailto:Dan@HeavensBest.com).

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-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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: January 14, 2022

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A 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 Heaven's Best 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 Heaven's Best franchisee?</b>	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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 Idaho. 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 Idaho than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though our spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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## **EXHIBITS**

Exhibit A	Financial Statements
Exhibit B	Standard Franchise Agreement
Exhibit C	Telephone Acknowledgment and Assignment
Exhibit D	EFT Authorization
Exhibit E	Multi-State Addendum
Exhibit F	List of State Agencies/Agents for Service of Process
Exhibit G	List of Current and Former Franchisees
Exhibit H	Information Concerning Heaven's Best "State Owner" Master Franchises and our Sales and Service Representatives
Exhibit I	Form of General Release
Exhibit J	Franchisee Closing Questionnaire
Exhibit K	Receipts

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# ITEM 1

## THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

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### Who We Are

We are HB Franchises, LLC (called “We,” “Us,” or “Our”). We were formed in Nevada on October 6, 2017. We do business under the “**HEAVEN’S BEST**” names, marks, and logos. We do not intend to business under any other names. To simplify the language in this Franchise Disclosure Document, “**Company**,” “**we**,” “**us**” or “**our**” means HB Franchises, LLC, the franchisor. “**You**,” “**your**” or “**Franchisee**” means the person who buys a **Heaven’s Best** franchise, and includes , and includes owners or partners of a corporation, partnership, or other legal entity that purchases a **Heaven’s Best** franchise. If you are a business entity, such as a corporation or limited liability company, all of your owners will sign the Owner’s Guaranty, making them personally responsible for all provisions of the Franchise Agreement.

We are the franchisor of the **Heaven’s Best** franchise system. We license our franchisees in specified territories to own and to operate franchises under the **Heaven’s Best** names and marks. We authorize our franchisees to promote, advertise, and sell quality residential and commercial carpet, flooring, and upholstery cleaning and restoration products and services to the public and to use our Method of Operation and our service marks in the operations of the franchisee’s business. You will have the right to provide such services within a geographic area specified in the franchise agreement.

Our principal office address is 247 N 1<sup>st</sup> E, Rexburg, Idaho 83440. Our telephone number is (208)359-1106. We have offered franchises since March 2018. We have never offered franchises in any other line of business. We do not operate any businesses of the type being franchised. We produce and sell innovative advertising and sales promotion materials. We may attempt to negotiate group discount rates for the benefit of our franchisees for wholesale products, supplies, and equipment. We do not have any other business activities. We have no parent.

Our registered agents for service of process are outlined in Exhibit F to this Disclosure Document.

Our predecessor is M-CO, Inc. (called our “Predecessor”). Our Predecessor is an Idaho corporation that was incorporated on September 14, 1983. Our predecessor offered and sold Heaven’s Best™ carpet cleaning unit franchises and subfranchisor rights under its “state owner” master franchise programs in this line of business from 1983 until 2017. It never offered franchises in any other line of business. Its last known address is the same as our current principal address: 247 N 1<sup>st</sup> E, Rexburg, Idaho 83440.

We have four affiliates that previously operated as subfranchisors and own and operate master franchises and/or that serve as our sales and service representatives.

- Child Enterprises, Inc. is a California corporation owned and operated by our officer and board member Dan Child. It was incorporated on April 25, 2012. From 2012 to 2018, it



operated as our Predecessor's representative in California to sell and support franchises. Child Enterprises, Inc. has operated as our sales and service representative in California since March 2018. Its principal address is 6266 Wester Sierra Way, El Dorado Hills, CA 95762. As our representative, Child Enterprises, Inc. helps us to sell new franchises and assists us to support our franchisees; however, it does not sign franchise agreements with Heaven's Best™ franchisees. It has never offered franchises in this or any other line of business. Child Enterprises, Inc. also operates a Heaven's Best™ franchised business of the type being franchised. This business operates in a territory east of Sacramento, California, which includes the following California cities: Cameron Park, Camino, Coloma, Diamond Springs, El Dorado Hills, Folsom, Gold River, Iona, Jackson, Placerville, Polluck Pines, Rancho Murieta, Rescue, and Shingle Springs.

- Heaven's Best of Brevard, Inc. is a Florida corporation owned and operated by our officer and board member Ronald Smith. It was incorporated on April 13, 1995 and has operated the Heaven's Best master franchise in Florida since 1995 and offered and sold Heaven's Best™ franchises and signed its own subfranchise agreements with franchisees in Florida. Since March 2018, it has operated as our sales and service representative for any new Heaven's Best™ franchisees that sign franchise agreements with us in Florida. Its principal address is 9089 Central Ave, Micco, Florida 32976. It has not offered franchises in any other line of business.

We and our affiliate companies retain the right to own or operate additional **Heaven's Best** territories and franchises.

#### **The "State Owner" Master Franchise and Sales and Service Representatives**

Until 2016, our predecessor offered qualified "state owners" the right to operate as subfranchisors and to offer and sell and sign subfranchise agreements with their own Heaven's Best™ subfranchises in a specified Development Area (generally, an entire state). We do not offer or sell this master franchise/subfranchisor opportunity but inherited state owner master franchisees and various subfranchise agreements in certain states, including: Alabama, Arizona, Florida, Georgia, Idaho, Indiana, Nebraska, North Carolina, South Carolina, and Tennessee. These master franchisees/subfranchisors previously offered and sold their own franchises and continue to service, train, and support their own pre-existing franchisees.

The pre-existing state owner master franchisees are not required to sign a new or different agreement with us. However, we have revised our relationship with most state owner master franchisees so that, rather than operate as subfranchisors to offer and sell and sign franchise agreements with their own Heaven's Best™ subfranchisees, moving forward they instead serve as our sales and/or service representative to sell and support new franchises for us. As our representatives, they provide some of the training and support services on our behalf, as required under the relevant franchise contracts within the Development Area. They receive payments or commissions based on initial and ongoing fee payments that we collect from franchisees within the relevant Development Area. Exhibit H contains disclosures and information concerning our Heaven's Best "State Owner" master franchises/subfranchisors and our sales and service representatives. If we decide to offer the state owner master franchise/subfranchisor or an area representative franchise, the offering will be made through a separate franchise disclosure document. These franchises would only be offered in a franchise registration state after the franchise offering is registered in that state.

### **International Master Franchise Rights**

Our predecessor previously offered international master franchise rights to qualified candidates outside of the United States. The master franchisee operates as a subfranchisor to open, sell, and develop Heaven's Best franchises in a specified international master territory. Currently, we have master franchisees in the United Kingdom and Canada. The master franchise opportunity is not offered in the United States.

### **Market and Competition**

The market for commercial and residential carpet, flooring, and upholstery cleaning and restoration services is well established throughout the United States. In some states, carpet, floor, and upholstery cleaning may be seasonal and reduce substantially during certain times of the year because of poor weather conditions. The principal sources of direct competition for your franchise are similar businesses, some of which are part of other, existing franchise chains, that provide commercial or residential carpet, flooring, or upholstery cleaning and related products and services.

### **Laws and Regulations**

There are federal, state, and in some cases local regulations pertaining specifically to the carpet, flooring, and upholstery cleaning industry. These pertain to contractor licensing and hazardous waste handling and disposal.

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## **ITEM 2 BUSINESS EXPERIENCE**

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### **DAN CHILD – Board Member, Managing Partner and Franchise Development Manager**

Mr. Child has served on our Board and as our Franchise Development Manager in El Dorado Hills, California since January 2018. He has served as our managing partner since August 2020. He has served as president for our affiliate Child Enterprises, Inc. that operates as the Heaven's Best sales and service representative in the state of California since July 2011. He has owned and operated franchises and otherwise been involved with Heaven's Best in the state of California since July 1998.

### **PAUL SCOTT MORIGEAU – Operations Manager**

Mr. Morigeau has served on our Board since October 2018. He has served as our Operations Manager in Rexburg, Idaho since August 2020. From August 2005 to August 2018, he was a salesman for Lowe's in Las Vegas, Nevada.

### **RONALD SMITH – Operating Officer**

Mr. Smith has served on our Board since January 2018. He has served as an Operating Officer for us in Brevard County, Florida since August 2020. He has served as President for our affiliate Heaven's Best of Brevard, Inc. in Roseland, Florida which owns and operates the Heaven's Best master franchise in the state of Florida since 1993.

**JOHN STEINER- Training Supervisor**

Mr. Steiner has served as our Training Supervisor in Rexburg, Idaho since January 2018. He served in the same roles for our predecessor, M-CO, Inc. in Rexburg, Idaho from January 2000 to January 2018. Mr. Steiner has operated the Heaven's Best master franchise in Alabama since January 2016.

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**ITEM 3  
LITIGATION**

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No litigation is required to be disclosed in this Item.

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**ITEM 4  
BANKRUPTCY**

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

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**ITEM 5  
INITIAL FEES**

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The Initial Franchise Fee is **\$39,900** for your first franchise territory purchased. If you purchase more than one franchise territory concurrently, the Initial Franchisee is \$39,900 for the first franchise and a reduced Initial Franchise Fee of **\$19,900** for each additional franchise territory. To be eligible to pay the reduced initial franchise fees for multiple franchises, you must qualify financially to open multiple franchise territories and you must pay to us the entire Initial Franchise Fee upfront for each franchise territory when you sign the relevant franchise agreement.

If you are an existing franchisee in good standing, then you may purchase additional franchise territories at a reduced Initial Franchise Fee at a **20%** discount. To be eligible to pay the reduced initial franchise fee outlined above, you must be fully compliant and in good standing under all agreements with us, you must qualify financially to open an additional franchise territory, and you must pay to use the entire Initial Franchise Fee upfront for each franchise territory when you sign the relevant franchise agreement.

We offer a **\$1,000** discount on the Initial Franchise Fee for your first franchise territory purchased if you are veteran of the United States military.

Simultaneous with the execution of the Franchise Agreement(s), you will pay to us the entire Initial Franchise Fee(s). The Initial Franchise Fee is paid in consideration for our sales expenses, administrative overhead, return on investment, our standard initial equipment and inventory package, training costs and stipend, and start-up costs related to the execution of the Franchise Agreement, the opening of the Franchise, and for our lost or deferred opportunity to sell franchises

in the Franchise Territory to others. The standard initial equipment and inventory package includes all equipment, tools and cleaning solutions and products necessary to open and operate your business for 3-6 months, including without limitation various carpet, tile, hardwood flooring and upholstery cleaning equipment and machines, vacuums, buffers, sprayers, kits, brooms, mops, brushes, pads, protective gear, and cleaning solutions and products.

Our mandatory initial training includes training at our training facility. We pay for your lodging accommodations . You are responsible for and must pay all other expenses, including transportation, travel, meals, wages, and other expenses that you or your manager incur related to attending training. You must arrange your travel through third party vendors not affiliated with us. Amounts paid to third parties may be refundable, depending upon the contracts or other arrangements between them and you.

In our fiscal year that ended September 30, 2021, we collected initial franchise fees consistent with the initial fees and discounts disclosed in our then-current franchise disclosure document. The initial fees are uniform except as described in this Item 5.

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge, experience, and competence to conduct business with minimal assistance from us or who are purchasing multiple franchises.

The Initial Franchise Fee and the amount paid for the training and travel reimbursement are not refundable in whole or in part under any circumstances other than those listed above.

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## ITEM 6 OTHER FEES

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<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	<b>\$300</b> per month per franchise territory up to 200,000 persons of population. If your franchise territory consists of more than 200,000 persons of population, the Royalty Fee increases by \$1.50 per every 1,000 persons of population in excess of 200,000. We may increase the Royalty Fee from time to time, but no more than 10% per year.	Payable on or before the 5 <sup>th</sup> day of the month for the previous month.	This fee may be payable through automatic debit processes as outlined in the Operations Manual. If you purchase more than one franchise territory, you must pay the Royalty Fee for each territory. You will deliver to us, as outlined in the Operations Manual, an itemized report of your sales and revenue for the preceding month. The report must be in the form we designate. All Royalty Fee payments for the preceding month must be submitted with the report.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Product Purchases	You purchase cleaning and other supplies according to our price list. We recommend that maintain a minimum 30-day supply.	Payable upon order	You must purchase certain proprietary cleaning supplies and inventory from us or our affiliate in order to operate the system correctly.
Advertising Fee	Up to <b>\$100</b> per month per territory. We may increase the Advertising Fee from time to time, but no more than 10% per year.	Payable monthly by the 5 <sup>th</sup> day of the month for the previous month.	We do not currently collect this fee, but reserve the right to do so in the future upon 30 days' notice to you. This fee may be payable through automatic debit processes as outlined in the Operations Manual.
Website/Software Fee	Then-current rates, currently <b>\$200 to \$700</b> per month.	Payable monthly by the 5 <sup>th</sup> day of the month.	This fee may be payable to us or to a designated approved vendor. This fee related to your license to use website and online marketing platform or software in the operation of your franchised business. This fee may be payable through automatic debt processes. We or a designated approved vendor may increase this fee at any time and from time to time upon 30 days' notice to you. We or a designated approved vendor will give you technical software support for so long as we deem necessary for you to sufficiently understand our software.
Local Advertising Expenditures	Local advertising is encouraged, but done at your discretion.	As Incurred each year.	This amount is not a fee to us. It is spent by you on approved sources of local advertising.
Regional Advertising Fund Contribution	Up to <b>\$1,000</b> per year per territory, according to a vote of the franchisees in the region.	As voted and approved by your local advertising cooperative (only if franchisees in an advertising region vote to establish a Regional Advertising Fund).	If at any meeting of the franchisees in an advertising region, <b>75</b> percent of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote. We may require you to execute documents that allow us to automatically take this fee out of your franchise bank accounts each year.
Grand Opening Advertising	We recommend that you spend \$500 to \$1,500 on grand opening advertising	As incurred.	This amount is not a fee to us. It is spent by you on approved sources of local advertising, such as yard signs, door hangers, t-shirts, etc.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
	and promotion during the first month of operations		
Additional Training	<b>\$300</b> per day and you must reimburse us for our reasonable out of pocket costs.	Before opening or after you open your franchise for business.	You must give us not less than <b>35</b> days' prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or others to conduct some or all of your training.
Refresher training programs and seminars	<b>\$300</b> per day or then-current reasonable rates.	Upon demand	In addition to a reasonable training fee, you are exclusively responsible for paying all travel, living and other expenses and compensation of attending refresher training programs and seminars. (See Franchise Agreement, Section 3.2)
Convention Fee	Up to \$500	Upon demand	You may be required to attend our system-wide convention. We may charge this fee even if you do not attend.
Cost to Attend Convention	\$1,000 to \$3,500	As arranged with third party vendors	You may be required to attend our system-wide convention. The amounts in this table are estimates for your travel, food and lodging costs to attend. This is not a fee collected by us; these amounts are paid to third parties vendors. Travel and lodging costs, including plane fares, may vary greatly based on your franchise location and the distance to the location of the convention.
Step-In Rights Fee	All expense, debts, and liabilities we incur during our operation of your Franchise, including our reasonable administrative, personnel, and travel costs.	Upon demand	Payable only if we exercise our Step-In Rights (see Section 6.7 of the Franchise Agreement).

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer Fee	Then-current fee, currently 500.	Before or upon transfer	
Renewal	No renewal fee.	N/A	
Late Charge	1.5% per month, plus a \$50 service fee.	Each month that amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law.
Unsatisfied Payment Fee	\$50 for each unsatisfied attempt	As incurred	If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a <b>\$50</b> fee for each unsatisfied attempt.
Relocation	You will reimburse us for our reasonable out-of-pocket costs concerning the relocation.	Prior to relocation	
Audit	Our reasonable costs for the audit reveals that you have used unapproved products or equipment in the operation of your franchise.	Immediately upon demand	See notes below.
Securities Offering	An amount equal to our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.	Upon demand.	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Liquidated Damages	An amount equal to the average of the Royalty Fees payable by you for the previous 6 months that you conducted the Franchise before termination for the balance of the term of the franchise agreement or until we establish a new Heaven's Best™ franchise in your territory and the new franchisee pays royalty fees for a month equal to or greater than the calculated Royalty Fees due from you.	Upon termination	The calculated Royalty Fees will be due for the balance of the term of this Agreement, or until we establish a new Heaven's Best franchisee in the Territory and that new franchisee pays Royalty Fees for a month equal to or greater than the calculated monthly Royalty Fees due from you.

Type of Fee	Amount	Due Date	Remarks
Legal Fees and Indemnification	Our reasonable costs and expenses.	As incurred	<p>You must pay our costs and expenses if we are involved in litigation, arbitration, or alternative dispute resolution commenced by or against you. You agree to indemnify, defend and hold harmless us, our affiliates, and our respective owners, directors, officers, employees, agents, representatives, successors and assigns from and against various claims, obligations, and damages related to your operations and the franchise agreement.</p> <p>Subject to state law.</p>

\*Unless otherwise indicated in this Item 6, all fees are uniformly imposed and payable to us. All fees are non-refundable.

Taxes. You must pay any taxes imposed as a result of your payment to us of initial or ongoing fees.

Royalty Fee. We increased the Royalty Fee in 2019. Heaven's Best franchisees that purchased prior to that pay varying Royalty Fee rates. We intend to increase the Royalty Fee from time to time and to uniformly impose the Royalty Fee published in our then-current disclosure document with all new Heaven's Best franchisees.

Advertising Fee. We do not currently collect this fee, but reserve the right to do so in the future upon 30 days' notice to you. We have not yet determined when we will collect this fee. We reserve the right to collect this fee and to temporarily lower, suspend, or rebate the Advertising Fee at any time, upon prior written notice to you and to our other franchisees. Advertising Fee payments are in addition to and exclusive of any sums that you may decide or be required to spend on local advertising and promotion. We have sole discretion over the creative ideas, materials, endorsements, media, placement, and allocation of monies related to use of the Advertising Fee.

Audits. We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless the audit reveals that you are using unapproved products or equipment in the operation of your franchise. In the event that the audit reveals usage of unapproved products or equipment, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. These payments will not prejudice any other remedies we may have under the Franchise Agreement or by law.



## ITEM 7 YOUR ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Initial Franchise Fee	\$39,900	Lump Sump	Upon signing Franchise Agreement	Us
Advertising (1)	\$500 to \$3,000	As Incurred	Before you open and as incurred	Us and Approved Suppliers
Contractor License; Permits; Bonds (2)	\$0 to \$1,500	As Incurred	Before you open	State and Government Agencies
Office and Computer Equipment; Hardware and Software (3)	\$500 to \$2,500	As Incurred	Before you open and as incurred	Suppliers
Vehicle/Decals (3)	\$12,000 to \$35,000	As Incurred or Financed	Before you open	Us and Suppliers
Inventory/Supplies (3)	\$300 to \$1,200	As incurred	Before you open	Us and Approved suppliers
Travel and Living Expenses to Attend Training (4)	\$0 to \$5000	As incurred	As incurred	Suppliers
Insurance	\$600 to \$1,500 (\$100 to \$250 per month for 6 months)	As incurred	As incurred	Insurers
Office Rent and Set-up; Deposits (5)	\$0 to \$3,500	As Incurred	As Incurred	Landlord, Suppliers, Utilities Companies
Miscellaneous Opening Costs (6)	\$1,000 to \$2,000	As incurred	As incurred	Suppliers
Additional Funds – 6 months (7)	\$5,000 to \$15,000	As incurred	As incurred	Employees, Contractors, Suppliers
<b>TOTAL (8)</b>	<b>\$59,860 to \$110,100</b>			

You should anticipate the preceding initial expenditures in connection with the establishment of a **Heaven's Best** franchised business. Additional factors related to each expenditure category are described in the following notes.

If you are purchasing multiple franchises, you will incur the estimated initial expenditures for each franchise you operate.

### Explanatory Notes

Note 1: Advertising may include direct mail, yard signs, t-shirts, and online and social media advertising and promotion. We anticipate that many franchisees will spend more than the minimum on marketing, especially as you find additional advertising avenues in which you would like to participate.

Note 2: You will not incur expenditures related to this item if you are converting your existing carpet and flooring cleaning or restoration business to a **Heaven's Best** franchise and thus already have the contractor licenses, permits, and bonds required in your local jurisdiction.

Note 3: The amount of your initial investment varies greatly based on what assets you already own (i.e. you may already own a computer, mobile printer, and approved vehicle). You are required to have access to equipment and suppliers necessary to effectively run your franchised business according to our Method of Operation. Equipment includes cell phone, computer, and printer and related hardware and software. Supplies and inventory may consist of ink cartridges, files, check stock, production board magnets, and other small office products and supplies. The amount depends mostly upon what you already own. Supplies, equipment, and inventory are required as outlined in the Operations Manual. The standard initial equipment and inventory package includes all equipment, tools and cleaning solutions and products necessary to open and operate your business for 3-6 months, including without limitation various carpet, tile, hardwood flooring and upholstery cleaning equipment and machines, vacuums, buffers, sprayers, kits, brooms, mops, brushes, pads, protective gear, and cleaning solutions and products.

Note 4: This item includes estimates of travel, airfare, rental car, meal, and other expenses for you and your managers, which you will incur when you attend the initial training program. It does not include any wages or salary for you or your employees during training. The amount that you will incur related to this item depends on your distance from and travel costs to reach our training center, which is currently in Rexburg, Idaho. We pay for your reasonable lodging accommodations.

Note 5: We assume and strongly recommend that you will operate the franchised business from your home. The typical franchise will need approximately 300-500 square feet of space, half of which will be used for equipment storage. We recommend that you do not lease or purchase warehouse or office space during or after the initial 6-month start-up phase. If you choose to lease or purchase warehouse or office space, you are solely responsible for obtaining and paying for the location. If used, you will need leased location of 300-500 square feet and it must be located within the Franchise Territory at your own discretion and without our approval. The cost of purchasing or leasing warehouse or office varies with the location and size of the premises.

Note 6: This covers miscellaneous opening costs and expenses, including costs for telephones, deposit for credit card machines, deposits for gas, electricity; costs for business licenses in the community; legal and accounting expenses, if incurred.

Note 7: A minimum of **\$10,000** working capital is strongly recommended. You should plan on other sources of income to cover your living expenses.

Note 8: We estimate that the initial phase covered by the additional funds estimate to be approximately 3 to 6 months. The high and low range estimates are based on our owners' and our affiliate's experience in operating Heaven's Best cleaning businesses in the United States since 1993.

Except as provided in Item 5, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

Except for partial financing of the Initial Franchise Fee, which includes our standard initial equipment and inventory package, we do not finance any of these initial expenses. These tables estimate your initial start-up expenses. These figures represent our estimates based upon our experience and the experience of our licensees. Your actual costs will depend upon many factors, including, how well you follow our directions and suggestions, your business skill and experience, local economic conditions, the local market for your products, the location and condition of your franchise premises, the prevailing wage rates, competition, and your sales levels during the initial period.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

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## ITEM 8

# RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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We will provide to you a copy of or online access to our training, procedures, and advertising/marketing manuals, collectively called the “Operations Manual.” We may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate minimum standards for operations and designate guidelines, as specified in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains the **Heaven’s Best** system and related specifications, standards, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising guidelines, style guidelines, operation requirements, public relations guidelines, service guidelines and other rules that we may prescribe.

You must purchase all **Heaven’s Best** advertising materials from us or approved suppliers to ensure uniformity and quality of the advertising. Any equipment, products, inventory, or other items that bear the **Heaven’s Best** logo or have the words “Heaven’s Best” in them must be bought from us or an approved supplier. You must utilize our designated vendors to build and host your website and for online and social media marketing and lead generation.

You must purchase all **Heaven’s Best** equipment, inventory, and all other items used in your franchised business in accordance with our specifications and guidelines to ensure the quality and uniformity of services in the **Heaven’s Best** franchise system.

All specifications that we require of you and lists of specific equipment, products and inventory and approved suppliers will be included in the Operations Manual. We will upon request provide them to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system.

Because of the proprietary nature of certain products and inventory items and to ensure uniformity and quality of the equipment, products, and inventory used in our franchise system, we are currently the only approved supplier for and the Franchise Agreement requires that you purchase from us all cleaning solutions and supplies, equipment, products, inventory, and all other items that are required for the operation of the Heaven’s Best franchise, including those that bear the **Heaven’s Best** name or logo. We strongly recommend that you maintain a 30-day supply of inventory necessary to operate your franchise; this generally means that you have 3 gallons or more of our primary cleaning solution and at least enough inventory to fulfill your expected workload based on the number of anticipated jobs. Our officers Daniel Child, Scott Morigeau, and Ronald Smith have an ownership interest in us.

You must use us or an approved vendor to create, host, and manage your territory specific Heaven's Best website and to manage your online and local marketing and search engine optimization strategies, programs, and campaigns. You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, software, hardware and devices (including but not limited to programs, laptop or tablet devices, mobile printers, fax/scanner, and Internet connection) which strictly conform to our specifications and the specifications of any approved vendor and any website management software. Your total purchase costs for these additional computer systems will range from \$500 to \$2,500.

You may only use alternative suppliers and vendors with our advanced written approval. With respect to all products and services for which our approval is required, we may approve, withhold approval, or revoke approval of a supplier in our sole discretion. Except for single-source products, you may request our approval by written notice to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples and other data to allow us to determine whether the items from these other sources meet our specifications and standards. These specifications and standards will relate to quality, durability, value, cleanliness, composition, strength and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. However, we do not provide you with our standards and specifications for products, materials and supplies or the specific criteria used to evaluate potential suppliers. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. We may license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver **Heaven's Best** products to you but to no other person. Our confidential requirements, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We retain the sole discretion in determining whether or not an alternative supplier or vendor is approved.. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of receiving written notice from you of your request for approval. If you do not hear from us in that time, you can assume that the request has been denied. We reserve the right to designate exclusive suppliers (including third parties, us or our affiliates) for any products or services to ensure quality and uniformity of products, services, production, shipping and storage for the benefit of the franchise system.

We or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

We and our affiliate may derive revenue from products and services that you are required to purchase. This revenue results from sales by us and our affiliate to our franchisees of products bearing our names and services marks, certain marketing and brand development services, and rebates from third-party suppliers. In fiscal year 2021, we received revenues in the amount of \$990,322 from the sale of such products and services to our franchisees and from supplier

rebates, which was approximately 69.0% of our total revenues of \$1,434,223. In fiscal year 2021, no affiliate received revenue from the sale of products or services to our franchisees or from supplier rebates. We estimate that purchases from us, our affiliate, or approved suppliers will be from 25 to 50 percent of the total purchases you make to establish your franchise. We estimate that purchases from us, our affiliate, approved suppliers will be from 75 to 100 percent of the total purchases you make to operate your franchise.

We and our affiliate may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. If we have an official **Heaven's Best** account for any approved supplier, you must purchase all products from that approved supplier through the official **Heaven's Best** account. Although we do not currently receive rebates from any approved supplier, we reserve the right to negotiate rebates with suppliers through which we receive a rebate on all franchisee purchases based on a percentage of sales such suppliers make to our franchisees.

You will utilize only specifically-approved telephone numbers in all of your franchise advertising and promotional materials and in your franchise operations. We reserve the right to own or exercise complete control of these telephone number. With prior permission, you may point and connect a telephone number that we own and assign to your franchise to your own separate telephone line. You will use no other telephone numbers to advertise and promote your franchise.

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases.

We currently provide material benefits to franchisees based on use of designated or approved sources including the right to renew your franchise rights and to obtain additional franchises.

We reserve the right to negotiate purchase arrangements with suppliers, including price terms for the benefit of our franchisee. We intend to enter into formal purchasing or distribution cooperatives related to our franchise system with suppliers. In the future, we hope to create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the **Heaven's Best** franchise system.

You may not sell any products, services or activities other than those specifically recognized and approved by us as part of our franchise system without our prior written approval.

We encourage, but do not require, that you offer your customers a warranty on labor and materials for all jobs that you perform. Manufacturers may provide a warranty on solutions and products.

You are required to obtain and keep in force by advance payment of premium appropriate liability insurance. The insurance will include, at a minimum, the following:

A. Comprehensive general liability insurance, including products liability, completed operations, property damage, contractual liability, independent contractors liability, and personal & advertising injury coverage in a form we approve, with a limit of at least **\$1,000,000** per occurrence and general aggregate of **\$2,000,000** and products liability aggregate of **\$2,000,000** and must include damage to rented premises (\$50,000) and medical expense (\$5,000) coverage.

We also recommend optional umbrella or excess liability coverage. Products liability, auto liability, and employer's liability coverages must be scheduled as underlying coverages.

B. Workers' compensation and employer's liability insurance in the amount of **\$1,000,000** regardless of state law requirements, and other insurance required by statute or rule of the state in which the franchise is located and operated, such as short-term disability coverage and stop gap coverage where the state provides the workers' compensation coverage and does not offer employer's liability coverage. You cannot exclude owner operators.

C. Business interruption and lost profit insurance in the amount of **\$10,000** per month with a limit of at least 6 months coverage or actual loss sustained (ALS) coverage for 12 months.

D. Employment practice liability insurance with coverage limits of at least **\$250,000** per claim and **\$250,000** aggregate, with a maximum policy deductible of **\$25,000** and including Wage & Hour and 3rd Party liability.

E. Automobile liability insurance with a **\$1,000,000** combined single limit, including uninsured/underinsured motorist and any auto & owned auto for flee locations or owned, non-owned, leased and hired vehicle coverage and comprehensive and collision coverage with a maximum \$1,000 deductible.

F. Business service bond in the amount of **\$500,000**.

Your insurance carriers must be A-9 or similarly rated. We may periodically increase the amounts of insurance coverage required under these insurance policies or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in laws or standards of liability, or other relevant changes in circumstances. The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and, unless prohibited by applicable law, punitive damages assessed against you.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death, or property damage that may accrue due to your operation of the Franchise. Your general liability, automobile liability, and workers' compensation policies must be primary & non-contributory and must contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured. Your policies of insurance for general liability and automobile liability coverage will contain a separate endorsement naming us as an additional named insured.

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## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

<b><u>OBLIGATION</u></b>	<b><u>SECTION IN FRANCHISE AGREEMENT</u></b>	<b><u>DISCLOSURE DOCUMENT ITEM</u></b>
a. Site selection and acquisition or lease	Section 1.1, 1.2, 1.3	Items 6 & 12
b. Pre-opening purchases and leases	Sections 4.1, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 1.1, 3.1, 4.1 & 5.1	Items 7, 8 & 12
d. Initial and ongoing training	Sections 3.1 & 3.2	Items 6 & 11
e. Opening	Sections 4.1 and 5.1	Item 11
f. Fees	Sections 2, 5.5, 5.6, 6.1, & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/ Operating Manual	Sections 5 & 6.3	Items 11 & 17
h. Trademarks and proprietary information	Sections 1.1, 5.1, 5.3, 5.4, 5.6, 5.7, 5.8, 5.9, 6.5, 9.2	Items 13, 14 & 17
i. Restrictions on products and services offered	Sections 1.1, 1.3, 1.5, 5, 6.3, 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Sections 5.1, 5.3 & 5.6	Item 11
k. Territorial development and sales quotas	Section 1.1	Items 7 & 12
l. Ongoing product & service purchases	Sections 2.9, 5.1, 5.3, 5.4, 5.6, 5.9, 5.10 & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	Sections 5.1, 5.2, 5.3, 5.4, & 6.5	Items 7, 11 & 17
n. Insurance	Section 8.2	Item 7
o. Advertising	Sections 1.5, 2.3, 5.1, 5.2, 5.3, 5.4, 5.6 & 6.5	Items 9 & 11
p. Indemnification	Sections 6.7 & 8.1	Item 6
q. Owner's participation/ management/ staffing	Sections 2.9, 3, 4.1, 5, 6.5, 6.8, 7, 9.3, 9.10, 9.12 & 9.14	Items 11, 15 & 17
r. Records and reports	Sections 2.8, 5.1, 5.4 & 5.10	Items 6, 11 & 17
s. Inspections and audits	Sections 2.9, 5.1, 5.3 & 5.6	Items 6, 11 & 17
t. Transfer	Section 7	Item 17



u. Renewal	Section 6.1	Item 17
v. Post-termination obligations	Sections 5.12, 5.13, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
w. Non-competition covenants	Sections 5.12, 5.13, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
x. Dispute resolution	Section 9.8	Item 17

## ITEM 10 FINANCING

Except as described below and in Item 5 above, we do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes or financial obligations you may incur in setting up and operating your franchise.

### Summary of Financing Offered

We may offer financing of up to 56% of your first Initial Franchise Fee (\$22,450 down, we finance the remaining \$17,450) at a 5% interest rate, compounded monthly, over 120 months. We may offer financing of up to 75% of your second and additional Initial Franchise Fees for franchise territories purchased concurrently with the first franchise territory (\$4,975 down, we finance the remaining \$14,925— per additional franchise territory). The same interest rate and 60-month term apply to financing of the Initial Franchise Fee(s) for the concurrently purchased additional franchise territory(ies). This financing may not be available in certain states in which we have a state-owner master franchisee or area sales and service representative.

Item Financed (Source)	Amount Financed	Down Payment	Term (Mos)	APR %	Monthly Payment	Prepay Penalty	Security Required	Liability on Default	Right on Default
Up to 56% of your first Initial Franchise Fee (Us) <sup>1</sup>	\$17,450	\$22,450	120	5% <sup>2</sup>	\$185.08 <sup>2</sup>	None	Personal Guarantee of Promissory Note	Loss of Franchise	Termination
Up to 75% of your second and any additional Initial Franchise Fee(s) (Us) <sup>1</sup>	\$14,925	\$4,975	120	5% <sup>2</sup>	\$158.30 <sup>2</sup>	None	Personal Guarantee of Promissory Note	Loss of Franchise	Termination
Initial Equipment Package	Included	See above	See above	See above	See above	See above	See above	See above	See above
Initial Inventory/Supplies	Included	See above	See above	See above	See above	See above	See above	See above	See above
Other Financing	None	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1 — If you meet our credit standards, we may finance, at our sole option, up to 56% of your Initial Franchise Fee for your first franchise territory. The down payment is \$22,450 and the remaining balance of your Initial Franchise Fee will be \$17,450.

We may finance, at our sole option, up to 75% of your Initial Franchise Fee(s) for your second and any additional franchise territory(ies), but only if purchased concurrently with your first franchise territory. The down payment for each additional franchise territory is \$4,975 and the remaining balance of each Initial Franchise Fee (per additional franchise territory) will be \$14,925.

We offer a 60-month term at an APR of 5%, compounded monthly. You must sign a Promissory Note for the financed amount. (See Franchise Agreement Section 2.1 and Exhibit 3).

The only security we require is a personal guarantee of the Promissory Note by you and your spouse or by all the shareholders of your company (See Exhibit 3 to the Franchise Agreement). The note can be prepaid without penalty at any time during its 120-month term.

Note 2 —

Your minimum monthly payment may be more or less than these amounts, depending upon the amount financed.

If you do not pay on time and default under the Promissory Note, we can:

- declare the entire principal amount plus accrued interest to be immediately due and payable;
- charge additional interest on the entire principal balance and accrued interest, up to 18% per annum (not to exceed the maximum rate permitted by law);
- obligate you to pay any and all court costs and other expenses, including reasonable attorney fees, incurred in collecting the debt; or
- terminate your franchise agreement.

(See Franchise Agreement, Sections 2.1 and 6.3 and Exhibit 3).

The Promissory Note will require you to waive and bar you from asserting the following defenses and legal rights: presentment for payment; notice of dishonor; protest; notice of protect; and diligence in collection. It will also require you to consent that the time of payment on any part of the note may be extended without otherwise modifying, altering, releasing, affecting or limiting your liability.

Commercial paper from franchisees has not been and is not sold or assigned to anyone, and we have no plans to do so.

We do not receive direct or indirect payments for placing financing.

We do not guarantee your obligations to third parties.

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## ITEM 11

# FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

### A. Pre-Opening Obligations

**Before you open your franchise, we will:**

Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. (Franchise Agreement, Section 1.1). We do not provide any site selection assistance to you. We assume and strongly recommend that you will operate the franchised business from your home. We recommend that you do not lease or purchase warehouse or office space. If you choose to lease or purchase warehouse or office space, it must be located in the Franchise Territory and you are solely responsible for obtaining and paying for the location at your own discretion and without our approval.

Provide initial orientation and training to you and your manager, if any, including access to training materials. (Franchise Agreement, Section 3.1).

Provide access to or a copy of the Operations Manual. We reserve the right to make the Operations Manual available only in digital form via a website, intranet, or other reasonable means. The current table of contents for our Operations Manual is found in this Item, below. (Franchise Agreement, Section 5.1).

Give you our standard initial equipment and inventory package and a list of other permitted equipment, products, and inventory to operate the franchise and a list of any approved or designated suppliers. (Franchise Agreement, Section 5.1)

### Time to Open

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 30 to 90 days. You must complete the initial training program and commence your franchise business operations within the earlier of **180** days after you sign the franchise agreement or **30** days after you successfully complete the initial training program. Factors that may affect this time are arranging for the training session, equipping the Franchise, obtaining initial inventory, financing and business permit and contractor's licensing requirements, and your personal operational needs. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a time that is reasonable under the circumstances.

If the commencement of operation obligation is not fulfilled, we may terminate the Franchise Agreement without refunding any part of the Initial Franchise Fee. (Franchise Agreement, Section 4.1).

## **Operations Manual Table of Contents**

The Operations Manual is confidential and remains our property. It contains mandatory and suggested specifications, standards and procedures. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in supplies, products, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. As of the date of this disclosure document, the table of contents of the current version of the Operations Manual consists of a procedures manual that has approximately **395** pages and an advertising manual that has approximately **40** pages. The Operations Manual table of contents include:

### **PROCEDURES MANUAL**

INTRODUCTION	2 pages
SECTION 1 – ORGANIZATIONAL RELATIONSHIP	3 pages
SECTION 2 – EQUIPMENT	60 pages
SECTION 3 – CHEMICALS AND PRODUCTS	126 pages
SECTION 4 – ADVERTISING	34 pages
SECTION 5 – PUBLIC RELATIONS	7 pages
SECTION 6 – PHONE PROCEDURES, BIDDING & SCHEDULING JOBS	10 pages
SECTION 7 – 3 KEYS TO SUCCESS AND PRICING	8 pages
SECTION 8 – GENERAL PROCEDURES	15 pages
SECTION 9 – ADDITIONAL SALES	2 pages
SECTION 10 – IDENTIFYING TYPES OF CARPET & UPHOLSTERY	40 pages
SECTION 11 – CAUTIONS AND TROUBLESHOOTING	5 pages
SECTION 12 – ADDITIONAL SERVICES	11 pages
SECTION 13 – EMPLOYEES AND HIRING	11 pages
SECTION 14 – BOOKKEEPING	23 pages
SECTION 15 – COLLECTING ACCOUNTS	3 pages
SECTION 16 – USEFUL FORMS	20 pages
Extra Safety Data Sheets	70 pages

### **ADVERTISING MANUAL**

65 pages

## **Training**

We will provide an approximately **4-5 day** training and familiarization program before the start of your business. Training is held at our headquarters, currently in Rexburg, Idaho. (Franchise Agreement, Section 3.1). The initial training program is included in the Initial Franchise Fee. Your airfare, travel, meals, entertainment, wage, and other expenses during this period are borne exclusively by you. We will pay for your reasonable lodging accommodations. The training program must be completed by all franchisees, unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary. As of the date of this disclosure document, the current agenda for the training includes:

**TRAINING PROGRAM**

Subject	Hours Of Class Room Training	Hours Of On The Job Training	Location
Introduction	1 hour	0 hours	Rexburg, Idaho
Chemicals, Products, and Equipment	2 hours	0 hours	
Carpet and Fabric Identification/ Construction	4 hours	0 hours	
Operational Procedures; Cleaning and Repairs	14 hours	0 hours	
Business Management; Bookkeeping and Reporting; Insurance	2 hours	0 hours	
Sales and Marketing; Website	7 hours	0 hours	

\* The Training Schedule may be amended.

Our training supervisors are John Steiner and Dan Child.

Mr. Steiner has served as our Operations Manager and Training Supervisor since January 2018 and a similar role for our predecessor from January 2000 to January 2018. Mr. Steiner has operated the Heaven’s Best master franchise in Alabama since January 2016.

Mr. Morigeau has been our operations manager since September 2020. He has owned a Heaven’s Best subfranchise in the state of Georgia since 2001.

Mr. Child has been our Franchise Development Manager since January 2018. He has served as our Managing Partner since August 2020. He has served as president for our affiliate Child Enterprises, Inc. that owns and operates the Heaven’s Best master franchise in the state of California since July 2011. He has owned and operated or otherwise been involved in the Heaven’s Best master franchise in the state of California since July 1998.

Additional information concerning Mr. Steiner, Mr. Morigeau, and Mr. Child is outlined in Section 2, above.

We may use other training personnel under Mr. Steiner’s, Mr. Morigeau’s or Mr. Child’s supervision for aspects of the training program. Any additional instructors will generally have at least one year’s experience relevant to the subjects they are teaching. We use the Operations Manual for instruction material.

Training is scheduled and held on an “as needed” basis depending on the number of franchisees requesting training in a particular time frame and the franchisor’s training personnel’s availability. We generally require 30 days’ advance notice to schedule a training session. The training session must be completed before the scheduled date of the opening of the franchise.

You or your manager, if any, must complete the initial mandatory training program to our satisfaction within 180 days of the date of the Franchise Agreement or we may terminate the Franchise Agreement and retain the entire Initial Franchise Fee. You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction.

If you desire to have more than two individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training regardless of when and where the individuals participate in initial training.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior, poor attendance or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

If the franchise is managed by any persons other than you, you must notify us of the identity of the managers. Each manager as hired must successfully complete the mandatory training program within one month after being hired. You will pay for this training at our then current fee.

As and when we request, you will cooperate with our reasonable request to allow us or our designated representatives to conduct training of franchisees in the Franchise Territory so that they can experience a live, working environment without compensation from us as long as the training does not interfere with your operations or the experience of your customers. We will indemnify you from all costs and liabilities related to this training and you will not be liable to pay the trainers or the trainees for any services provided to you or to your customers during or as a result of this training.

Although not required by agreement, we may, at our discretion or upon your request, provide other supervision, assistance, and services before the opening of your business; such as literature, advertising materials, displays, flyers, additional training assistance and a selection of inventory and supplies.

Anyone purchasing a **HEAVEN’S BEST** franchise from an existing franchise owner must attend and successfully complete the initial training program and certification requirements before assuming control of the franchise.

## **B. Our Obligations DURING the Operation of Your Franchise Business**

After you open your franchise, we will:

At your option and upon not less than **30** days’ prior written notice to us, you may receive additional training at our headquarters or at other agreed upon locations. This additional training may include work experience and observation of our or other franchise operations. The duration of

training is negotiable depending upon your needs, up to one work week. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate other franchisees or others representatives to conduct some or all of such training. You are also exclusively responsible to pay for or otherwise reimburse us for all expenses of this training, including but not limited to travel, lodging, meals, living expenses, compensation, and our reasonable costs and expense including a reasonable training fee at our then-current rates.

We may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise may be required to attend up to **20** hours of programs and seminars, depending upon program and seminar availability.

Administer our advertising program and formulate and conduct national and regional promotion programs.

Inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and the Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Sections 2.9 and 5).

Inspect the facilities of manufacturers, suppliers, and distributors and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Sections 2.9 and 5).

Let you use our confidential information, Marks, equipment, products, and other proprietary materials. (Franchise Agreement, Sections 1.1 and 5).

We may provide other training, supervision, assistance or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include among other things: advertising materials, literature, additional assistance in hiring and training employees, improving and developing your business, establishing prices, establishing and using administrative, bookkeeping, accounting, and inventory control procedures, promotional materials, bulletins on new products or services, new sales and marketing techniques or developments, and resolving operational problems that you encounter. You will fully participate in such training and supervision. We may charge a reasonable training fee for additional training sessions.

### **Advertising**

Currently we promote our franchises through print, direct mail, internet, and social media. Advertising programs may be implemented locally and regionally through advertising cooperatives. We may use in-house advertising departments and may use regional advertising agencies. We may provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts. If collected, we will use your Advertising Fees to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system.



## Advertising Fees

We do not currently assess the Advertising Fee, but we may require you to pay to us up to **\$100** per month as an Advertising Fee. We have not yet determined whether or when we will implement this fee. We reserve the right to increase this fee and to temporarily lower, suspend, or rebate the Advertising Fee at any time, upon prior written notice to you and to our other franchisees. We will administer the capital we receive as Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement, and allocation of overhead expenses. We may use the Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs and to cover our related overhead as we, in our sole discretion, deem proper. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We shall not be obligated to expend all or any part of the Fees we receive during any specific period.

Each of our company-owned **HEAVEN'S BEST** operations offering products and services similar to our franchisees will make contributions to the fund equivalent to the contribution required of our franchisees.

Any Advertising Fees not used in the fiscal year in which they were contributed will be applied and used for advertising expenses in the following year.

We do not intend to use any of the Advertising Fee to advertise our franchise opportunity, although we will place notices that franchises are available on advertising materials and on the internet. While advertising materials note that franchises are available from us, no advertising fees or assessments we collect from our franchisees are used for advertising that is principally a solicitation for the sale of franchises.

### **Summary of Advertising Fee Contributions and Expenses for Fiscal Year 2021**

<b>Expenses:</b>	Advertising/Miscellaneous	\$0	0.0%
	Trade Shows	\$0	0.0%
	Website	\$0	0.0%
	Public Relations	\$0	0.0%
<b>Total expenses:</b>		<b>\$0</b>	<b>0.0%</b>
<b>Advertising fund contributions*:</b>		\$0	0.0%
<b>Excess of expenses over contributions:</b>		\$0	0.0%

If collected, the Advertising Fees will be administered by us. The Advertising Fees are not audited. Neither we nor any of our affiliates or owners receive any payment for providing goods or services paid for by the Advertising Fees. You may obtain an accounting of the Advertising Fees and expenditures upon written request to us.

We do not currently have any advertising council composed of franchisees that advises us on advertising policies. We may elect to form a franchisee advisory council to provide input on the system. If created, the council will consist of Heaven's Best™ franchisees, each of which is in full compliance with the terms of its franchise agreement, and company or affiliate-owned operators or representatives. The number of council members and advice and feedback processes will be decided by us upon creation of the council, if any.

### **Local Advertising Expenditures**

We recommend that you spend **\$500** to **\$1,500** on advertising and promotional materials in connection with the grand opening of the Franchise on items such as yard signs, door hangers, t-shirts, etc. Local advertising is encouraged, but done at your discretion.

### **Promotional Materials**

You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it. You specifically acknowledge and agree that any web site will be deemed "advertising" under the Franchise Agreement and will be subject to, among other things, our approval, restrictions, and requirements outlined in the Operations Manual. The term "web site" means an interactive electronic document contained in a network of computers linked by communications software you operate or authorize others to operate that refers to the franchised business, proprietary marks, us, or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages. We may require that certain advertising and promotional materials include the wording "franchises available."

### **Advertising Cooperatives**

We may designate local, regional, or national advertising coverage areas for the development of cooperative local or regional advertising and promotional programs. An "advertising coverage area" is defined as the area covered by a particular advertising medium such as television, radio, or other medium, as recognized in the media industry. We will designate the geographic boundaries of cooperative advertising and promotional programs and the respective advertising coverage areas of these programs. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

We will promptly notify you and our other franchisees of the establishment, modification, and geographical boundaries of regional advertising regions. We may require all franchisees located within each advertising region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise and each operation we or our affiliates own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each operation we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **75** percent of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **\$1,000** per year per franchise territory. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all open **HEAVEN'S BEST** franchises within your advertising coverage area.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fees outlined in this Item 11. (Franchise Agreement, Section 2.3). There are no other written governing documents that govern any cooperative advertising program. No Regional Advertising Fund will be audited. However, we will prepare annual financial statements that you may obtain upon written request to us.

Your contributions must be paid to the cooperative administrator we designate, when and in the same manner as the Royalty Fee and Advertising Fee payments are paid to us. Please refer to Items 6, 8, and 9 for more information about our advertising programs.

Other than the Advertising Fees and the Regional Advertising Funds described above, there are no other advertising funds in which you must participate.

### **Computer Systems**

To ensure consistency throughout the franchise system, you must utilize our approved vendors and other designated website hosting or management vendors, services or software in your operations. (Franchise Agreement, Sections 5.10)

You must utilize a laptop or tablet device and a cell phone in the operation of your franchised business. The devices must connect to the Internet and must meet our minimum specifications and guidelines and must be fully compatible with any software or services that we require. You must also have Adobe Acrobat other document and imaging software that we designate and anti-virus software that is compatible with our approved vendor's platform and software. You must use for your accounting and bookkeeping a program or software that is compatible with QuickBooks Pro. You must lease, purchase, or otherwise acquire, from sources of your choice and at your expense, software and hardware which strictly conform to our specifications. We will give you at least 90 days' written notice, describing the hardware, software, and upgrading requirements of the system before you are obligated to initially install the computer systems. Required computer systems, hardware, and software generally cost between \$500 and \$1,500.

We may require you to use an information processing and communication system that is fully compatible with any program or system which we, in our sole discretion, may employ. If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, system, and related information by means of direct access whether in person or by telephone/modem. We will have independent access to the information that will be generated and stored in your information processing and communication system. We will have access to all of your data and there will be no contractual limitation on our right to access your information or data. We will not implement any electronic system that will disrupt or damage your electronic system, and our access will be read-only.

We may utilize financial and other data received from you and your computer systems. To provide transparency in the franchise system and for reporting purposes, we may publish any of your financial and other data so received on our franchisee intranet and disclosure documents; this information may include without limitation sales, lead volume, closing ratio, cost of goods and services sold, etc.

None of the hardware or software you are required to obtain is proprietary to us. Any hardware and software that is functionally equivalent and fully compatible to that listed may be used, except for the website platform and software required by our approved vendors.

We are not obligated to provide ongoing maintenance or repairs to any of the computer or software systems. We may, but are not obligated to, update or upgrade the computer and software systems periodically to adjust for availability, model, brand, technology, or price changes. Other than upgrades to the approved vendor website and software, you may, but are not obligated to,

update or upgrade hardware and software during the term of the agreement. We estimate that these optional updates or upgrades will be approximately \$0 to \$250 per year. This might include hardware and software used for communications, accounting and record keeping. We do not now have, but may in the future require, independent access to and use of the information and data on your computer systems. There are no contractual limits on such access and use.

We will give you technical software support for so long as we deem necessary for you to sufficiently understand our required programs and software. You may also receive technical support from vendors.

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## ITEM 12 TERRITORY

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We will grant you a specific territory within which you will operate your franchised business (the "Franchise Territory"). A typical franchise territory consists of approximately **150,000 to 200,000** persons of population. The exact location and definition of the Franchise Territory offered to you will depend upon your and our market analysis, market penetration plans, and franchise placement strategies. Your approval will also be considered in designating the Franchise Territory. Among the factors we consider to determine the feasibility of possible franchise territory locations are population demographics and other businesses in the area according to United States Census Bureau reports and estimates and chamber of commerce information.

The Franchise Territory is identified in Section 1.1 of the Franchise Agreement. Before you sign the Franchise Agreement, the geographical boundaries of your Franchise Territory will be described in the Franchise Agreement. The Franchise Territory will be identified using geographical or political boundaries, such as county or city borders, zip codes, or geographical markers, such as rivers or major freeways.

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

The Franchise Territory is a protected territory with regards to residential and commercial carpet, flooring, and upholstery cleaning services and other products and services to residential and commercial customers. So long as the Franchise Agreement is in force and you are not in default in any material provision of the Agreement, we will not establish or allow others to establish a **Heaven's Best** business within your Franchise Territory without your permission. Except for the territory protections specifically outlined in the Franchise Agreement, we make no representation concerning exclusivity in any geographic territory or for any customer segment.

You may not establish or operate any other **Heaven's Best** operation without executing a separate franchise agreement for that operation. To establish additional franchise outlets, you must not be in default in any material provision of any and all agreements between you and us; your proposed location and territory must meet our franchise placement and market penetration criteria; and you must sign our then-current franchise agreement.

You agree not to perform any residential or commercial carpet, flooring, or upholstery cleaning or related services to customers or to operate outside the Franchise Territory without our prior written consent.

### **Relocation**

You must receive our written permission before you relocate your franchise. Any relocation will be at your sole expense. You must satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

### **First Right of Purchase and Right of First Refusal**

You do not receive the right to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories. You are not extended options, rights of first refusal, or similar rights to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories.

### **Minimum Sales Quota**

There are no minimum sales quotas.

### **Our Use of the Service Marks and HEAVEN'S BEST Products and Services**

We retain all rights not specifically granted to you in the Franchise Agreement. We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products to any person or customer we want. These include national accounts, commercial customers, franchisees, end users, or any other customer we may select. This includes our right to operate and grant to others the right to operate Heaven's Best businesses on such terms and conditions as we deem appropriate. This includes our right to establish, operate, own or franchise any business, including competitive businesses. This includes our right to use or license the use of our service marks and trademarks to others, including in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under the Franchise Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a Heaven's Best brand. Neither we nor our affiliates are restricted from participating in other distribution methods and alternate channels of distribution, whether or not within the Franchise Territory including Internet, other forms of media now or in the future developed, wholesale and mail order channels, whether under our principal marks or under marks and product configurations different than those offered through your franchise. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. We are not required to compensate you for soliciting or conducting such business within your protected territory.

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to

the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or trademark.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

**Your Use of the Service Marks and HEAVEN'S BEST Products and Services**

Except as otherwise provided in the Franchise Agreement or the Operations Manual, you may not directly market to, solicit or service customers whose principal home address or place of business is outside the Franchise Territory. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. All Internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not solicit or accept orders outside your Franchise Territory under other channels of distribution (such as the Internet, other forms of media now or in the future developed, wholesale and mail order channels) without our prior written approval.


Only we may place national or regional advertising.

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## ITEM 13 TRADEMARKS

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Our predecessor registered the following marks with the United States Patent and Trademark Office (the "USPTO"):

<b>Mark</b>	<b>Registration No.</b>	<b>Registration Date</b>	<b>Register</b>
Heaven's Best	3217521	March 13, 2007	Principal
	3386704	February 19, 2008	Principal

In January 2018, our predecessor assigned these marks to us. We recorded this assignment with the USPTO on January 22, 2018. All required renewal and affidavit filings have been filed.

We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system. We refer to all these commercial symbols as the "trademarks" or "marks."

The trademarks are our exclusive property. You will immediately notify us of any infringement of, or challenge to, your use of the trademarks. We and our affiliate will have sole discretion to take or not to take action, as we deem appropriate. We are not required to protect your rights to use the trademarks or to protect you against claims for infringement or unfair competition arising out of your use of the trademarks. We and our affiliate have sole discretion as to whether to defend you against or indemnify you for expenses or damages incurred due to claims of infringement or unfair competition arising out of your use of the trademarks. The franchise agreement does not require us to take affirmative action when notified of such uses or claims or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the trademarks, or if the proceeding is resolved unfavorably to you. We have the sole right to control any administrative proceedings or litigation involving the trademarks.

You must follow our rules when you use the trademarks. You may not use the trademarks in any manner we have not authorized in writing.

All goodwill associated with the trademarks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our and our affiliate's benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use the trademarks, or any colorable imitation of them, combined with any other words or phrases.

We may change or modify any part of the trademarks at our sole discretion. You will accept, use and protect, for the purposes of the franchise, all changes and modifications as if they were a part of the trademarks at the time the franchise agreement is executed. You will bear all costs and expenses that may be reasonably necessary because of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to these changes or modifications.

There are no presently effective determinations of the USPTO, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding and any pending material litigation involving the trademarks in any state.

There are no agreements that concern our rights to use or license the use of the trademarks. We know of no infringing uses that could materially affect your use of the trademarks.

We and our affiliate claim common law rights to the trademarks and any other marks used by us in interstate commerce in the United States. This claim is based upon our widespread use of the names in interstate commerce.

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

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We intend to affix a statutory notice of copyright to our Operations Manual, to most of our advertising products, and to all modifications and additions to them. We and our affiliate claim copyright to the Operations Manual, Marks, training and marketing materials, computer system components, and other portions of the franchise system. We have not registered any of these copyrights with the United States Copyright Office. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights that could materially affect your use of the copyrighted works. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement. We have no obligation and need not protect or defend copyrights or confidential information, although we intend to do so when this action is in the best interests of the Heaven's Best™ franchise system. We do not have any obligation to indemnify you against a claim of intellectual property infringement arising from your use of copyrights or confidential information or otherwise.

The Operations Manual is described in Item 11. It is confidential, proprietary, and contains trade secret materials. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. We consider portions of our operational and procedural systems and product and inventory offerings and distribution systems as trade secrets. You are only permitted to use these proprietary systems in accordance with the franchise agreement and only as long as you are a franchisee. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to and interest in our copyrights and other proprietary information.

We have no patents and no pending patent applications material to your franchise.



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## ITEM 15

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

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We recommend that you or one of your owners if you are a corporation or partnership, participate fully in the actual day-to-day operation of the franchise business. However, you are not required to participate in the day-to-day operations of your franchise by the Franchise Agreement or any other contractual obligation with us. You may designate a manager to assume responsibility for day-to-day operations. We do not impose any restrictions on who may serve as a manager of your franchise; however you should exercise reasonable care in selecting your employees. Any managers you employ to help you to operate the franchise must successfully complete the initial training program described in Item 11. Your manager is not required to have an equity interest in your franchise. The manager and all of your owners must agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreement in writing.

Each of your owners must assume and agree to discharge all of your obligations under the franchise agreement. If you are married and in a state that requires the consent of both spouses to encumber the assets of a marital estate, we may require that you and your spouse, who is not a party to the Franchise Agreement, sign the Owner's Guaranty. If you are a business entity, such as a corporation or limited liability company, we may require that your owners sign the Owner's Guaranty, making them personally responsible for all provisions of the Franchise Agreement.

Our Step-In Rights. As outlined in Section 6.7 of the Franchise Agreement, to prevent any interruption of the franchised business that would cause harm to the franchise and to our franchise system and lessen their value, we may step in to operate the franchise when we deem it reasonable, necessary, and practical. Reasons may include our determination that: you are incapable of operating the franchise; you are absent or incapacitated because of illness or death; you have shown the inability or consistent failure to pay when due any material equipment lease payments, suppliers, or inventory payments, taxes or assessments against the franchise or property used in connection with the franchise; any liens or encumbrances of every kind placed upon or against your business property; your business activities are having a significant negative impact on the value of our franchise system; or there are significant operational problems that cannot be simply rectified by short-term training and support.

30 days after exercising our step-in rights, we will re-evaluate your then-current status. At our reasonable discretion, we will either operate the Franchise for an additional 30-day period or turn the Franchise back over to you. In turning the Franchise back over to you, we do not waive our rights to step back in the future.

All revenue derived from our operation of the franchise will be for your account. We may pay from that revenue all expenses, debts, and liabilities we incur during our operation of the franchise. We will keep in a separate account all revenue generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

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## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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We require that you use, offer, and sell only those products and services that we approve in writing. You must offer all products and services that we designate as required by our franchisees. You may not offer or sell any other services to your customers except for those services that we expressly authorize you to perform in connection with your operation of the **HEAVEN'S BEST** franchise. We reserve the right, without limitation, to modify, delete, and add to the authorized products and services.

You may not provide or offer to provide products or service to any customer (whether residential or commercial) at premises which are located outside your Franchise Territory without our written permission.

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## ITEM 17

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

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#### 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.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the franchise term	Section 1.1	5 years
b. Renewal or extension of term	Section 6.1	If you are in good standing, you may renew for periods of 5 years under the terms of our then current franchise agreement forms that may have materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	Section 6.1	"Renewal" means that you, upon the expiration of the

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		original term of the franchise agreement, have the right to enter into a new agreement according to our then-current franchise agreement forms that may have materially different terms and conditions than your original contract. You must give notice at least three and not more than 6 months before expiration of the initial term; faithfully perform under the initial agreement; refurbish the Franchise and replace obsolete equipment; sign general release (subject to state law); sign a new agreement; and go through retraining; there is no renewal fee.
d. Termination by franchisee	Section 6.2	You may terminate the Franchise Agreement if you comply with the terms of the Franchise Agreement and if we substantially breach any material provision of the Agreement and fail to cure or reasonably to begin to cure that breach within <b>30</b> days after receipt of written notice specifying the breach. Termination will be effective <b>10</b> days after you deliver to us written notice of termination for our failure to cure within the allowed period. Subject to state law.
e. Termination by franchisor without cause	Not applicable	We cannot terminate unless you are in default
f. Termination by franchisor with cause	Section 6.3	We can terminate only if you default.
g. "Cause" defined – curable defaults	Section 6.3(A)	You have 30 days to cure any default not listed in Section 6.3.
h. "Cause" defined – non-curable defaults	Section 6.3(B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		payment of fees, , repeated under reporting of sales, disclosure of information.
i. Franchisee's obligations on termination/non-renewal	Section 6.5 & 6.8	De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise equipment, payment of sums owed, confidentiality, and non-competition.
j. Assignment of contract by franchisor	Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by franchisee - defined	Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of you.
l. Franchisor approval of transfer by franchisee	Section 7.1	We have the right to approve all transfers. Our approval will not be unreasonably withheld.
m. Conditions for franchisor approval of transfer	Section 7.1	The transferee must qualify as a franchisee and must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, you must reimbursement our reasonable related expenses up to \$2,500, the transferee must sign a new franchise agreement on our then current terms, and you must release us (subject to state law).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 7.4	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, <b>30</b> -day notice and right to decide.
o. Franchisor's option to purchase franchisee's business	Section 7.3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to purchase within <b>30</b> days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria outlined in the paragraphs related to First Right of Refusal.
p. Death or disability of franchisee	Section 7.2	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-competition covenants during the term of the franchise	Sections 5.12 & 5.13	You may not disclose confidential information or compete. Subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Sections 5.13 & 6.8	No competition is allowed for 720 days within the Franchise Territory and within the territory or market area where we operate or have granted the franchise to operate a business. Subject to state law.
s. Modification of the agreement	Sections 5.9 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/Merger clause	Sections 5.1, 5.9, & 9.7	Only the terms of the Franchise Agreement and Operations Manual are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations we

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		make in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 9.8	Except for certain claims, all disputes must be arbitrated in accordance with the provisions of the <i>Federal Arbitration Act</i> , except as stated in State Addenda to this Disclosure Document. The Franchise Agreement prohibits disputes from being arbitrated on a class or consolidated basis. Subject to state law.
v. Choice of forum	Section 9.8	Arbitration and Litigation must be in county in which our headquarters is located (currently Rexburg, Idaho), except as stated in State Addenda to this disclosure document.
x. Choice of law	Section 9.8	Nevada law applies except as otherwise provided in the Franchise Agreement and subject to state laws in those states whose laws require exclusive application and except to the extent governed by the United States Trademark Act.

See State Law Addendum for additional, state-specific disclosures.

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## ITEM 18 PUBLIC FIGURES

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

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## ITEM 19

# FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dan Child, 247 N 1<sup>st</sup> E, Rexburg, Idaho 83440, (208)359-1106, [info@heavensbest.com](mailto:info@heavensbest.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

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## ITEM 20

### OUTLETS AND FRANCHISEE INFORMATION

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Table No. 1  
**SYSTEMWIDE OUTLET SUMMARY**  
 As of September 30, 2019, 2020, and 2021

<u>Column 1</u> <u>Outlet Type</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the</u> <u>Start of the</u> <u>Year</u>	<u>Column 4</u> <u>Outlets at the</u> <u>End of the</u> <u>Year</u>	<u>Column 5</u> <u>Net Change</u>
Franchised	2019	469	442	-27
	2020	442	420	-22
	2021	420	408	-13
Company or Affiliate Owned	2019	0	0	+0
	2020	0	0	+0
	2021	0	0	+0
Total Outlets	<b>2019</b>	<b>469</b>	<b>442</b>	<b>-27</b>
	2020	<b>442</b>	<b>420</b>	<b>-22</b>
	<b>2021</b>	<b>420</b>	<b>408</b>	<b>-12</b>

\*All franchise outlets and territories sold before 2018 were offered and sold by our predecessor, M-CO, Inc. and its various state-specific master franchise licensees. The standard territory size offered by our predecessor was 50,000 households per territory; our standard territory size is 150,000 to 200,000 persons of population. Because of this difference, certain adjustments have been made that affect the outlet counts; we restated the pre-2018 outlet counts based on the *current* approximate 150,000 to 200,000 population standard territory size, rather than the previous territory size, so the number of territories counted in this Item 20 may differ from the number of territories actually reflected in certain franchise agreements.

Table No. 2  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
 (other than the Franchisor)  
 As of September 30, 2019, 2020, and 2021

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of</u> <u>Transfers</u>
California	2019	7
	2020	15
	2021	0
Idaho	2019	1



<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of</u> <u>Transfers</u>
	2020	0
	2021	0
Iowa	2019	3
	2020	1
	2021	0
Kentucky	2019	0
	2020	1
	2021	0
Minnesota	2019	0
	2020	1
	2021	0
Nebraska	2019	1
	2020	0
	2021	0
North Carolina	2019	1
	2020	1
	2021	1
Oklahoma	2019	0
	2020	0
	2021	1
Texas	2019	3
	2020	0
	2021	0
Utah	2019	1
	2020	0
	2021	0
Washington	2019	0
	2020	0
	2021	3
Wisconsin	2019	0
	2020	6
	2021	0
<b>Total</b>	<b>2019</b>	<b>17</b>
	<b>2020</b>	<b>25</b>
	<b>2021</b>	<b>5</b>

**Table No. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**As of September 30, 2019, 2020, and 2021**

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Alabama	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Alaska	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Arizona	2019	7	0	0	0	0	0	7
	2020	7	0	0	5	0	0	2
	2021	2	0	0	0	0	0	2
Arkansas	2019	1	1	1	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
California	2019	105	2	0	0	0	0	107
	2020	107	4	9	0	0	0	102
	2021	102	0	3	0	0	0	99
Colorado	2019	35	0	0	0	0	1	34
	2020	34	0	0	0	0	0	34
	2021	34	0	0	0	0	0	34
Connecticut	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Delaware	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
District of Columbia	2019	4	0	0	4	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Florida	2019	27	0	3	0	0	0	24
	2020	24	0	0	0	0	0	24
	2021	24	5	0	0	0	2	27

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Georgia	2019	15	0	0	0	0	0	15
	2020	15	0	0	0	0	0	15
	2021	15	0	0	0	0	0	15
Hawaii	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Idaho	2019	7	0	2	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Illinois	2019	3	0	0	0	0	0	3
	2020	3	0	0	1	0	0	2
	2021	2	1	1	0	0	0	1
Indiana	2019	7	0	0	0	0	0	9
	2020	7	0	0	0	0	0	9
	2021	7	0	0	0	0	1	6
Iowa	2019	14	0	0	0	0	1	13
	2020	13	0	0	1	0	1	11
	2021	11	0	0	0	0	0	11
Kansas	2019	5	0	1	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
Kentucky	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
Louisiana	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Maine	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Maryland	2019	15	0	0	15	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Massachusetts	2019	2	0	0	0	0	0	2
	2020	2	0	0	2	0	0	0
	2021	0	0	0	0	0	0	0
Michigan	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Minnesota	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Mississippi	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Missouri	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Montana	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Nebraska	2019	9	0	0	0	0	1	8
	2020	8	0	0	1	0	0	7
	2021	7	0	0	0	0	0	7
Nevada	2019	16	0	0	0	0	0	16
	2020	16	1	0	0	0	0	17
	2021	17	0	0	0	0	0	17
New Hampshire	2019	2	0	0	1	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
New Mexico	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
New York	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
North Carolina	2019	30	0	0	0	0	0	30
	2020	30	0	0	0	0	0	30
	2021	30	0	0	0	0	3	27
North Dakota	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Ohio	2019	5	0	0	2	0	0	3
	2020	3	0	0	2	0	0	1
	2021	1	0	0	0	0	0	1
Oklahoma	2019	10	0	0	0	0	0	10
	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	3	7
Oregon	2019	10	0	0	0	0	0	10
	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
Pennsylvania	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	1	0	0	5
Rhode Island	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
South Carolina	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
South Dakota	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Tennessee	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	1	5
	2021	5	0	0	0	0	0	5

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Texas	2019	38	2	0	1	0	0	39
	2020	39	1	0	4	0	0	36
	2021	336	0	2	0	0	2	32
Utah	2019	13	0	0	0	0	0	13
	2020	13	0	0	0	0	0	13
	2021	13	0	0	0	0	0	13
Vermont	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Virginia	2019	15	0	0	0	0	0	15
	2020	15	0	0	0	0	0	15
	2021	15	0	0	0	0	0	15
Washington	2019	10	0	0	0	0	0	10
	2020	10	0	0	1	0	0	9
	2021	9	0	0	0	0	0	9
West Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin	2019	7	0	0	0	0	0	7
	2020	7	1	0	0	0	0	8
	2021	8	0	0	0	0	0	8
Wyoming	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>Total</b>	<b>2019</b>	<b>469</b>	<b>6</b>	<b>7</b>	<b>23</b>	<b>0</b>	<b>3</b>	<b>442</b>
	<b>2020</b>	<b>442</b>	<b>7</b>	<b>9</b>	<b>17</b>	<b>0</b>	<b>3</b>	<b>420</b>
	<b>2021</b>	<b>420</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>408</b>

\*All franchise outlets and territories sold before 2018 were offered and sold by our predecessor, M-CO, Inc. and its various state-specific master franchise licensees.

\*\* The standard territory size offered by our predecessor was 50,000 households per territory; our standard territory size is 150,000 to 200,000 persons of population. Because of this difference, certain adjustments have been made that affect the outlet counts; we have restated the pre-2018 outlet counts based on the *current* approximate 150,000 to 200,000 population standard territory size, rather than the previous territory size, so the number of territories counted in this Item 20 may differ from the number of territories actually reflected in certain franchise agreements.

**Table No. 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**As of September 30, 2019, 2020, and 2021**

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the</u> <u>Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Outlets</u> <u>Reacquired</u> <u>from</u> <u>Franchisees</u>	<u>Column 6</u> <u>Outlets</u> <u>Closed</u>	<u>Column 7</u> <u>Outlets</u> <u>Sold to</u> <u>Franchisees</u>	<u>Column 8</u> <u>Outlets</u> <u>at End</u> <u>of Year</u>
California	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
<b>Total</b>	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Our affiliate Child Enterprises, Inc. owns and operates franchised territories as a franchisee and is included in Table 3 above.

**Table No. 5**  
**PROJECTED OPENINGS AS OF January 1, 2022 through September 30, 2022**

<b>Column 1</b> <b>State</b>	<b>Column 2</b> <b>Franchise</b> <b>Agreements</b> <b>Signed But Outlet</b> <b>Not Opened</b>	<b>Column 3</b> <b>Projected New</b> <b>Franchised Outlets</b> <b>in the Next Fiscal</b> <b>Year</b>	<b>Column 4</b> <b>Projected New</b> <b>Company-Owned</b> <b>Outlets in the</b> <b>Current Fiscal Year</b>
California	1	1	0
Arizona	0	1	0
Texas	0	1	0
<b>TOTALS</b>	<b>0</b>	<b>3</b>	<b>0</b>

Exhibit G contains a complete listing of all current franchisees (and the addresses and telephone numbers of all of their operations) as of September 30, 2021.

Exhibit G also contains a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every individual franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our predecessor's most recently completed fiscal year or who has not communicated with us within **10** weeks of the date of this disclosure document.

The following is a complete listing of all current "company-owned" outlets and the addresses and telephone numbers of all of their operations as of the date of this Disclosure Document:

None.

<u>Territory</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Cameron Park, Camino, Coloma, Diamond Springs, El Dorado Hills, Folsom, Gold River, Iona, Jackson, Placerville, Polluck Pines, Rancho Murieta, Rescue, and Shingle Springs, California	Dan Child Child Enterprises, Inc.*	6266 Wester Sierra Way, El Dorado Hills, CA 95762	(916) 765-6618

\* This entity is our affiliate and Mr. Child is one of our officers.

### Franchisee Associations

The following is a list, to the extent known to us, of the names, addresses, telephone numbers, email addresses, and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored, or endorsed: **NONE**.

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **NONE**.

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

Our standard franchise agreement, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, generally contain confidentiality clauses. Thus, all our franchisees have signed a confidentiality clause with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with **Heaven's Best**. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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## ITEM 21 FINANCIAL STATEMENTS

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Attached in Exhibit A to this Disclosure Document are our year-end audited financial statements as of September 30, 2019, 2020, and 2021. Our fiscal year-end is **September 30**.



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## **ITEM 22 CONTRACTS**

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Attached are copies of the Franchise Agreement (Exhibit B), Telephone Acknowledgment and Assignment (Exhibit C), EFT Authorization (Exhibit D), the State-Specific Addenda (Exhibit E), and all other related agreements you may have to sign when you purchase your franchise. The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in Exhibit I.

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## **ITEM 23 RECEIPTS**

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Attached to this Disclosure Document are two Receipt pages. They are duplicates that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us (Exhibit K).

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**FINANCIAL STATEMENTS**

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**HB Franchises, LLC**  
Financial Statements  
with Independent Auditor's Report  
September 30, 2021, 2020, and 2019



HB Franchises, LLC

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*Independent Auditor's Report*

To the Members  
HB Franchises, LLC  
Rexburg, Idaho

***Opinion***

We have audited the accompanying financial statements of HB Franchises, LLC, which comprise the balance sheets as of September 30, 2021, 2020, and 2019, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HB Franchises, LLC as of September 31, 2021, 2020, and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kezas  $\frac{1}{3}$  Dunlay

St. George, Utah  
January 5, 2022

HB Franchises, LLC  
Balance Sheets  
As of September 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 514,462	\$ 368,048	\$ 143,381
Accounts receivable	21,636	9,013	17,329
Inventory	116,199	130,067	134,568
Prepaid expenses	1,064	-	-
Current portion of deferred contract costs	3,551	-	-
Current portion of notes receivable	21,659	26,119	20,393
Total current assets	<u>678,571</u>	<u>533,247</u>	<u>315,671</u>
Non-current assets:			
Notes receivable	78,954	114,440	114,765
Deferred contract costs	12,127	-	-
Equipment	21,642	18,945	17,913
Intangible assets	365,324	492,024	658,908
Total non-current assets	<u>478,047</u>	<u>625,409</u>	<u>791,586</u>
Total assets	<u>\$ 1,156,618</u>	<u>\$ 1,158,656</u>	<u>\$ 1,107,257</u>
<b>Liabilities and Members' Equity</b>			
Current liabilities			
Accounts payable	\$ 1,305	\$ 8,981	\$ 44,046
Accrued liabilities	7,021	689	859
Shareholder payable	18,386	20,767	22,684
Payroll Protection Program Loan	48,400	48,400	-
Current portion of SBA EID Loan	1,055	-	-
Current portion of deferred revenue	108,659	84,125	-
Current portion of notes payable	71,503	90,845	115,780
Total current liabilities	<u>256,329</u>	<u>253,807</u>	<u>183,369</u>
Non-current liabilities			
Deferred revenue	216,548	220,230	-
Notes payable	332,831	365,869	446,534
SBA EID Loan	148,845	149,900	-
Total liabilities	<u>954,553</u>	<u>989,806</u>	<u>629,903</u>
Members' equity	202,065	168,850	477,354
Total liabilities and members' equity	<u>\$ 1,156,618</u>	<u>\$ 1,158,656</u>	<u>\$ 1,107,257</u>

The accompanying notes are an integral part of these financial statements

HB Franchises, LLC  
Statements of Operations  
For the years ended September 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue:			
Franchise sales	\$ 109,318	\$ 72,549	\$ 246,566
Royalty revenue	334,583	328,728	298,974
Product sales	771,444	750,115	765,396
Service revenue	52,976	47,304	51,512
Commissions revenue	140,455	116,275	54,870
Other revenue	25,447	30,155	78,605
Total operating revenue	<u>1,434,223</u>	<u>1,345,126</u>	<u>1,495,923</u>
Cost of goods sold	<u>289,889</u>	<u>265,318</u>	<u>333,235</u>
Gross profit	1,144,334	1,079,808	1,162,688
Operating expenses:			
Commissions	137,305	138,417	163,246
Professional fees	32,223	27,486	53,235
General and administrative	742,526	648,874	592,690
Advertising and marketing	21,779	53,370	63,414
Depreciation	6,711	4,268	2,348
Amortization	178,500	166,884	115,903
Total operating expenses	<u>1,119,044</u>	<u>1,039,299</u>	<u>990,836</u>
Operating income	25,290	40,509	171,852
Non-operating expense (income)			
Interest income	6,433	7,221	5,575
Interest expense	(11,986)	(13,061)	(5,672)
Bad debt	-	(17,519)	(12,733)
Other income	48,400	-	-
Total non-operating expense (income)	<u>42,847</u>	<u>(23,359)</u>	<u>(12,830)</u>
Net income	<u>\$ 68,137</u>	<u>\$ 17,150</u>	<u>\$ 159,022</u>

The accompanying notes are an integral part of these financial statements



HB Franchises, LLC  
Statements of Members' Equity  
For the years ended September 30, 2021, 2020, and 2019

Balance at October 1, 2019	\$ 475,832
Members' distributions	(157,500)
Net income	159,022
Balance at September 30, 2019	<u>477,354</u>
Adoption of ASC 606	(266,654)
Members' distributions	(59,000)
Net income	17,150
Balance at September 30, 2020	<u>168,850</u>
Members' distributions	(34,922)
Net income	68,137
Balance at September 30, 2021	<u>\$ 202,065</u>

The accompanying notes are an integral part of these financial statements

HB Franchises, LLC  
Statements of Cash Flows  
For the years ended September 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:			
Net income	\$ 68,137	\$ 17,150	\$ 159,022
Adjustments to reconcile net income to net cash provided by operating activities:			
Forgiveness of debt	(48,400)	-	-
Bad debt expense	-	17,519	12,733
Depreciation	6,711	4,268	2,348
Amortization	178,500	166,884	115,903
Changes in operating assets and liabilities:			
Accounts receivable	(12,623)	8,316	(8,793)
Inventory	13,868	4,501	(26,156)
Prepaid expenses	(1,064)	-	-
Deferred contract costs	(15,678)	-	-
Accounts payable	(7,676)	(35,065)	40,866
Accrued liabilities	6,332	(170)	(3,723)
Deferred revenue	20,852	37,701	-
Net cash provided by operating activities	<u>208,959</u>	<u>221,104</u>	<u>292,200</u>
Cash flows used by investing activities:			
Purchase of fixed assets	(9,408)	(5,300)	(15,928)
Issuance of note receivable	-	(42,300)	(107,785)
Payments on notes receivable	39,946	19,380	10,960
Purchase of intangible assets	-	-	(25,000)
Net cash provided (used) by investing activities	<u>30,538</u>	<u>(28,220)</u>	<u>(137,753)</u>
Cash flows provided by financing activities:			
Advances on PPP and EID Loans	48,400	198,300	-
Payments on shareholder payable	(2,381)	(1,917)	(2,316)
Payments on notes payable	(104,180)	(105,600)	(89,413)
Members' distributions	(34,922)	(59,000)	(157,500)
Net cash provided (used) by financing activities	<u>(93,083)</u>	<u>31,783</u>	<u>(249,229)</u>
Net change in cash	146,414	224,667	(94,782)
Cash at the beginning of the year	<u>368,048</u>	<u>143,381</u>	<u>238,163</u>
Cash at the end of the year	<u>\$ 514,462</u>	<u>\$ 368,048</u>	<u>\$ 143,381</u>
Cash paid for interest	\$ 11,986	\$ 13,061	\$ 5,672
Cash paid for taxes	\$ -	\$ -	\$ -
Supplemental disclosure of non-cash activity			
Assets purchased in exchange for note payable:			
Franchise contracts	\$ 51,800	\$ -	\$ 432,000
Note receivable	\$ -	\$ -	\$ 20,000

The accompanying notes are an integral part of these financial statements

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

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

*(a) Nature of Business*

HB Franchises, LLC (the "Company") was formed on October 6, 2017 as a Nevada Limited Liability Company. In January 2018, the Company purchased the assets of the Heaven's Best franchising system (the "Initial Transaction"). The Company is a professional carpet cleaning franchise company headquartered in Rexburg, Idaho.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending September 30 of each year.

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

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

*(d) Reclassification*

Certain items in the prior year have been reclassified to conform to the current year's presentation.

*(e) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of September 30, 2021, 2020, and 2019, the Company had cash and cash equivalents of \$514,462, \$368,048, and \$143,381, respectively.

*(f) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and upon provision/shipment and invoicing of containers, products or services from the Company's offices or suppliers. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of September 30, 2021, 2020, and 2019, the Company had net receivables of \$21,636, \$9,013, and \$17,329, respectively. As of September 30, 2021, 2020, and 2019, the Company had no allowance for uncollectible accounts.

*(g) Inventory*

Inventory is stated at the lower of cost (using the First-in, First-out basis) or market. Inventory consists of containers, mugs, cleaning supplies, pads, parts, raw chemicals, and shipping materials. As of September 30, 2021, 2020, and 2019, the Company had inventory of \$116,199, \$130,067, and \$134,568, respectively.

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

*(h) Property and Equipment*

Property and equipment are stated at historical cost and are depreciated using the straight-line method over the estimated useful lives of related assets. The useful life is 5 years.

*(i) Intangible Assets*

Intangible assets consist principally of the excess of costs over the fair value of net assets acquired (or goodwill), intellectual property and franchise agreements. The Company has established an intangible asset for the cost of franchise agreements acquired.

The Company has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as intellectual property) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives (such as franchise documents) are amortized over their estimated useful lives.

The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Franchise agreements are amortized over the period of time the agreements are expected to remain in place, assuming renewals without material modifications to the original terms and conditions. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

Franchise agreements are amortized over five years using the straight-line method.

*(j) Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

*(k) Revenue Recognition*

The Company's revenues consist of initial franchise fees, royalty fees, and product sales from locations operated by conventional franchisees. ASC 606, *Revenue from Contracts with Customers*, provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. This standard does not impact the Company's recognition of royalties and product sales from locations operated by a franchisee. The standard does change the timing in which the Company recognizes initial fees received from new franchisees. The Company's policy through September 30, 2019 was to recognize initial fees upon the commencement of the franchisee's operations. Beginning on October 1, 2020, initial franchise fees have been recognized as the Company satisfies the performance obligation over the franchise term, which is generally five years, net of the fair value of identified pre-opening services.

The Company adopted ASC 606 as of October 1, 2019, using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred initial franchise fees of \$266,654.

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

*(l) Income Taxes*

The entity is structured as a limited liability company (LLC) under the laws of the State of Nevada. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

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

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of September 30, 2021, the 2020 and 2019 tax years were subject to examination.

*(m) Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2021. The Company is in the process of evaluating the impact that this new guidance will have on its financial statements.

*(n) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ended September 30, 2021, 2020, and 2019 was \$21,779, \$53,370, and \$63,414, respectively.

*(o) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

*(p) Concentration of Risk*

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

**(2) Notes Receivable**

The Company accepts promissory notes as part of its initial franchise sales. These notes are generally paid monthly over 5 years at 10% interest. As of September 30, 2021, 2020, and 2019, the notes receivable balance was \$100,613, \$140,559, and \$135,158, respectively.

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

(3) Equipment

Equipment consists of the following as of September 30, 2021, 2020, and 2019:

	2021	2020	2019
Office equipment	\$ 18,656	9,769	\$ 9,769
Warehouse equipment	16,980	16,459	11,159
	35,636	26,228	20,928
Accumulated depreciation	(13,994)	(7,283)	(3,015)
	<u>\$ 21,642</u>	<u>\$ 18,945</u>	<u>\$ 17,913</u>

Depreciation expense for the years ended September 30, 2021, 2020, and 2019 was \$6,711, \$4,268, and \$2,348, respectively.

(4) Intangible Assets

The Company's intangible assets consist of franchise agreements purchased in January 2018 (the Initial Transaction), and Master Franchise Agreements purchased in May 2019 and February 2021. The agreements are amortized over the useful life of five (5) years and will be tested for impairment if a triggering event occurs that indicates the fair value of the assets may be below the book amount.

As of September 30, 2021, 2020, and 2019, the Company's intangible assets consist of the following:

	2021	2020	2019
Franchise agreements	\$ 886,229	834,427	\$ 834,427
Accumulated amortization	(520,905)	(342,403)	(175,519)
Intangible assets, net	<u>\$ 365,324</u>	<u>\$ 492,024</u>	<u>\$ 658,908</u>

Amortization expense for the years ended September 30, 2021, 2020, and 2019 was \$178,500, \$166,884, and \$115,903, respectively.

(5) Accrued Liabilities

The Company's accrued liabilities consist of payroll taxes payable as of year-end. As of September 30, 2021, 2020 and 2019, the Company's accrued liabilities are \$7,021, \$689, and \$859, respectively.

(6) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties. Under the franchise agreement, franchisees are granted the right to operate a location using the Heaven's Best system for a period of five years. Under the Company's revenue recognition policy, the Company allocates a portion of the initial franchise fee to initial training, which is recognized when the franchisee begins operations. The remainder is deferred, and the revenue is amortized over the life of the contract. In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs.

Deferred contract costs will be amortized on a straight-line basis over the life of the franchise agreement. The Company has estimated the following current and non-current portions of deferred contract costs as of September 30, 2021, 2020, and 2019:

	2021	2020	2019
Deferred contract costs, current	\$ 3,551	\$ -	\$ -
Deferred contract costs, non-current	12,127	-	-
	<u>\$ 15,678</u>	<u>\$ -</u>	<u>\$ -</u>

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

Deferred revenue will be amortized on a straight-line basis over the life of the franchise agreement. The Company has estimated the following current and non-current portions of deferred revenue as of September 30, 2021, 2020, and 2019:

	2021	2020	2019
Deferred revenue, current	\$ 108,659	\$ 84,125	\$ -
Deferred revenue, net of current	216,548	220,230	-
	<u>\$ 325,207</u>	<u>\$ 304,355</u>	<u>\$ -</u>

(7) Shareholder Payable

The Company has entered into a loan agreement with one of the Company's members to cover operating costs. The outstanding balance bears no interest and is due on demand. As of September 30, 2021, 2020, and 2019, the payable had a balance of \$18,386, \$20,767, and \$22,684, respectively and is classified as current in the financial statements

(8) Notes Payable

The Company has acquired master franchise agreements for certain states from master franchisees. These notes payable do not bear interest and are payable monthly over various periods of time. As of September 30, 2021, 2020, and 2019, the balance of the notes payable was \$404,334, \$456,714, and \$562,314, respectively.

Future principal payments on these obligations under the existing arrangements are:

For the Year Ended September 30,	
2022	\$ 71,503
2023	49,320
2024	50,584
2025	50,691
2026	50,799
Thereafter	131,437
	<u>\$ 404,334</u>

(9) Payroll Protection Program ("PPP") Loans

On April 16, 2020, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration ("SBA"). The loan had an initial principal balance of \$48,400, accrued interest at an annual rate of 1%, and had a maturity date of April 16, 2022. During the year ended September 30, 2021, the loan was forgiven, and the principal balance of \$48,400 was recognized in other income.

On February 15, 2021, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration ("SBA"). The loan has an initial principal balance of \$48,400, accrues interest at an annual rate of 1%, and matures on February 15, 2023. As of September 30, 2021, the loan has a principal balance of \$48,400. The Company expects the full balance to be forgiven during the year ended September 30, 2022 and has classified the outstanding balance as current.

HB Franchises, LLC  
Notes to the Financial Statements  
September 30, 2021, 2020, and 2019

(10) Emergency Injury Disaster Loan ("EIDL")

On June 7, 2020, the Company entered into a note payable with the United States Small Business Administration ("SBA"). The loan has an initial principal balance of \$149,900, accrues interest at an annual rate of 3.75%, and requires 360 monthly payments of \$731 beginning June 7, 2022. As of September 30, 2021, the loan has a principal balance of \$149,900.

As of September 30, 2021, future annual maturities of the Company's EIDL are as follows:

2022	\$	1,055
2023		3,246
2024		3,370
2025		3,498
2026		3,632
Thereafter		135,099
	\$	<u>149,900</u>

(11) Commitments and Contingencies

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

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

(12) Subsequent Events

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through September 30, 2021 and subsequent to the financial year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's potential customers and future vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

Management has reviewed and evaluated subsequent events through January 5, 2022, which is the date the financial statements were available to be issued.



**Franchise Disclosure Document Exhibit B**

**FRANCHISE AGREEMENT**

***HB FRANCHISES, LLC***

# FRANCHISE AGREEMENT

THIS AGREEMENT (this "Agreement") has been entered this \_\_\_\_\_ (the "Effective Date"). It is by and between **HB FRANCHISES, LLC**, a Nevada limited liability company, ("we, us") and \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "you").

For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" includes, collectively and individually, all owners, managers, officers, directors, partners, principals and holders of a beneficial interest of you, and of any legal entity directly or indirectly controlling you. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop the **HEAVEN'S BEST** names, trademarks, service marks, logos, commercial symbols, and styles. We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer commercial and residential carpet, flooring, and upholstery cleaning services and other related products and services to the public under the **HEAVEN'S BEST** names and marks.

You desire us to train you and to authorize you to operate a high-caliber Heaven's Best franchise to offer and sell high-quality carpet, flooring, and upholstery cleaning and related restoration services and products to the public and to use our **HEAVEN'S BEST** methods and systems and names and marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the **HEAVEN'S BEST** names and marks and the confidentiality and value of the **HEAVEN'S BEST** methods and systems.

You realize that entering into this Agreement will obligate you to operate your franchise in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your **HEAVEN'S BEST** below the standards we require, Heaven's Best customers will be less likely to repeat business with your Franchise or other **HEAVEN'S BEST** franchises. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

## 1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

1.1 Grant of Franchise and Franchise Territory. We grant to you, and you accept from us, the franchise, license, and privilege to use the Marks, the Method of Operation, and merchandise bearing the Marks, for 5 years from the date of this Agreement (the "Franchise"). The term "Franchise" shall include the entire enterprise that you are authorized to conduct under this Agreement.

This grant solely is for the operation by you of one Heaven's Best franchise within the geographical territory identified in the attached Exhibit 1 ("the Franchise Territory"). Nothing in this Agreement gives you any interest in us or the right to participate in our business activities, investment or corporate opportunities.

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business that offers carpet, flooring, and upholstery cleaning products or services using the Marks or the Method of Operation to within the Franchise Territory, without your prior written consent.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

In this Agreement, "Method of Operation" means, collectively, all the business concepts, systems, formats, methods, procedures, proprietary products, Confidential Information, Intellectual Property, designs, layouts, specifications, the use of the Marks, the Operations Manual, copyrighted materials, trade secrets, information, lists, materials, software, web pages, electronic communications, techniques, systems, training programs and seminars, in whatever form. We may change, improve or further develop the Method of Operation.

"Marks" means those selected trademarks, service marks, trade names, logotypes, slogans and other commercial symbols we own or for which we have obtained the right to use. The Marks include "**Heaven's Best**" and the **Heaven's Best** logo, and other trade names, service marks and trademarks that are now designated (and in the future may be designated by us in writing) as part of the Method of Operation. We continue to develop, use and control the Marks for our benefit and use and for the benefit and use of our franchisees. The Marks identify for the public the source of the products and services marketed and represent our high standards of products, operations, quality and services. We may seek to obtain state and federal trademark or service mark registrations for any or all of the Marks. There can be no assurance that any such registrations will be granted. There may be similar trademarks or service marks, either registered or not, that are owned by third parties. These third parties may have rights in their trademarks or service marks that are superior to our rights in the Marks. This could restrict our ability to expand our franchise system into certain geographic areas. We make no representations concerning the possible rights of such third parties. We advise you to investigate and satisfy yourself as to the status of the Marks and the potential rights of third parties prior to entering into this Agreement.

"Intellectual Property" refers, collectively, to any and all rights currently existing or that may come into being which we or our affiliates now own or later acquire in the Marks, proprietary products and Confidential Information arising under any patent, trade secret, copyright, trade dress, design protection, database protection, trademark, or similar laws of the United States or any other country in which we or our affiliates now or in the future operate, and expressly includes any and all improvements, modifications, derivations, renewals, extensions, or continuations of any of the foregoing.

1.2 Relocation of the Franchise Territory. You will not relocate the Franchise Territory without our prior written approval. Any relocation will be at your sole expense.

1.3 Operations Outside the Franchise Territory. You may not offer carpet, flooring, or upholstery cleaning services or products outside of the Franchise Territory without our written permission.

To establish additional franchises, you must not be in default in any material provision of this Agreement or any and all other agreements between you and us; your proposed territory must meet our franchise placement and market penetration guidelines and criteria; and you must sign our then-current franchise agreement for that territory. The territory must also be legally available in compliance to federal and state franchise disclosure

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and registration laws and contractually available pursuant to contractual obligations to other **Heaven's Best** franchisees.

1.4 **Existence of Divergent Forms of Franchise Contracts.** You acknowledge that we the terms of our franchise offering may have in the past or may in the future materially differ from those set forth in this Agreement.

1.5 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

A. to use or license the use of the Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a Heaven's Best brand.

B. to operate and grant to others the right to operate Heaven's Best businesses on such terms and conditions as we deem appropriate.

C. to sell products or services anywhere, including within the Franchise Territory through channels of distribution other than the Heaven's Best retail business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

D. to establish, operate, own or franchise any business, including competitive businesses.

1.6 **Nonexclusive.** We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. You acknowledge that we have made no representation concerning exclusivity in any geographic territory or for any customer segment.

## 2 **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**

2.1 **Initial Franchise Fee.** The Initial Franchise Fee is **\$39,900**. Contemporaneously with the execution of this Agreement, you have paid to us the entire Initial Franchise Fee. If you have financed a portion of the Initial Franchise Fee, you have paid to us at least **\$29,925** contemporaneously with the execution of this Agreement. The remaining balance must be paid to us pursuant to the "Promissory Note" attached as Exhibit 3, at the rate of 5% for 120 months, commencing on the 5<sup>th</sup> day of each month following your successful completion of the mandatory initial training program.

The Initial Franchise Fee is paid in consideration of our sales expenses, our standard initial equipment and inventory package, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others. None of the Initial Franchise Fee is refundable.

2.2 **Royalty Fee.** You will pay to us a "Royalty Fee" of **\$300** per month for the preceding month for a Franchise Territory of up to 200,000 persons of population. If your Franchise Territory consists of more than 200,000 persons of population, the Royalty Fee increases by \$1.50 per every 1,000 persons of population in excess of 200,000. We may increase the Royalty Fee from time to time, but no more than 10% per year. If you purchase more than one franchise territory, you must pay a separate Royalty Fee for each franchise territory. The Royalty Fee is due in the manner specified below or as otherwise prescribed from time to time in the Operations Manual described in Section 5, below.

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2.3 **Advertising Fee.** We may require that you pay to us an “Advertising Fee” up to **\$100** per month per Franchise Territory. We may increase the Advertising Fee from time to time, but no more than 10% per year. This fee is due monthly in the manner specified below or as otherwise prescribed from time to time in the Operations Manual described in Section 5, below. We do not currently collect the Advertising Fee, but may implement and increase the fee at any time and from time to time upon 30 days’ notice to you.

2.4 **Payment.** All fees, charges, royalties, equipment and product purchases and other amounts due to us shall be paid in the manner, and at the times set forth in this Agreement and the Operations Manual. We may require payment to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet, including processes whereby we are authorized by you to remove the payment directly from your bank account. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a **\$50** fee for each unsatisfied attempt.

You authorize us to initiate debit entries and/or credit collection entries to your designated primary business operating checking or savings account (“Designated Account”) for the payment of all fees, royalties, equipment, product, and inventory purchases, or other amounts due under this Agreement or related to the Franchise to us or our affiliates. You shall, at your sole cost and expense, instruct your bank to pay all fees, royalties or other amounts due under this Agreement to us or our affiliates directly from the Designated Account, and promptly upon our request, you shall execute or re-execute and deliver to us a pre-authorized check form or such other instrument or draft our bank may require. In connection with this requirement, you shall fill out and sign an Authorization for Electronic Funds Transfer form, in the form required by us or such other form as the relevant financial institutions require. You shall ensure that sufficient funds are available in the Designated Account to make all payments due under this Agreement upon such date as provided in the Operations Manual from time to time.

You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

If any fee or any other amount due under this Agreement remains unpaid after the date due, you shall pay to us a late charge calculated at **1.5%** per month for each day such amount is past due plus a **\$50** service fee. This charge and fee shall accrue whether or not we exercise our right to terminate this Agreement. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

Our acceptance of late charges and fees will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

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If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may suspend your ability to access forms, software, web sites, Internet or Intranet, or limit your continued operation of the Franchise until the payments are received.

2.5 **Application of Payments**. We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account. We may apply any monies received from you in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application of your payments. You agree that you may not designate an order for application of any fees and royalties different from that designated by us and expressly acknowledge and agree that we may accept fees paid pursuant to different instructions without any obligation to follow such instructions, even if such payment is made by its terms conditional on such instructions being followed. This provision may be waived only by written agreement signed by us, which written agreement must be separate from the check or other document constituting payment.

2.6 **Records and Reports**. You shall keep a complete and accurate set of books and records of the operation of the Franchise (the "Records"). We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require.

You will furnish to us as outlined in the Operations Manual, an itemized report of the sales and revenue for the prior month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. All Royalty and Advertising Fees due for the preceding month will accompany the report. If you fail to deliver any report in a timely fashion, we may draw any past-due fees from your accounts pursuant to automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual.

You acknowledge and agree that we may use your reports and information submitted to us as we may deem appropriate in our sole and absolute discretion, including without limitation to (i) provide you with consultation and advice in accordance with this Agreement; (ii) monitor your compliance with the obligations to pay fees; (iii) monitor performance under this Agreement generally and your purchases, revenue, operating costs, expenses and profitability; (iv) develop system-wide statistics; (v) develop new operating procedures; (vi) develop new proprietary products, remove products, and improve and enhance the Method of Operation; and (vii) implement changes in the Method of Operation to respond to competitive and marketplace changes.

**Electronic Access**. We may designate certain systems, including electronic systems that provide access to us, to be used in the maintenance of the Records and preparation of financial statements. Such systems may have components or software that is available only through us, an affiliate or designated suppliers at a fee. You acknowledge and agree that we have the right to access and use all such electronic Records, reports, and the information and data that are contained therein.

You authorize (and agree to execute any other documents deemed necessary to effect authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, landlords, lessors, and other persons or entities with which you do business to disclose to us any requested financial information in their possession relating to you or the Franchise. You authorize us to disclose data from your reports and information, if we determine, in our sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

You will inform your employees and managers that they can expect no privacy in the computers, files or papers in your Franchise, or in any computer, papers or files which they bring to your Franchise, and that their

assigned computer, their personal computer and any container containing papers or files, whether stored on paper or by electronic media, are subject to inspection at any time by you or us.

2.7 **Audits.** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless the audit reveals that you are using unapproved products or equipment in the operation of the Franchise. In the event that the audit reveals usage of unapproved products or equipment, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all products and equipment purchased and sold related to the Franchise have been done so according to our standards and guidelines.

2.8 **You Will Pay Taxes, Indebtedness, and All Franchise Costs.** You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise, or inventory, materials, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you from the Franchise, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

You will pay all of the operating expenses of your franchise business in a timely manner. You understand and agree that your failure to do so could materially harm the reputation of Method of Operation and of the Marks and our ability and the ability of our franchisees to obtain favorable purchase, lease or finance terms. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements. If you have a bona fide dispute with any supplier or vendor which you believe justifies non-payment or partial payment, you must promptly notify the supplier or vendor of the particulars of your claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt which remains unpaid for more than 30 days after the date it is due will constitute a breach of this Agreement unless, before the end of the 30-day period (i) you and the supplier or vendor agree to alternative payment terms; or (ii) you initiate appropriate legal action to contest the trade debt. We will have no liability for your debts or obligations to third parties.

You authorize us to communicate with all the suppliers, distributors, and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement. You will, at our option, execute the forms and documents we deem necessary to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by you with any state or federal taxing authority relating to the Franchise.

### 3 **TRAINING**

3.1 **Initial Training.** We will provide to you online access to initial orientation and training materials and videos and the initial training program. The training program will cover various aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. The training will consist of an approximately 5-day training session at our headquarters (currently in Rexburg, Idaho) before the start of your business.

You will pay the travel, airfare, rental car, meal, wage and other expenses that you or the manager incur related to this training. We will pay for your reasonable lodging accommodations during training. The training program must be completed by all franchisees, unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program before supervising the Franchise. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the initial training program. Many small businesses fail when the owner does not take an active day-to-day role in the operation and management of the business. We strongly recommend that all individual franchisees and all partners and owners of franchisee entities devote their full time and best efforts to the day to day operation of the franchise with no operational or management commitments in other businesses except other franchises offered by us.

You or the manager will complete the course prior to opening the Franchise for business. We may terminate this Agreement without refunding any part of the Initial Franchise Fee if you fail to complete the initial training program to our exclusive satisfaction. If your manager fails to satisfactorily complete the initial training program, such manager may not manage or supervise the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the initial training program.

If you desire to have more than two individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training regardless of when and where the individuals participate in initial training.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior, poor attendance or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

3.2 **Supplemental Training.** We may provide other training, supervision, assistance or services as we may deem necessary in our sole discretion, although we are not bound to do so. At your option and upon not less than **30** days' prior written notice to us, you may receive additional training at our headquarters or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

This additional training may include work experience and observation of our or other franchise operations. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate other franchisees or others representatives to conduct some or all of such training.

From time to time we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for

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paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise may be required to attend up to **20** hours of programs and seminars, depending upon program and seminar availability. In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees onsite in your Franchise Territory. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future. We may charge a reasonable training fee for these additional training sessions.

As and when we request, you will cooperate with our reasonable request to allow us or our designated representatives to conduct training of new franchisees in the Franchise Territory so that they can experience a live, working environment without compensation from us as long as the training does not interfere with your operations or the experience of your customers. We will indemnify you from all costs and liabilities related to this training and you will not be liable to pay the trainers or the trainees for any services provided to you or to your customers during or as a result of this training.

#### **4 COMMENCEMENT OF OPERATIONS**

**4.1 Time to Complete Training and Commence Operation.** You shall commence full and continuous operation of the Franchise within the earlier of **180** days after execution of this Agreement or **30** days after successful completion of the initial training program outlined above. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances. If this commencement of operation obligation is not fulfilled, we may terminate this Agreement and retain the entire Initial Franchise Fee.

**4.2 You Are to Obtain Permits and Licenses.** Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise. You will comply with all of the provisions of all other applicable federal, state or local statutes, rules or ordinances.

#### **5 FRANCHISE STANDARDS OF OPERATION**

**5.1 Operations Manual.** Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our franchise system as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to loan to you a copy of or permit you access to the Heaven's Best Operations Manual (the "Operations Manual"). The Operations Manual shall include materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of the Franchise, including user manuals, notices, amendments, supplements, media, intranet sites, related instruction materials, and any embodiment of the Method of Operation or identified by us as part of the Operations Manual. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement.

The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, equipment requirements and other standards, guidelines, and rules that we may prescribe from time to time and identify as part of the Operations Manual. Among other things, the Operations Manual may contain information, requirements and standards related to:

- Permitting and licensing
- Equipment standards and assistance
- Computer programs and proprietary software
- Written operations standards and assistance

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Initial and ongoing operational training  
Management and employee training  
Marketing and advertising  
Standards, ongoing training and ongoing support  
Insurance guidance and standards  
Warranty programs

The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

We may amend the Operations Manual, including changes which may affect minimum standards and requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend it from time to time. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from offering and selling certain services or products, from time to time, as specified in the Operations Manual. At all times you will insure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason.

**5.2 Franchise Equipment.** You are responsible to equip the Franchise. All equipment shall conform to the standards, guidelines, and requirements as outlined in the Operations Manual from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

You, at your expense, will maintain the Franchise equipment and vehicles in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs to the Franchise equipment and vehicles in order to maintain uniform appearance and to protect the reputation of the Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion.

If you do not maintain the Franchise as required, after notice to you, we at our option may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs.

**5.3 Products, Supplies, Inventory, and Vendors.** We develop minimum requirements and recommendations for products, inventory, supplies, and advertising, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial inventory items and additional items specified from time to time in the Operations Manual.

In addition to the standard initial equipment and inventory package that you get as part of your Initial Franchise Fee, you must purchase all equipment, supplies, products, and inventory required or used in the operation of your Franchise from us or through vendors and suppliers that we approve in writing. You must purchase items that bear the Marks from us or suppliers we approve from time to time. Proprietary items and supplies may be private labeled by us or our affiliates. We or our affiliates retain the right to make a reasonable profit on any items, supplies and materials you buy from us or our affiliates.

We or our affiliates may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to the Heaven's Best franchise system for them and either add them to the Advertising Fees, use them for programs that benefit all franchisees such as conventions and administration of purchasing programs, use them to provide

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supplemental training and promotional services to Heaven's Best franchisees, or return them at reasonable times to all Heaven's Best franchisees pro rata, based upon the volume of related business.

If we have an official **Heaven's Best** account for any approved supplier, you must purchase all products from that approved supplier through the official **Heaven's Best** account.

We strongly recommend that you maintain an inventory of authorized and approved equipment, supplies, products and inventory on hand sufficient to enable you to meet customer demand and properly operate the Franchise for at least 30 days. There are no other required quotas as to quantity of purchases you must make from us or from approved vendors. Payment must be made when you place your order at our then current prices. The items we offer may include among other things equipment, merchandise, and supplies that bear the Marks

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE OF (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.**

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies and materials required for the operation of the Franchise from us or manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

You agree to offer the warranty program we set out in the Operations Manual. You will promptly notify us of any warranty claim and will commence all work within a reasonable time-frame. All warranty work must be performed pursuant to the Operations Manual and under the Marks. You will pay all costs and expenses incurred from warranty claims related to work you originally perform.

You may only use alternative suppliers and vendors with our advanced written approval. With respect to all products and services for which our approval is required, we may approve, withhold approval, or revoke approval of a supplier in our sole discretion. Except for single-source products, with advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples,

and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation and at competitive prices. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. We may license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We retain the sole discretion in determining whether or not an alternative supplier or vendor is approved. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval. If you do not hear from us in that time, you can assume that the request has been denied. We reserve the right to designate exclusive suppliers (including third parties, us or our affiliates) for any products or services to ensure quality and uniformity of products, services, production, shipping and storage for the benefit of the franchise system. From time to time we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we determine that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

One of the benefits accruing to you and all our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay to make prompt payment in accordance with the terms of the invoices and statements for payments due on your purchases of products, signs, equipment, supplies and other inventory items, or you misdirection of supplies or other abuse of us or our approved suppliers, distributors and manufacturers, will result in a loss of credit standing and goodwill and benefits otherwise available to us and our other franchisees. You expressly agree to promptly pay all such invoices and statements in accordance with their terms. You authorize us to communicate with all the suppliers, distributors, manufacturers and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, manufacturers and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement.

5.4 **Standards to Be Maintained.** You will follow the Method of Operation and maintain standards of service that we prescribe. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. You acknowledge that the mandatory standards, specifications and policies we establish are not aimed at the day-to-day operation of your Franchise, which will solely be within your control, but are merely intended to preserve the goodwill of the Method of Operation and of the Marks.

A. **Inspections.** We may accompany you in your operation of the Franchise at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may: (1) Inspect the Franchise; (2) Observe your operation of the Franchise for any consecutive or intermittent periods we deem necessary; (3) Select products and other materials, equipment, and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards; (4) Interview your personnel, customers, vendors and partners; and (5) Inspect and copy any books, records and documents related to the operation of the Franchise and any other franchise information we may require; and (6) Photograph and make video or digital recordings of your

franchise operations and your employees and customers at all reasonable times. We will have the right to use these photographs and videos or digital recordings for such purposes as we deem appropriate, including, but not limited to, use in training, advertising, marketing and promotional materials, and as evidence in any court or arbitration proceeding.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and partners in reference to these inspections, observations and interviews.

B. Local Laws and Licenses. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities in the Franchise business and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

You will operate and maintain the Franchise so as to obtain the highest classification possible from the governmental authorities that inspect businesses similar to your franchise business in your area. If you are not able to obtain such classification or if you fail to operate in accordance with the standards of quality, maintenance, repair and sanitation required for the highest rating, then within **30** days after you first receive notice of your failure to obtain the highest classification you will comply with all requirements to receive the highest rating. You will maintain the highest rating thereafter. At our option, we may cause trained personnel to operate the Franchise as we deem necessary to work with and train your employees until the Franchise obtains the highest classification. You will reimburse us for all costs of providing our personnel, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits.

C. Authorized Services and Products. You will not offer, sell or dispense any products or services or activities other than those we specifically recognize and approve in writing.

D. Communication. We or an assigned representative may provide regular consultation and advice to you in reference to issues we determine may be important to your franchise operations or in response to your inquiries about specific administrative and operating issues you bring to our attention. We will have sole discretion to determine the method for communicating this consultation and advice, which may differ from the methods we use for others of our franchisees. For example, consultation and advice may be provided by telephone, in writing (including electronically), on-site in person, or by other means.

E. Standard Uniform. You will require that all of your employees wear a standard uniform as described in the Operations Manual. All uniforms will be properly laundered regularly and replaced when worn. We may change the standard uniform from time to time. You agree to adopt new uniforms and replace worn uniforms when necessary and bear the purchase price of them.

F. Employees. You are responsible for making sure your employees meet the standards, specifications and procedures outlined in the Operations Manual. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your patrons in accordance with the grooming and training requirements of the Operations Manual. You are responsible for any employee wages and compensation, payroll taxes and other required withholding,

worker's compensation and benefits. You will in no way obligate us for expenses incurred in the operation of your Franchise including labor costs. You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You are required to pay your employees and staff the wage prevailing (or in some areas a wage high than the then prevailing wage) in your market area for employees with similar labor skills, people skills and similar job responsibilities.

5.5 **Attendance at Conventions.** We may hold conventions for the franchisees that make up our franchise system. These conventions may be held at a different location each time. They may include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is required. We may charge a "Convention Fee" each year, up to **\$500**. We may charge to you this Convention Fee even if you do not attend. This fee is intended to help pay for training materials, handouts, videos, recording and similar materials for the conventions. In addition, you will bear all expenses of attending, including travel, lodging, meals and entertainment.

5.6 **Advertising Standards.** We may use all contributions and any earnings from the Advertising Fees we receive from you in local, regional, national, Internet, or international advertising as we deem proper and using such media or channels as we determine in our sole and absolute discretion. We may use your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system. Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs may be paid from the Advertising Fees. We may also use the Advertising Fees for marketing research and development, public relations activities, press releases, Internet or e-commerce programs, marketing and promotional materials, advertising services, artwork, training, customer services, sales augmentations, production and distribution of periodic newsletters, and reasonable fees or salaries, accounting, collection, legal and other costs related to all of the above.

In national or regional advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. We may include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

To the extent permitted by relevant law, we may establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale.

A. **Use of Approved Number.** You must use only specific and approved telephone numbers ("Approved Numbers") in the operation of your Franchise and in all Franchise-related marketing, advertising, and promotions. We reserve the right to own and assign to you telephone numbers (or replacement number in the event that the originally-assigned telephone number is changed for any reason or no reason) that you must use as the Approved Numbers. In any event, you acknowledge and agree that we own and control the Approved Numbers and that we will continue to own and control the Approved Numbers after the expiration or termination of this Agreement.

B. **You Will Not Advertise Outside Territory.** Except with our prior written permission, you will not place under any circumstances advertisements using the Marks in or originating from any area other than the Franchise Territory.

C. **Local Advertising Expenditures.** We recommend that you spend **\$500 to \$1,500** on advertising and promotional materials in connection with the grand opening of the Franchise. Local advertising is encouraged, but done at your discretion.

D. Promotional Materials. From time to time, we may supply to you an advertising component to the Operations Manual which will contain samples of local advertisements, press releases, television and radio content and scripts, signage and promotional materials that we approve (the "Advertising Materials"). You may use the Advertising Materials contained in the Operations Manual to place any advertisement as long as the advertisement materially complies with the form, content, and distribution standards, guidelines and requirements outlined in the Operations Manual. However, it is your responsibility to ensure that Advertising Materials comply with local ordinances, regulations, and laws. You will apply only decals and logos approved by us on your vehicles, signs and equipment. You shall submit to us all other advertising copy and other advertising and promotional materials before you use them in your local advertising program. You shall not use any other advertising copy or other promotional material until we approve it.

You authorize and permit us and our other franchisees to use advertising and promotional materials and programs that you develop without compensation to you.

You will advertise your franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the franchise system, we will promptly notify you. You will immediately cease using any such material.

All advertising and promotional materials must include the wording "franchises available."

E. Internet, Website and Social Media. You specifically acknowledge and agree that placing any information related to the Franchise on the Internet, on a web site, or in social media will be deemed "advertising" under this Agreement and will be subject to, among other things, our approval, restrictions, and requirements outlined in the Operations Manual. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, the Marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages. For the purposes of this Agreement, "Internet" means any of one or more local or global interactive communications media, that is now available, or that may become available, and successor technology to the internet and or wireless communication, and includes web sites and domain names and social media, and the successor technology to internet, web sites, web page or wireless communication and social media. Unless the context otherwise indicates, Internet includes, but is not limited to, online document completion and purchasing systems, and methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.)

All advertising and promotional materials must include the wording "franchises available."

All Internet and social media marketing is part of our marketing programs described in the Operations Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g. materials to be made available through the internet, interactive electronic transmissions, etc.).

In connection to any web site and social media, you agree to the following:

- i) You will not establish or use any other web site or web page or social media without our prior written approval. If we permit you to establish any web site, web page, social media account or Internet presence, you will turn ownership and control of the web site, web page, and social media over to us upon our request and upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination.

- ii) Before establishing the web page or any other web site or social media, you will submit to us a sample of the content, format and information in the form and manner we may reasonably require.
- iii) In addition to any other applicable requirements, you will utilize our designated vendors and you will comply with our standards and specifications for web sites and social media as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system. By "Intranet" we mean all communications systems utilized by us to communicate with you and our other franchisees, or by which you report data or information to us, or receive data, information or other materials from us. This includes, as applicable, as many different systems or processes as may in fact be used from time to time, including any Facebook group, banking remote or Internet access system.
- iv) If you propose any material revision to the web page or site or social media or any of the information contained in the web site or social media, you will submit the revision to us for our prior written approval.
- v) You will use only approved key words, meta tags and titles pertaining to our industry. We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile.
- vi) You may only offer approved products or services on your web page or site or social media. Any web site or social media changes made without our approval will put you in default of this Franchise Agreement.
- vii) We retain the sole right to market on the Internet and social media, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet or social media except as we may specify, and only with our prior written consent.
- viii) Subject to the terms of use on our web site and social media, we may gather, develop and use in any lawful manner information about any visitor to the web site or social media, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.
- ix) We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

F. Discount and Credit and Financing Programs. From time to time we may develop and market special discount or free coupon programs and customer credit or financing programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program or credit or financing program. Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon and credit or



financing programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon or credit or financing established pursuant to any program.

G. Establishment of Advertising Programs. At any time and from time to time, we may designate local, regional, or national advertising coverage areas for the development of cooperative local or regional advertising and promotional programs. An "advertising coverage area" is defined as the area covered by a particular advertising medium such as television, radio, or other medium, as recognized in the media industry. We will designate the geographic boundaries of cooperative advertising and promotional programs and the respective advertising coverage areas of these programs. We have the power to require cooperatives to be formed, changed, dissolved, or merged. In the event of a disagreement, our determination of the coverage area will be final.

We will promptly notify you and our other franchisees of the establishment, modification, and geographical boundaries of regional advertising regions. We may require all franchisees located within each advertising region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise and each operation we or our affiliates own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each operation we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **75** percent of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **\$1,000** per year per franchise territory. We will have the right to approve or disapprove the content of all advertising and no advertising or promotional plans or materials may be used or furnished without first obtaining our approval.

If advertising region members are unable or fail to resolve any issue affecting establishment or effective functioning, upon the written request of any member franchisee, that issue will have been submitted to us for consideration and our resolution of that issue will final and binding on all advertising region members.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fees outlined above.

H. Trademark and Copyright Notices. You will use the Marks in strict conformity to the Operations Manual, and will include in any advertisement, or promotional materials which use the Marks, trademark notices as are required by the Operations Manual. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

5.7 Marks, Operations Manual, and Method of Operation Are Our Exclusive Property. You agree that the Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Marks, Operations Manual, or Method of Operation. Your license to use the Marks is non-exclusive. We, in our sole discretion, may operate under the Marks and may grant licenses to others to use the Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Marks. You will not use the Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the Franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Marks or any marks identical to or confusingly similar to the Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation

or administrative action involving you or any litigation or administrative action involving the Marks or the Method of Operation, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Marks, Operations Manual, and Method of Operation. You will not advertise or use the Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations ™ or SM, where applicable.

Any and all goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Marks.

You will not use the Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks.

We and you will use reasonable best efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

**5.8 You Will Not Use Names or Marks in Combination.** Except as provided in this Agreement, you will not use or give others permission to use the Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Marks. You may not combine or associate any name or symbol of the Marks with any other name or word in any advertising or sign. You may not use the Marks in naming or labeling any account with any vendor, service provider or bank. The Marks must be used in exact conformity with specifications we set in the Operations Manual.

**5.9 Marks, Operations Manual, and Method of Operation May Be Changed.** You acknowledge that the Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Marks, Operations Manual, and Method of Operation.

You understand and agree that the Method of Operation must not remain static if it is to meet presently unforeseen future changes in technology, competitive circumstances, demographics, consumer trends, social trends and other marketplace variables and to best serve the interests of you, us and our other franchisees.

We may add to, subtract from, change or modify any part of the Marks, Operations Manual, or Method of Operation from time to time at our sole discretion, This may include changes to the products, equipment, signage, trade dress, décor, design, appearance, operations, programs, services, methods, standards, forms, policies and procedures of the Method of Operation or abandoning the Method of Operation altogether in favor of another system in connection with a merger, acquisition, or other business reason. You will accept, use, and protect, for the purposes of this Agreement, all additions, subtractions, changes and modifications as if they were a part of the Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Except as otherwise provided in this Agreement, under no circumstances will we be liable to you for any damages, costs, losses, or detriments relating to or directly or indirectly resulting from these changes or modifications.

Complete and detailed uniformity of the Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of density of population, population demographics, business potential, population of trade area, existing business practices, requirements of local law or local customers, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

Any improvements, modifications or additions which we make to Method of Operation or to the Marks, or which become associated with Method of Operation, including ideas suggested or initiated by you, will inure to our benefit, and become our exclusive property. You assign to us or our designee all intellectual property rights, including all copyrights, in and to any improvements or works which you may create, acquire or obtain in operating your franchise business. You agree that we may use, and authorize others to use, improvements which you suggest, initiate or originate without compensation to you and without your permission. You understand and agree that nothing in this Agreement constitutes or will be construed as our consent or permission to you to modify the Method of Operation or the Marks. Any modification which you desire to propose or make will require our prior written consent.

5.10 **Computer Systems.** You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time, including coordination with consolidated systems used. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

You are required to have high speed Internet service to your business so that you can access downloads from us of advertising materials, operations manual revisions, training materials, product access and preparation; communication; email; web site access; and corporate news. Your computers and access must also accommodate our remote access to your computer systems, software and records. You will comply with all our requirements regarding Internet, Intranet and computer use contained in the Operations Manual.

You will, at your sole expense, continuously maintain (i) an active e-mail account and e-mail address with an established internet service provider, keep us informed of your current e-mail address and manage your e-mail account so that it does not become full or otherwise incapable of accepting new messages, and (ii) an electronic data exchange service designated by us to enable us to remotely retrieve sales, inventory and other operating data for the Franchise as frequently as we deem necessary. You, on behalf of yourself and, as applicable, your directors, officers, managers, employees, consultants, representatives and agents, waive any claim that our retrieval of data from your electronic records violates any person's rights of privacy.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

You will abide by all applicable laws pertaining to privacy of information you collect or maintain regarding your customers and other individuals ("Privacy"), and will comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you will:

- (a) comply with the requirements of applicable law;
- (b) immediately give us written notice of the conflict; and
- (c) promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

5.11 **Working Capital Requirements.** At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

5.12 **Confidentiality; Confidential Information.** The Method of Operation and Operations Manual include valuable proprietary and confidential information. The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information.

You specifically acknowledge that you will receive valuable specialized and confidential or proprietary "Confidential Information" in the course of your relationship with us and our franchise system. "Confidential Information" includes, knowledge and information that we designate as propriety or confidential or which you know, or should reasonably know, we regard as confidential, including without limitation information concerning: (i) the Method of Operation, the Operations Manual, standards, specifications, systems, procedures, techniques, processes, practices; (ii) our supply relationships, inventory requirements and control procedures, customer data, and cost data; (iii) promotional and marketing methods and techniques, sales techniques and strategies, pricing, sales, profit performance or other results of operations of any franchise, including your Franchise, or group of franchises or our entire chain; (iv) financial information, accounts, customer lists, demographic data; (v) the results of customer surveys and promotional programs; and (vi) in general, manuals, business methods, trade secrets, specifications, procedures, information systems, know-how and knowledge about the Method of Operation, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Operations Manual or we expressly designate the information as confidential. Confidential Information does not include (x) information which you can demonstrate came to your attention independent of entering into this Agreement; and (y) information that we agree is, or has become, generally known in the public domain, except where public knowledge is the result of your wrongful disclosure (whether or not deliberate or inadvertent).

The Confidential Information shall include information in any form in which such information exists, whether oral, written, electronic, digital, or other form of media. You acknowledge and agree that our Method of Operation and all Confidential Information is and shall continue to be our sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with us. Nothing in this Agreement will give you or others any right, title, or interest whatsoever in or to them. The Confidential Information shall be considered our trade secrets and shall be entitled to all protections provided by applicable law to trade secrets.

You agree to exercise the highest degree of care in safeguarding Confidential Information against loss, theft, or other inadvertent disclosure. You agree to accord to the Confidential Information the same degree of care and use the same confidentiality protection practices as you exercise or employ with respect to your confidential or proprietary information. This includes obligating employees and consultants who receive Confidential Information to covenants of confidentiality and non-use.

You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by us. Disclosures to designated employees will be done on a "need to know" basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of our system. During the term of this Agreement and after it expires or is terminated, you will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

You will assure that all communications and media connections with us and with your customers and access to Confidential Information (especially financial information and especially bank account and credit card information) are at all times kept secure. This includes wireless, cable, internet, broadband or other communications and media connections. Your security measures must be in compliance with all legal requirements and, particularly, with all security requirements of the relevant banks and issuing credit card companies.

You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our Confidential Information.

The Operations Manual may contain guidelines to protect Confidential Information and trade secrets, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information. You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect Confidential Information, including the signing of a confidentiality agreement. You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and the Heaven's Best franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

5.13 **Conflicting or Competing Interests.** You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What constitutes proper operation will be in our sole reasonable discretion. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of carpet, flooring, and upholstery cleaning and related cleaning work (such as restoration and protection) or products or services of any kind (whether indoor or outdoor or commercial or residential) or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. We may waive this covenant only in writing.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of **2** years after expiration or termination of this Agreement do not:

- A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment;
- B. employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment; nor
- C. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Marks and Method of Operation

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than **5%** of the outstanding securities of the corporation.

You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential  
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information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

5.14 **Notice of Court Action and Complaints.** You will notify us in writing within **5** days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect your operation of or the financial condition of the Franchise.

You will promptly report to us any incidents involving personal injury to your customers or sustained related to the Franchise. You will submit to us promptly upon receipt copies of all customer complaints and notices and communications received from any person or government agency relating to alleged violations of applicable laws and you authorize that person or government agency to provide the same information directly to us upon our request. Additionally, you will promptly notify us of any written threat, or the actual commencement, of any action, suit or proceeding against you or involving the Franchise or your business assets which might adversely affect the operation or financial condition of the Franchise, and provide to us copies of all relevant documents.

## **6 RENEWAL, TERMINATION AND STEP-IN RIGHTS**

### **6.1 Renewal of Franchise.**

A. If you are not in breach, you may renew the Franchise for periods of **5** years under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement.

The renewed agreement will be evidenced by you signing the franchise agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the renewal franchise agreement forms within **30** days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then current franchise market penetration and demographic standards and requirements.

There is no renewal fee or reimbursement for any renewal of this Agreement.

You will refurbish or replace the Franchise equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing or replacement.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion and business judgment in good faith. If we refuse to renew, you must continue to perform under this Agreement until its

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expiration. We also may refuse to renew this Agreement if we make a good faith determination in our normal course of business that renewal of the franchise relationship is likely to be uneconomical to us or our franchise system despite any reasonable changes or additions to the agreements between the parties, which may be acceptable to you. We will not be obligated to renew this Agreement if we have determined in good faith to cease carrying on business your market area and if we have given you at least 180 days-notice of our intent not to renew and have otherwise complied with applicable law concerning the renewal of franchises.

Even though we decline the renewal of your Franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the franchise agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the franchise agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

C. **Continuation.** You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2 **Termination by You.** You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach. Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period.

### 6.3 **Termination by Us.**

A. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense.

If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

- i) You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf.
- ii) At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter your Franchise business offices and vehicles using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.
- iii) We may claim and recover damages from you for any material breach, including ongoing Royalty Fees, Advertising Fees, and other payments required by this Agreement. The Royalty Fees payable will be computed as an average of the Royalty Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Royalty Fees for less than six months, the average will be of the monthly Royalty Fees payable by you during the period of operation. The calculated Royalty Fees will be due for the balance of the term of this Agreement, or until we establish a new Heaven's Best



franchisee in the Territory and that new franchisee pays Royalty Fees for a month equal to or greater than the calculated monthly Royalty Fees due from you.

You agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

You further acknowledge and agree that we may limit or completely shut down your access to forms, software, web sites, Internet or Intranet, or limit your continued operation of the Franchise if you fail to make timely payment of Royalty Fees, Advertising Fees, or other fees or otherwise breach this Agreement.

B. You agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees):]

- i) Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchise or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:
  - a. timely undertake to reaffirm the obligations under this Agreement;
  - b. timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and
  - c. timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code;

provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchise, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

- ii) Fail to operate the Franchise continuously and actively for **5** consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise operation.
- iii) Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more **30**-day or **5**-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above or this Subsection (B), whether or not you had corrected your earlier failures to comply after we delivered notice to you.
- iv) On more than two occasions fail to report monthly sales and revenue on time or distort other material information.
- v) Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and

are a competitor of ours or a competitor of an affiliate of ours, we may keep your entire initial franchise fee, cancel training and terminate this Agreement.

- vi) Allow the Franchise or its assets to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for **30** days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within **5** days of the levy.
- vii) Are convicted of a felony or a sex crime, are required to register as a sex offender, have been convicted of a crime of moral turpitude, are on probation or parole, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
- viii) Within a period of **10** days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.
- ix) Fail to pay any Royalty Fee, Advertising Fee, or other amounts owed pursuant to this Agreement or the Promissory Note within **5** days after receipt of written notice that the fees or amounts are overdue.
- x) Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- xi) Do not keep Confidential Information related to the Franchise confidential except to employees or persons authorized to know.
- xii) Fail to obtain agreements from your employees to keep confidential any Confidential Information.
- xiii) Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

**6.4 Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any mediation, action, arbitration, hearing or dispute relating to this Agreement or the termination of it.

**6.5 You Will Discontinue Use of Marks, Operations Manual, and Method of Operation on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

A. Immediately cease using the Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

B. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

C. Relinquish any right or claim of right to the Approved Numbers or any telephone numbers and directory listings and Internet addresses, domain names and locators used in the franchise to us or our

designated franchisees. If necessary, you will authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee and notify them of the termination of your right to use the Franchise names and Marks. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

D. Make reasonable modifications to any retained business to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to removal of vehicle wraps and other reasonable alterations to eliminate any possibility of confusion between the Franchise and any other Heaven's Best business.

E. Pay to us within **seven** days all Royalty Fees, Advertising Fees, and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

Termination or expiration of this Agreement will not prejudice to any other rights or remedies that we have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages, including lost revenue for the duration of the term of this Agreement.

F. Abide by all provisions of the restriction upon communication of Confidential Information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all of our Confidential Information you have received, including any items that embody the Confidential Information. You acknowledge that you have no continuing ownership interest in the Confidential Information.

G. At our option, do some or all of the following:

1. Remove all Franchise-related equipment and inventory from the Franchise;
2. Sell the equipment and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a **10%** restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;
3. Assign to us ownership and control of any web site you own or control;
4. Sell to us the Franchise equipment and assets. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within **5** business days after termination of this Agreement. If not, a fair value and fair terms will be determined in the county in which our headquarters is then located (currently Rexburg, Idaho), by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may purchase the Franchise equipment and assets at the price and upon the terms determined by the appraisers.

H. Upon termination for any reason, you will return to us all proprietary and confidential materials, including client lists, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, clients lists and account information, and the like as described in **26 - HEAVEN'S BEST FRANCHISE AGREEMENT**

the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises and vehicles without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them.

You agree that upon termination or expiration of this Agreement for any reason, any and all of our obligations to you under this Agreement will immediately cease and terminate and any and all of your rights under this Agreement will also immediately cease and terminate.

6.6 **We May Assign Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Heaven's Best businesses within the Franchise Territory.

6.7 **Our Step-In Rights.** The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe reasonable, necessary and practical ("Step-In Rights"). We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have exhibited the inability to pay or consistent failure to pay when due any material equipment lease payments, suppliers, or inventory payments, taxes or assessments against the Franchise or property used in the Franchise, or any liens or encumbrances placed upon or against your business property; your business activities are having a significant negative impact upon the value of our franchise system or there are significant operational problems that cannot be simply rectified by short-term training and support. 30 days after exercising our step-in rights, we will re-evaluate your then-current status. At our reasonable discretion, we will either operate the Franchise for an additional 30-day period or turn the Franchise back over to you. In turning the Franchise back over to you, we do not waive our rights to step back in the future.

All Gross Sales from our operation of the Franchise will be for your exclusive account. We will pay from that Gross Sales all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative and travel costs. In addition, we will have the option, but not the obligation, to pay on your behalf any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all sales and revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, or to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment relationship or agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits remains your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all of your acts, omissions, damages, or liabilities arising during our operation of the Franchise.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

6.8 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement.** This covenant will apply for **720** days after termination, expiration or transfer of this Agreement. In express

consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of carpet, flooring, and/or upholstery cleaning and related products or services of any kind (whether indoor or outdoor or commercial or residential) or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise Territory, and within any territory or market area where we operate or have granted the franchise to operate a Heaven's Best business.

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees. You agree that because you are the owner of the Franchise that you are not just an employee or manager, but in fact the covenants contained in this Agreement are the result of arm's length negotiations by you as a business owner and entrepreneur which materially affected the price you paid for the Franchise and the other terms of this Agreement.

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

## **7        TRANSFER**

### **7.1      Sale or Assignment.**

A.        Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We will not be obligated to consent to any transfer before the date the Franchise opens for business. We will not be obligated to consent to any transfer to a competitor to the Heaven's Best system.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

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You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions which we must approve before the effective date of a transfer:

- i) The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.
- ii) You will pay all ascertained or liquidated debts concerning the Franchise.
- iii) You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.
- iv) The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.
- v) Pay to us the then-current Transfer Fee to reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee is currently **\$500**.
- vi) You will pay us a **10%** commission on the gross transfer price, if we obtain the transferee for you.
- vii) The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.
- viii) The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.
- ix) If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release, any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sale and performance of this Agreement or any other agreement between the parties.
- x) If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement or the Promissory Note.
- xi) You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.
- xii) The transferee will refurbish or replace Franchise equipment and vehicles to conform to the current Operations Manual and Method of Operation within 90 days of transfer.
- xiii) Upon our granting of approval for the transfer, you will:

- a. ensure that the transfer is effected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation;
  - b. deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Marks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.
- xiv) We have the right, but not the obligation and without any liability to you, to make available for inspection by any proposed transferee identified by you of all or any part of this Agreement and of our records related to our relationship with you and to your activities and performance under this Agreement. You specifically consent to such disclosure and agree to hold us harmless from any claim, loss or injury that might result from inspection of our records by your intended transferees.

B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable as a named principle party in all respects under this Agreement. (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives will act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.)

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

C. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buy out or other economic or financial restructuring. As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Marks.

D. You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering,

including, legal and accounting fees. You will give us at least **60** days written notice before the effective date of any offering or other transaction covered by this subsection.

E. You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.

F. Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

G. You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

## 7.2 **Your Death or Disability.**

A. Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50%** or more of you if you are a limited liability company or corporation or other entity. Within **180** days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

- i) Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment," above (except that no transfer fee will be required). Or,
- ii) Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.
- iii) If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in the county in which our headquarters is then located (currently Rexburg, Idaho), by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise but not the related values of our franchise system or of us or of any entity affiliated with us. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

B. If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.3 **First Right of Purchase.** You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell  
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or transfer any interest in you or in your franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within **30** days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third party purchaser on better terms in favor of the purchaser than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal". You are obligated before any transfer to a third party to comply with all criteria set forth in the subsection[s] entitled "Sale or Assignment" and "First Right of Refusal." If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or 120 equal monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

We may assign our rights under this Section to any other person or entity.

**7.4 First Right of Refusal.** If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer will be divided by the percentage interest subject to the offer and the resulting quotient will be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest will be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price or on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within **6** months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

We may assign our rights under this Section to any other person or entity.

## **8 INDEMNITY AND INSURANCE**

**8.1 Indemnity.** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless will be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless will be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

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You will indemnify us for any loss, cost or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the Franchise.

This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise. Any loss, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in the Franchise, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 **Insurance.** Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate general liability, products liability, automobile liability, employe practice liability, and business interruption insurance. This insurance will be in an amount sufficient to replace the Franchise equipment, files and records and your personal property upon loss or damage. This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

A. Comprehensive general liability insurance, including products liability, completed operations, property damage, contractual liability, independent contractors liability, and personal & advertising injury coverage in a form we approve, with a limit of at least **\$1,000,000** per occurrence and general aggregate of **\$2,000,000** and products liability aggregate of **\$2,000,000** and must include damage to rented premises (\$50,000) and medical expense (\$5,000) coverage. We recommend optional umbrella or excess liability coverage. Products liability, auto liability, and employer's liability coverages must be scheduled as underlying coverages.

B. Workers' compensation and employer's liability insurance in the amount of **\$1,000,000**, regardless of state law requirements, and other insurance required by statute or rule of the state in which the franchise is located and operated, such as short-term disability coverage and stop gap coverage where the state provides workers' compensation and does not offer employer's liability coverage. You cannot exclude owner operators.

C. Business interruption and lost profit insurance in the amount of **\$10,000** per month with a limit of at least 6 months coverage or actual loss sustained (ALS) coverage for 12 months.

D. Employment practice liability insurance with coverage limits of at least **\$250,000** per claim and **\$250,000** aggregate, with a maximum policy deductible of **\$25,000** and including Wage & hour and 3rd Party liability.

E. Automobile liability insurance with a **\$1,000,000** combined single limit, including uninsured/underinsured motorist and any auto & owned auto for fleet locations or owned, non-owned,

leased and hired vehicle coverage and comprehensive and collision coverage with a maximum \$1,000 deductible.

F. Business service bond in the amount of **\$50,000**.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your generally liability and automobile liability policies of insurance must contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon **20** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

Your generally liability, automobile liability, and workers' compensation policies of insurance be primary & non-contributory and contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured.

Your insurance carriers must be A-9 or similarly rated. We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice, changes in laws or standards of liability, and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Franchise or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of the Heaven's Best system. This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

## **9 NOTICE AND MISCELLANEOUS**

9.1 **Notices.** All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or  
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other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within **3** business days after transmission). Notices will be delivered to you at your Franchise business address, to us at our headquarters or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location. Notices sent by certified or registered mail will be deemed to have been delivered and received **3** business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received **one** business day after placement requesting delivery on the most expedited basis available. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

9.2 **Business Name.** You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Marks and the name "Heaven's Best."

9.3 **We and You Are Not Joint Venturers, Partners, or Agents.** You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on Franchise vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. All employees and independent sub-contractors you employ must meet our character, quality and performance standards. All state and federal, workers compensation and insurance requirements must be met for all employees and sub-contractors, including requirements we express in the Operations Manual.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the "Guarantors," if any.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement. Unless otherwise expressly provided to the contrary, our consent, acceptance, approval or authorization you may be required to obtain may be given or withheld by us in our sole discretion, and on any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or circumstance meets our standards or satisfaction, we may do so in our sole subjective judgment and discretion

9.5 **Time Is of the Essence.** Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents.** You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our President as your attorney-in-fact to so execute that document in your name and on your behalf.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us; will not attempt to divert customers to competing businesses; will not induce the employees of us or of our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement.

#### 9.7 **Construction.**

A. **Entire Agreement.** This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in this Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president at our headquarters by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

Nothing in this Agreement or any related agreement is intended to disclaim the representations we made to you in our franchise disclosure document.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. All references in this Agreement to "Section" or "Sections" without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words *include* or *including* are used in this Agreement, they will be deemed to be followed by the words *without limitation*.

This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

The content and expressed intent and exhibits of our franchise disclosure document(s) previously delivered to you.

The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

Neither this Agreement nor any uncertainty or ambiguity will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all the parties. We and you intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement.

D. Severability. If any part of this Agreement is declared invalid that declaration will not affect the validity of the remaining portion which will remain in full force and affect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

E. Implied Covenants. If this Agreement or applicable law implies a covenant of reasonableness, good faith or fair dealing, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If this Agreement or applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;
2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Heaven's Best

businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;

3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is exercised in bad faith toward you; and

4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

F. **Joint and Several.** If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity.

9.8 **Enforcement.** From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

A. **Mediation.** If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the mediation procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial franchise business disputes. The parties agree to equally share the costs of mediation.

B. **Arbitration.** If the parties are unable to resolve a dispute by mediation as provided above, then any and all disputes, claims or matters involving you (or your current or former officers, directors, shareholders, members, partners or other owners) and us (or our current or former officers, directors, shareholders, members, partners or other owners ) are subject to binding arbitration except for disputes, claims or matters based on the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq.*), collection of delinquent payments, or the seeking of provisional remedies or injunctive relief as described below . Examples of disputes, claims or matters subject to this provision are those related to:

- i) this Agreement (including its execution, delivery, existence, interpretation, construction, legality, validity, binding effect, enforceability, discharge, performance, non-performance or breach by the parties and including a claim that this Agreement, or any portion of it, is indefinite, invalid, illegal, or otherwise void, voidable or unenforceable);
- ii) issues relating to the offer or sale of the franchise; and
- iii) issues relating to the franchise relationship or its expiration, non-renewal, and termination.

Arbitration will be before an arbitrator selected by and mutually agreed upon by the parties under the process and rules of the American Arbitration Association or its successor. The arbitrator will be required to have at least five years of experience in franchise law. The arbitrator will have power and jurisdiction to decide the controversy or dispute solely according to the express provisions of this Agreement. The arbitrator may not alter, amend, delete, or add to the provisions of this Agreement by implication or otherwise. In any arbitration the parties will be entitled to injunctive relief or specific performance of the obligations of the other. The arbitrator will determine the prevailing party for purposes of this Section and may make a percentage award of reimbursable fees and expenses. The decision of the arbitrator made within its power or jurisdiction will be final and binding. The decision may be entered as a judgment in any court of law having jurisdiction.

The provisions of this Section will be construed as independent of any other covenant or provision of this Agreement; provided that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any provision of this Agreement relating to the laws under which this Agreement will be governed by and construed under, all issues relating to its appropriateness for arbitration or the enforcement of the agreement to arbitrate contained in this Agreement will be governed by the Federal  
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Arbitration Act (9 U.S.C. §\_1 et seq.) and the federal common law of arbitration. The provisions of this Section will not limit your or our right to seek and obtain any provisional or final remedy as outlined in the “Injunctive Relief and Specific Performance” Section, below, to protect against actual or threatened conduct that on balance would cause or be likely to cause loss or damage if allowed to continue pending completion of an arbitration proceeding.

This arbitration provision is self-executing, and in the event that any party fails without good cause (i) to appear at any properly noticed arbitration proceeding or (ii) to make payment in full of its share of the required arbitration fees and costs within 10 days after notice and demand, absent a previously issued court order to the contrary, then a final award may be entered against such party notwithstanding the failure to appear or to make the required payment.

Regardless of the commercial dispute process and the rules of the American Arbitration Association, there will be no arbitration on a class or consolidated basis.

B. Injunctive Relief and Specific Performance. Anything to in this Agreement to the contrary notwithstanding, either party may obtain in any court of competent jurisdiction any form of specific performance or interim or injunctive relief, such as requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo or to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. Governing Law and Venue. You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Nevada. This Agreement and the relationship between the parties will be interpreted under the laws of the State of Nevada. Any dispute between you (or your current or former officers, directors, shareholders, members, partners or other owners) and us (or our current or former officers, directors, shareholders, members, partners or other owners), whether arising under this Agreement or from any other aspect of the parties’ relationship, will be governed by and determined in accordance with the substantive laws of the State of Nevada, without regard to Nevada choice of law provisions. Provided, however, that any law of the State of Nevada that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Nevada laws will prevail in the event of any conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any Nevada franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Nevada or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Nevada, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your current or former officers, directors, shareholders, members, partners or other owners) and us (or our current or former officers, directors, shareholders, members, partners or other owners), the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently Rexburg, Idaho),

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which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of the Heaven's Best franchise system.

D. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

We will not be liable to you for any expenses, losses or damages sustained by you as a result of any modifications to the Method of Operation contemplated by this Agreement. You covenant not to commence or join in any arbitration or litigation or other proceeding against us or any third party complaining of any modifications or seeking expenses, losses or damages caused thereby. You expressly waive any claims, demands or damages arising from or related to the foregoing including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

Our and your rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude exercise or enforcement of any other right or remedy which a party to this Agreement is entitled by law to enforce.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If any such event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those

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circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

**Limitations:** Any arbitration or judicial proceeding between two or more of the parties will be governed by the following limitations:

1. Such judicial proceeding will be considered unique as to its facts and may not be brought as a class action or on a consolidated basis. You and each of your owners waive any right to proceed against us by way of class action. The court will not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other judicial or arbitration proceeding involving any other franchisee. Each party waives the right to claim that a prior disposition of the same or similar issues preclude such independent determination.

2. The parties agree that any judicial proceeding will be tried before the court sitting without a jury, notwithstanding any state or federal constitutional or statutory rights. Each party waives any right to have any action tried by jury.

3. Except with respect to obligations regarding use of the Marks, the Operations Manual and Confidential Information, the parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained.

E. **Attorneys Fees.** The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding as determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues.

9.9 **Other Agreements.** If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you [and we] enter into a release, such as for a transfer, renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your current and former owners, members, partners, officers, and directors) [and we will] agree to the following [mutual] general release, subject to and following laws applicable in your jurisdiction, to release [you from any claims we may have against you and] us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you [and we will] release and discharge us [the other] and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the Franchise (“your Prior Franchise Agreement”).

You [and we will] release and forever discharge us [the other] and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims [against us], known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims [against us], other than these expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate] [and relating in any way to your prior franchise agreement, any transfer agreement, or our acts prior to the execution of this release.]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You [and we] will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction, recognizing that while there may be new or different facts of which we are unaware at the time that this release is executed, we have nevertheless weighed the advantages and disadvantages of entering into this Release, and while we may be unaware of relevant facts, we are also aware that not every eventuality or condition can be anticipated and that we prefer the current certainty of this Release to the possibility of discovering new or different facts in the future

9.10 **Agreement Binding on Successors and Assigns.** This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 **Execution in Counterparts and Our Acceptance.** This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within **60** days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile or digital transmission will constitute effective and binding execution and delivery of this Agreement.

9.12 **Approval by Shareholders, Members or Partners.** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

The following applies both to this Agreement and to any other franchise agreement between you and us:

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") will be subject to the following provisions which will supersede any contrary provisions in that agreement:

- i) Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Agreement.
- ii) The term "operations and management" includes, but is not limited to, questions relating to:
  - a. Allocations of management responsibilities between the Owners;
  - b. Contributions to capital for purposes of business operations, repairs and remodeling;
  - c. The reasonable salaries of the Owners;
  - d. Marketing efforts;
  - e. The termination of the employment of an Owner;
  - f. Procedures for making and implementing management decisions;
  - g. Whether an Owner has performed duties with respect to the operation or management of the franchise business.
- iii) Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to:
  - a. Allocations, computations or distributions of profit or loss;
  - b. Accounting issues;
  - c. Elections of officers of the entity
  - d. Investments of cash not necessary for the operation of the business;

- e. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
  - f. The fair market value of the Owners' interests in the entity;
  - g. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under 2, above;
  - h. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
  - i. Matters relating to the winding up of the entity after a dissolution;
  - j. Matters relating to the legal validity of the Owners Agreement.
- iv) The Owner or Owners who are to be responsible for operation of the Franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.
  - v) The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.
  - vi) Application of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

9.13 **Personal Guarantee.** If designated as such, the undersigned "Guarantors" are all of your partners, members, shareholders or owners. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties. Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement. A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor.

The Guarantors agree that it will not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations. This guaranty will not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

9.14 **Representations and Acknowledgements.**

A. **Receipt of Disclosure Documents.** You acknowledge that you have received our "Franchise Disclosure Document" at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

- i) receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

- ii) if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement.

B. **You Have Read and Understand this Agreement.** You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

C. **Varying Forms of Agreement.** You are aware that some present and future Heaven's Best franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. **Speculative Success.** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

E. **Independent Investigation, No Projections or Representations.** You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize.

Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. **No Review of Business Plans, Loan Applications.** Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

G. **Your Location and Market Area.** You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and applicable regulations. You agree and represent that that market area is reasonable, the Franchise Territory will be suitable for the operation of a Heaven's Best franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a Heaven's Best franchise.

H. **Health and Full-Time Participation.** You acknowledge that a Heaven's Best business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day to day operations of your Franchise or that you have the business management skills necessary to successfully hire a general manager to run the day to day operations of your Franchise.

I. **Terrorism, Convictions, Immigration Status.** You represent and warrant to us, unconditionally and without reservation, that:

- i) Neither you, nor your spouse, nor your children, nor your parents, nor any employee or prospective employee of the Franchise, nor anyone who has an interest in or who will manage the Franchise, nor any of your partners or affiliates:
  - a. supports terrorism, provides money or financial services to terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq, or Executive Order 13224 issued by the President of the United States of America;
  - b. obtains money or financial services from terrorists or institutions that support terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. or Executive Order 13224 issued by the President of the United States of America;
  - c. is engaged in terrorism, or in any activity, organization or plan with or of any person or organization, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. or Executive Order 13224 issued by the President of the United States of America;
  - d. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900, et seq. or Executive Order 13224 issued by the President of the United States of America.
- iii) Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.
- iv) Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.
- v) You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise

business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers and managers), nor any of your affiliates, or any funding source for your franchise, are identified on the list at the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

You understand and have been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at: [www.justice.gov/criminal-fraud/foreign-corrupt-practices-act](http://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act)), any local foreign corrupt practices laws and the Patriot Act (currently located at: [www.justice.gov/archive/ll/highlights.htm](http://www.justice.gov/archive/ll/highlights.htm)), and you acknowledge the importance to us, the Method of Operation and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to us or any government, that is made part of any applicable law or regulation. You will take all reasonable steps to require your consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

J. **We May Investigate.** We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **Supplier Approval.** You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify. You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise.

L. **Operations Manual.** You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

M. **Data Protection Laws; Personal Information.** You will: (i) comply with all applicable data protection laws; (ii) comply with all of our requirements regarding the data protection laws contained in the Operations Manual or otherwise; (iii) refrain from any action or inaction that could cause us or our affiliates to breach any applicable data protection law; (iv) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep us and our affiliates in compliance with any applicable data protection law; (v) reimburse us and our affiliates for any and all costs incurred in connection with your breach of any data protection laws; and (vi) permit us and our affiliates to use any data or other information each of them gathers concerning you in connection with the establishment and operation of franchised and company owned locations by us or our affiliates.

Without limiting the foregoing, you consent to the disclosure by us of certain personal information concerning you and the Franchise, namely your identity, including your name, address and telephone

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number, in our franchise disclosure documents, whether or not such disclosure is required by law, and in our other documents relating to the sale of franchises.

Further, you consent to the additional disclosure by us of certain personal information concerning you, the Franchise, including historical performance of the Franchise, sales, revenues, expenses, costs, results of operations, and similar financial information and operating information, and any information regarding the expiration or termination of this Agreement, to a prospective transferee of your Franchise or any other purchaser of any other franchise from us.

N. **State Law Addendum.** Attached as an exhibit to this Agreement and incorporated by reference, as applicable, are additional terms and conditions applicable to franchisees and their principals based in certain states within the United States of America (the "State Law Addendum"). Each provision of the State Law Addendum will be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the State Law Addendum. If the State Law Addendum is deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments other than the applicable State Law Addenda), the terms of the State Law Addendum will control.

O. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES.** WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

**[Signature Page Immediately Follows]**

10 **SIGNATURES**. IN WITNESS, the parties have executed this Agreement on the day and year first above written.

("we/us"): **HB FRANCHISES, LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(jointly and severally "you"):

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER, DIRECTOR OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT MUST BE SIGNED BY ALL OWNERS OF THE COMPANY AS INDIVIDUALS.**

**EXHIBIT 1– FRANCHISE TERRITORY**

The Franchise Territory is defined as: \_\_\_\_\_.

("we/us"): **HB FRANCHISES, LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(jointly and severally "you"):

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 2– FRANCHISE OWNER INFORMATION**  
**Effective Date: This Exhibit 2 is current and complete**  
**as of \_\_\_\_\_**

**FRANCHISEE and Its Owners**

1. **Form of FRANCHISEE.** [Check (a), (b) or (c).]

(a) **Proprietorship.** The Owner(s) of FRANCHISEE (is) (are) as follows:

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

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

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

(c) **Trust.** FRANCHISEE is a revocable trust formed under the laws of the State of \_\_\_\_\_ on \_\_\_\_\_, \_\_\_\_\_. The grantor, trustee and primary income beneficiary of FRANCHISEE is \_\_\_\_\_, a resident of the State of \_\_\_\_\_. The governing trust instrument of FRANCHISEE consists of a trust agreement dated \_\_\_\_\_, \_\_\_\_\_ and the following amendments, if any:

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

The trustee has full power and authority to bind the trust estate and to execute, deliver and perform, or cause the execution, delivery and performance, of all of FRANCHISEE's obligations. In the event of the trustee's resignation, death or inability to act, the following are named to act as successor trustee, in this order:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

Please include current and contingent beneficiaries under the trust, and their respective interests therein:

Current beneficiaries:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

Contingent beneficiaries:

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

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

<u>Owner's Name and Address</u>	<u>Description and Percentage of Interest</u>
_____	_____
_____	_____
_____	_____

3. **Signatures.**

("we/us"): **HB FRANCHISES, LLC**

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

(jointly and severally "you"):

By: \_\_\_\_\_  
 \_\_\_\_\_, an individual

By: \_\_\_\_\_  
 Print Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

**EXHIBIT 3- INITIAL FRANCHISE FEE PROMISSORY NOTE**

**\$9,975**

[DATE]  
Rexburg, Idaho

FOR VALUE RECEIVED, \_\_\_\_\_, an individual, and \_\_\_\_\_, a \_\_\_\_\_ company (jointly and severally "Maker") promise to pay to the order of **HB FRANCHISES, LLC**, a Nevada limited liability company, the principal sum of **\$9,975** in lawful money of the United States. Interest shall be paid on the principal amount at the rate of **5 percent** per annum, compounded monthly, from the date of this note until paid. Principal and interest shall be paid in **120** monthly installments of not less than \$ \_\_\_\_\_ on or before the 5<sup>th</sup> day of each month commencing [DATE] until the entire principle balance and accrued interest has been paid. Unpaid principal and accrued interest may be prepaid in whole or in part at any time without premium or penalty. The entire principal balance and any accrued interest must be paid in full on or before [DATE].

If Maker fails to pay principal or interest under this note when due, then the holder of this note may declare the principal of this note together with all interest accrued to be immediately due and payable.

If any payment due pursuant to this note is not made when due, then at the option of the holder of this note the entire indebtedness represented by this note, upon **five** days written notice to the undersigned, shall immediately become due and payable and thereafter shall bear interest at the rate of **five** percent per annum above the then-effective prime rate of Bank of America or **18%** per annum, whichever is higher, provided such interest rate shall not exceed the maximum rate permitted by law. Failure or delay of the holder to exercise this option shall not constitute a waiver of the right to exercise the option in the event of subsequent default or in the event of continuance of any existing default after demand for the performance of the terms of this note.

The undersigned shall pay upon demand any and all expenses, including reasonable attorney fees, incurred or paid by the holder of this note without suit or action in attempting to collect funds due under this note. In the event an action is instituted for the collection of this note, the prevailing party shall be entitled to recover, at trial, arbitration, or on appeal, such sums as the court may adjudge reasonable as attorney fees, in addition to costs and necessary disbursements.

The undersigned and their successors and assigns hereby waive presentment for payment, notice of dishonor, protest, notice of protest, and diligence in collection, and consent that the time of payment on any part of this note may be extended by the holder without otherwise modifying, altering, releasing, affecting, or limiting their liability.

\_\_\_\_\_, an individual, and \_\_\_\_\_, a \_\_\_\_\_ company  
(jointly and severally "Maker")

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## OWNER'S GUARANTY

THIS OWNER'S GUARANTY ("Guaranty") is made as of \_\_\_\_\_, by \_\_\_\_\_ (each and if more than one, "Guarantor"), who have an interest in \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee") in connection with that certain **HEAVEN'S BEST** Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (the "Franchise Agreement") between Franchisee and **HB FRANCHISES, LLC**, a Nevada company ("Franchisor"). This Guaranty is hereby incorporated in and made a part of the Franchise Agreement and shall be annexed thereto. All terms not defined herein shall have the meaning provided in the Franchise Agreement.

1. Acknowledgments. Guarantor acknowledges and agrees that Franchisor has entered into the Franchise Agreement with Franchisee solely on the condition that, and each Guarantor hereby agrees that, each Guarantor is personally obligated and jointly and severally liable with Franchisee (and with each other Guarantor) for the performance of each and every obligation, agreement, undertaking, covenant, liability and debt of Franchisee and the Guarantors, whether direct or indirect, absolute or contingent, now existing or hereafter arising (collectively, the "Obligations") under the Franchise Agreement, any exhibits, any amendments or modifications to the Franchise Agreement, any extensions of the Franchise Agreement, and under each and every agreement related thereto that has been or hereafter may be entered into by Franchisee with Franchisor (all such agreements are collectively referred to herein as the "Franchise Agreements").

2. Guaranty. In consideration of Franchisor's granting of a franchise, and as an inducement to Franchisor to grant a franchise, to Franchisee, Guarantor hereby personally, unconditionally, absolutely and irrevocably guarantees to Franchisor and its successors and assigns the prompt payment in full in cash and the prompt performance in full of the Obligations.

3. Representations, Warranties and Agreements.

Guarantor expressly agrees that the liability of the Guarantor for the payment and performance of the Obligations guaranteed hereby shall be primary and not secondary.

Guarantor represents and warrants to Franchisor that all equity interests in the Franchisee are held of record and beneficially by Guarantor;

Guarantor agrees to promptly notify Franchisor of any change in the ownership of any equity interests in Franchisee;

Guarantor agrees to be personally bound by, and personally liable for the breach of each and every provision in the Franchise Agreement and each and every provision in the other Franchise Agreements, as if Guarantor was the Franchisee thereunder; and

Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

4. Waivers by Guarantor. Guarantor hereby waives:

acceptance and notice of acceptance by Franchisee of the foregoing guaranties;

notice of demand for payment of any indebtedness or nonperformance by Franchisee of any obligations guaranteed by Guarantor;

protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations of Franchisee guaranteed by Guarantor;

any right Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability;

any right Guarantor may have to assert the bankruptcy or insolvency of Franchisee or any other person as a defense hereunder or as the basis for rescission hereof and any defense arising because of Franchisor's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code;

any defense based on an election of remedies by Franchisor which destroys or otherwise impairs the subrogation rights of Guarantor, the right of Guarantor to proceed against Franchisee or another person for reimbursement or both;

any and all other notices and legal or equitable defenses to which Guarantor may be entitled to the extent such notices and defenses may be waived pursuant to applicable law; and

if Guarantor is a resident of California, in accordance with Section 2856 of the California Civil Code, Guarantor waives any and all rights and defenses available to Guarantor by reason of Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code.

5. Further Agreements and Understandings. Guarantor hereby consents and agrees that:

Guarantor's direct and immediate liability under this Guaranty is joint and several with Franchisee and each other Guarantor;

Guarantor agrees to render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

Guarantor's liability hereunder is not contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person;

this Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to the Franchise Agreement or any Franchise Agreements and notwithstanding the transfer of any interest in the Franchise Agreement or Franchisee, and Guarantor waives notice of any and all such extensions, modifications, amendments, or transfers;

Guarantor's liability hereunder is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence, or any waiver which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims (including the release of other Guarantors), or the taking of any action by Franchisor which may have the effect of increasing the obligations of Guarantor, none of which in any way modifies or amends this Guaranty, which will be absolute, unconditional, continuing and irrevocable during the term of the Franchise Agreements and so long as any performance is or may be owed under any of the Franchise Agreements by Franchisee or its Guarantors and so long as Franchisor may have any cause of action against Franchisee or its Guarantors;

Guarantor agrees that no invalidity, irregularity or unenforceability of the Obligations or invalidity, irregularity, unenforceability or non-perfection of any collateral therefor, will affect, impair or be a defense to this Guaranty, which is a primary obligation of Guarantor;

Guarantor expressly waives any claim or other right which Guarantor (or any of them) may now have or hereafter acquire against Franchisee, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification or any right to participate in any claim or remedy of Franchisor against Franchisee, whether or not such claim, right or remedy arises in equity or under contract, statute or common law;



The obligations of Guarantor under this Guaranty will not be altered, limited or affected by any proceeding, voluntary or involuntary, involving the bankruptcy, reorganization, insolvency, receivership or liquidation of Franchisee or any affiliate, or by any defense which Guarantor may have by reason of any order, decree or decision of any court or administrative body resulting from any such proceeding; and

Guarantor agrees that this Guaranty and the obligations of Guarantor hereunder will continue to be effective or automatically reinstated, as the case may be, if and to the extent that for any reason any payment by or on behalf of Guarantor in respect of the Obligations is rescinded or otherwise restored to the Guarantor or Franchisee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as if such payment had not been made, and Guarantor agrees to indemnify Franchisor on demand for all costs and expenses (including fees of counsel) incurred by Franchisor in connection with any such rescission or restoration.

Guarantor represents to Franchisor that each Guarantor has had the opportunity to review the matters discussed and contemplated by the Franchise Agreement and any Franchise Agreements, including the remedies Franchisor may pursue against Franchisee in the event of a default under the Franchise Agreement and any Franchise Agreements and Franchisee's financial condition and ability to perform under the Franchise Agreement and any Franchise Agreements. Guarantors further agree to keep themselves fully informed on all aspects of Franchisee's financial condition and the performance of Franchisee's obligations to Franchisor and that Franchisor has no duty to disclose to Guarantors any information pertaining to Franchisee. If provided in the Franchise Agreement and any Franchise Agreements, Guarantors agree that their bankruptcy, insolvency and other actions set forth therein may be events of default under the Franchise Agreement and any Franchise Agreements.

Each of the Guarantors agrees to be personally bound by any and all non-competition provisions under Section 13 of the Franchise Agreement and the provisions relating to intellectual property and Confidential Information under Sections 8, 10 and 12 of the Franchise Agreement.

The prevailing party in any dispute resulting in arbitration, litigation or other proceedings between Guarantors and Franchisor shall be entitled to its costs and expenses for such proceedings, including reasonable attorneys' fees and costs.

Guarantors agree to take all actions necessary to enable Franchisee to observe and perform, and to refrain from taking any action which would prevent Franchisee from performing the Obligations.

Franchisor may assign this Guaranty with the Franchise Agreement or one or more of the Franchise Agreements, without in any way affecting Guarantors' liability under it or them. This Guaranty shall inure to the benefit of Franchisor and its successors and assigns and shall bind Guarantors and their respective heirs, executors, administrators, successors and assigns.

In the event of the death of any or all of the Guarantors hereunder, the obligation of Guarantors under this Guaranty shall continue in full force and effect against said deceased Guarantor's estate as to all of such obligations which shall have been created or incurred by Franchisee prior to the time when Franchisor shall have received written notice of such death.

Guarantors shall hold harmless, defend, protect and indemnify Franchisor from any actions, causes of action, liabilities, damages, losses and fees (including attorneys' fees and costs) and all other claims of every nature which may arise as a result of any dispute between or among Guarantors and any other persons or entities.

All notices, requests and demands to be made hereunder shall be in writing at the address set forth below by any of the following means: (i) personal service (including service by overnight courier service); (ii) electronic communication, whether by email or other means (if confirmed in writing sent by personal service or by registered or certified, first class mail, return receipt requested); or (iii) shall be deemed received five (5) days following deposit in the mail.

Guarantor acknowledges and agrees that Guarantor has had adequate opportunity to have this Guaranty reviewed by counsel of its own choosing and that Guarantor has not relied on Franchisor or any of its counsel in any respect.

GUARANTOR HEREBY WAIVES THE RIGHT TO TRIAL BY JURY.

This is a continuing Guaranty and all obligations to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. In the event that, notwithstanding the provisions of this paragraph, this Guaranty shall be deemed revocable in accordance with applicable law, then any such revocation shall become effective only upon receipt by Franchisor of written notice of revocation signed by Guarantor. To the extent permitted by applicable law, no revocation or termination hereof shall affect, in any manner, rights arising under this Guaranty with respect to Obligations arising prior to receipt by Franchisor of written notice of such revocation or termination.

No terms or provisions of this Guaranty may be changed, waived, revoked or amended without Franchisor's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective.

This Guaranty shall be enforced and interpreted according to the laws of the State of Nevada, irrespective of its conflicts of laws rules.

IN WITNESS WHEREOF, each Guarantor hereby executes this Guaranty on the day and year first above written.

GUARANTORS:

\_\_\_\_\_

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

Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Franchise Disclosure Document Exhibit C**

**PHONE NUMBER ACKNOWLEDGMENT AND ASSIGNMENT**

\_\_\_\_\_ ("you") operate your franchise business in \_\_\_\_\_.  
You acknowledge and agree that **HB FRANCHISES, LLC**, a Nevada limited liability company ("we/us") owns and controls the following telephone number(s): \_\_\_\_\_ (the "Franchise Telephone Number(s)"). The Franchise Telephone Number(s) relate to the **HEAVEN'S BEST** franchise agreement between us and you dated \_\_\_\_\_.

In consideration of the granting of a franchise to you and other valuable consideration given by you, you assign to us all right, title, and interest in and to the Franchise Telephone Numbers and any other telephone numbers and listings you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your agreement with the telephone company concerning the telephone numbers and telephone listings with the full force and effect as if we had been originally issued the telephone numbers and telephone listings.

DATED this \_\_\_\_\_.

("we/us"): **HB FRANCHISES, LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(jointly and severally "you"):

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Franchise Disclosure Document Exhibit D

**AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER**

**HB FRANCHISES, LLC**  
247 N 1<sup>st</sup> E, Rexburg, Idaho 83440  
(208)359-1106

I (we) hereby authorize HB FRANCHISES, LLC (the "Company") to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) monthly Royalty, Advertising Fees, and other fees owed by me (us) to the Company on or near the 5<sup>th</sup> day of each month. This Authorization will remain in full force and effect until Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: \_\_\_\_\_

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

Routing Number: \_\_\_\_\_

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

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

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

I further certify that I have received a copy of the Authorization for my files.

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

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

HEAVEN'S BEST Franchise Territory: \_\_\_\_\_

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

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

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

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

**Please attach a voided blank check for verification purposes.**

**[VOIDED CHECK]**

## Franchise Disclosure Document Exhibit E

### MULTI-STATE ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT

The following modifications and additions are part of the HEAVEN'S BEST Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

#### CALIFORNIA

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 FRANCHISE DISCLOSURE DOCUMENT.

WE MAINTAIN A WEB SITE AT THE FOLLOWING ADDRESS: [www.heavensbest.com](http://www.heavensbest.com)

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

#### FDD, FA

The Franchise Agreement contains a waiver of punitive damages provision and a waiver of a jury trial provision. These provisions might not be enforceable under California law.

#### FDD Item 3

Neither the franchisor, nor any person listed in Item 2 of the Franchise 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 these persons from membership in this association or exchange.

#### FDD Item 6

The maximum interest rate in California is 10% annually.

#### FDD Item 17; FA Sections 5, 6, 7, and 9.8

1) California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Area Developer Agreement contains a provision that is inconsistent with the law, the law will control.

2) Post-Termination Noncompetition Covenants. The Franchise Agreement and Area Developer Agreement contain covenants not to compete that extend beyond the termination of the franchise. This provision may not be enforceable under California law.

3) Liquidated Damages. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

4) Arbitration. The Franchise Agreement requires binding arbitration. The arbitration will occur at Rexburg, Idaho with the costs being borne by the respective parties (unless you must reimburse us as provided under the Franchise Agreement). 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 Procedures Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5) Applicable Law. The agreements require application of the laws of the State of Utah. This provision may not be enforceable under California law.

6) Bankruptcy. The agreements provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11. U.S.C.A. Sec. 101 et seq.), but we will enforce it if enforceable.

7) Conditions for Approval of Transfer. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code sections 31000 through 31516). Business and professions code section 20010 voids a waiver of your rights under the franchise relations act (Business and Professions Codes sections 20000 through 20043).

8) Disclosure Document. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document, in a form and containing such information as the Commissioner of Corporations may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.**

## **Connecticut**

### **FDD Cover Sheet**

#### **DISCLOSURES REQUIRED BY CONNECTICUT LAW**

**The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.**

### **FDD Item 3**

The disclosures in Item 3 include information on pending and completed actions related to:

Securities Laws;  
Business Opportunity Laws;  
Actions Brought by Present or Former Purchaser-Investors Involving Franchise or Business Opportunity Relationships.

### **FDD Items 7 and 8, FA Sections 5, 6, 7, 9**

If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within **45** days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be canceled.

## **Georgia**

### **DISCLOSURES REQUIRED BY GEORGIA LAW**

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

## **Idaho**

### **FDD Item 17, FA Section 9**

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

## **Illinois**

### **FDD Item 17**

A franchisee's rights upon termination and non-renewal may be affected by Illinois law. (815 ILCS 705/1-44).

Releases executed by franchisees must comply with the Illinois Franchise Disclosure Act. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of The Illinois Franchise Disclosure Act or any other law of the state of Illinois is void. (See Section 41 of the Illinois Franchise Disclosure Act, and Rule 200.609 of the Rules and Regulations).

The governing law and choice of law clauses contained in the Franchise Agreement are subject to Illinois Law.

Any provision in the Franchise Agreement and any ancillary Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois. (See Section 4 of the Illinois Franchise Disclosure Act, and Rule 200.608 of the Rules and Regulations).

## **Maryland**

This Maryland addendum amends the franchise agreement.

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

FDD Item 17, FA

The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

FDD Item 17, FA

The general release required as a condition of renewal, sale, assignment or transfer of the franchise will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

FDD Item 17, FA

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchises.

FDD Item 17, FA

Any provision that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**Michigan**

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

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. 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 thirty (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 furnishing 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 five (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 six (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 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) Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, franchisee has the right to request an escrow arrangement.

Any questions regarding the notice of this Offering should be directed to:

CONSUMER PROTECTION DIVISION  
ATTN: Marilyn McEwen  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

## **Minnesota**

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. (Minn. Rules 2860.4400(J)).

### FDD Item 17; FA Sections 15(b), 15c), 3(b), 14(b) and 14(c)

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given **90** days notice of termination (with **60** days to cure) and **180** days notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

### FDD Item 17; FA Section 20

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us 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 any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

### FDD Item 13; FA Section 8

Minnesota Statutes Section 80C.20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or revoking any registration, amendment or exception on finding any of the following . . . that the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees. Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name. We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law.

### FDD Item 17, FA Sections FA Sections 3, 14 and 15

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. The general release provisions in the Franchise Agreement are void and unenforceable in the state of Minnesota.

### FA Section 20

Pursuant to Minnesota Statutes Section 80.C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80.C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota.

### New York

FDD Cover Page. The following information is added to the cover page of the Franchise Disclosure Document:

**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.**

FDD Item 3. The following 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; 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 franchises 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 been held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; 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 any 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 these person from membership in these associations or exchanges; 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.

#### FDD Item 17

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, 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 provision of General Business Law 687.4 and 687.5 be satisfied.

The following is added to the end of the “Summary” sections of Item 17(d), titled “**Termination by franchisee**”:

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

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 the Article 33 of the General Business Law of the State of New York.

#### North Dakota

If you are a resident of North Dakota, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

Revisions: The North Dakota Securities Commissioner has held the following to be appropriate and required revisions to franchise agreements for franchisees in North Dakota:

#### FDD Item 17(c), FA Section 6

North Dakota franchisees are not required to sign a general release upon the renewal of the franchise agreement. Consequently, any provision of the franchise agreement as it applies to the requirement that you execute a general release upon renewal does not apply.

#### FDD Item 17(i), FA Section 6

Any provision of the franchise agreement requiring you to consent to liquidated damages or termination penalties is unfair and inequitable to franchisees.

#### FDD Item 17(r), FA Section 6

Covenants not to compete upon termination or expiration of the franchise agreement that conflict with Section 9-08-06 of the North Dakota Century Code are generally considered unenforceable in the State of North Dakota.

FDD Item 17(u), (v), and (w), FA Section 9

North Dakota franchisees are not required to consent to the jurisdiction of courts outside of North Dakota. The arbitration or mediation of disputes shall be at a site agreeable to all parties and may not be remote from your place of business. The franchise agreement will be governed by the laws of the state of North Dakota.

FA Section 9.7(D)

North Dakota franchisees are not required to waive their right to a jury trial. Consequently, FA Section 9.7(D)(2) does not apply.

FA Section 9.7(D)

North Dakota Franchisees are not required to consent to a waiver of exemplary and punitive damages. Consequently, FA Section 9.7(D)(3) does not apply.

**South Dakota**

**Virginia**

FDD Item 9

In Virginia, notice of approval or disapproval of a proposed supplier will be issued by us within **45** days after the franchisee has delivered all required materials.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement 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.

## Washington

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.

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 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.

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.

### FA Section 5.3

The following language is stricken from Franchise Agreement Section 5.3: **"EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES."**

**[Signature Page Immediately Follows]**

It is agreed that the applicable foregoing state law addendum for the state of \_\_\_\_\_, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this \_\_\_\_\_.

("we/us"): **HB FRANCHISES, LLC**

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

(jointly and severally "you"):

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

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

**FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**



**Franchise Disclosure Document Exhibit F**

**The Following Table Reflects Our Agents for Service of Process and the Relevant State Franchise Authorities:**

**NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES  
AND REGISTERED AGENTS IN STATES**

<b>STATE</b>	<b>REGISTERED AGENTS</b>	<b>REGULATORY AUTHORITIES</b>
CALIFORNIA	<p>California Commissioner of Financial Protection and Innovation</p> <p>Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505</p> <p>Sacramento: 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205</p> <p>San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233</p> <p>San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104</p>	<p>Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505</p>
CONNECTICUT	<p>The Banking Commissioner Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>	<p>The Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>
FLORIDA	<p>[Not Applicable]</p>	<p>Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770</p>

<b>STATE</b>	<b>REGISTERED AGENTS</b>	<b>REGULATORY AUTHORITIES</b>
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600

<b>STATE</b>	<b>REGISTERED AGENTS</b>	<b>REGULATORY AUTHORITIES</b>
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State 99 Washington Avenue Albany, NY 12231	New York State Department of Law Investor Protection Bureau 28 Liberty Street New York, NY 10005 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner 600 East Boulevard State Capital – 5 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701)328-4712	North Dakota Securities Department 600 East Boulevard State Capital – 5 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701)328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769

<b>STATE</b>	<b>REGISTERED AGENTS</b>	<b>REGULATORY AUTHORITIES</b>
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	Securities Administrator Washington State Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760	Washington State Dept. of Financial Institutions, Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

**Franchise Disclosure Document Exhibit G  
LIST OF CURRENT AND FORMER FRANCHISEES**

**Franchisees – Units Opened as of September 30, 2021**

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
<b>Alabama</b>						
Robert Fargason	1006 Kelly Lynn Drive	Anniston	AL	36207	(256) 770-1235	1
Stephen Mobley	3022 Chelsea Ridge Trail	Columbiana	AL	35051	(205) 618-9150	3
Courtney Fitchard	221 Farmington Dr.	Harvest	AL	35749	(256) 323-3600	2
<b>Alaska</b>						
Brian & Lorna Christopherson	2718 Woodfield Drive	Wasilla	AK	99654	(907) 444-9190	1
<b>Arizona</b>						
Brett Palmer	134 S. 222 <sup>nd</sup> Ave.	Buckeye	AZ	85326	(623) 670-0120	1
Jack Benham	15321 W. Boca Raton Road	Surprise	AZ	85379	(623) 975-4844	1
<b>California</b>						
Jeff Lanway	2410 Valdez Ct.	Antioch	CA	94509	(707) 980-4606	2
Mark Pryor	P.O. Box 9224 4601 Perris Way	Bakersfield	CA	93309	(661) 549-2467	3
Steven Welch	4855 Corte Olivas	Camarillo	CA	93012	(805) 445-1220	2
Edwin Hermosilla and Raul Meza	9250 Independence Ave Unit 110	Chatsworth	CA	91411	(818) 280-3849	4
Han Herrick	16 Westerdahl Court.	Chico	CA	95973	(530) 570-6043	1
Geovani Fonseca	3073 Windmill Canyon Drive	Clayton	CA	94517	(925) 829-7231	3
Tom Thompson	1343 Williamsburg Lane	Corona	CA	92504	(714) 927-1687	8
Troy Martin	P. O. Box 852 1708 Chapman Place	Davis	CA	95618	(707) 678-5334	1
Travis Maupin	749 Granite Hills Circle	El Cajon	CA	92019	(619) 518-8931	8
Dan Child	6266 Wester Sierra Way	El Dorado Hills	CA	95762	(916) 765-6618	1
Daniel Child, Jr.	141 Jura Court	El Dorado Hills	CA	95762	(916) 960-3544	3
Eugene and Nicole Tibon	3121 Hopkins Place	El Dorado Hills	CA	95762	(209) 957-7507	1
Richard Palermo	5234 Carriage Dr.	El Sobrante	CA	94803	(510) 243-1923	2
George Sanguinetti	1529 Imperial Way	Fortuna	CA	95540	(707) 725-9900	1
David Hillman	472 W. Windsor Dr.	Hanford	CA	93230	(559) 584-1399	4
Mark E. Falcone	7740 Somerset Lane	Highland	CA	92346	(909) 856-5353	16
Aaron Maupin	7435 University Ave 202	La Mesa	CA	91942	(619) 518-8931	2
Daniel Child, Jr.	4288 E. 15 <sup>th</sup> St.	Long Beach	CA	90804	(916) 960-3544	15
Tim Roberts	2100 Hidden Acre Road	Meadow Vista	CA	95722	(530) 885-1080	1
Lew Miller	49630 29 Palms Hwy	Morongo Valley	CA	92256	(760) 363-6515	1
Steve Cornelius	511 E Tefft St	Nipomo	CA	93456	(805) 925-6020	1

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Brett Halley	802 Tanis Pl.	Nipomo	CA	93444	(805) 878-9116	1
Rob and Jolene Coalson	14232 Via Venusto	Oceanside	CA	92056	(760)758-5448	2
Kevin Spangler	5098 Foothills Blvd	Roseville	CA	95747	(916) 759-0621	2
Chez Fonseca	P.O. Box 2032 112A Norris Canyon Place	San Ramon	CA	94583	(510) 407-7445	4
Gary Capley	743 Raintree Dr	Santa Maria	CA	93444	(805) 260-3450	1
Adam Novak	2718 Tumbleweed Cl.	Simi Valley	CA	93065	(805) 428-4768	1
Garry Moore	1229 Coventry Drive	Thousand Oaks	CA	91362	(310) 924-4097	1
Annie Pratt	P. O. Box 3024 15875 Rolands Way	Truckee	CA	96160	(530) 320-4192	1
Francisco Maciel	2609 Trapper Springs Ave	Tulare	CA	93274	559-837-0400	2
Randy Layton	190 Deerglen Circle	Vacaville	CA	95687	(707) 365-8395	1
Tony Hawker	3829 S. West St.	Visalia	CA	93277	(559) 732-6500	1
Martin Lopez	518 Cork St	Windsor	CA	95492	(707) 566-7066	2
<b>Colorado</b>						
Marc DelSette	PO Box 3598	Breckenridge	CO	80420	(970) 485-3100	1
Jeff Hetherington	6580 High Knolls Grove	Colorado Springs	CO	80923	(719) 272-1978	2
Joshua Swope	2451 Thoreau Drive	Fort Collins	CO	80524	(970) 568-9455	2
Nathan Barnes	5036 Saffron Ct.	Ft. Collins	CO	80525	(970) 282-9277	1
Steven L. Baird	5801 Pueblo Trail	Gaylord	MI	49735	(720) 290-7473	1
Stephen Straber	222 3rd St.	Glenwood Springs	CO	81601	(970) 945-0245	1
Dave Devlin	2436 Glenhaven Drive	Highlands Ranch	CO	80126	(303) 809-8833	18
Rick and Suzanne Caldwell	2690 Trailridge Dr. W.	Lafayette	CO	80026	(303) 258-3681	5
Joel Woelk	601 Willow Valley	Lamar	CO	81052	(719) 940-0249	1
Matthew Stanifer	214 Garfield Street	Pueblo	CO	81004	(719) 561-9447	1
Phillip Winkelmann	P.O. Box 129 770 Chipeta Drive	Ridgway	CO	81432	(970) 209-8735	1
<b>Florida</b>						
Robert DeMartino	3855 59th Ave. Circle E	Ellenton	FL	34222	(941) 527-9708	2
Larry Justice	4055 Greenwood Drive	Ft. Pierce	FL	34982	(772) 464-7342	2
Keith Horton	12140 One Springmoor Court	Jacksonville	FL	32225	(904) 280-2900	6
Mike Johnson	411 Aberdeen Ct S	Lakeland	FL	33813	(863) 934-8404	3
Keith MacDonald	1422 Ridge Road NE	Palm Bay	FL	32905	(772) 643-6999	1
Craig Newsome	2306 Fairway Dr South	Plant City	FL	33566	(863) 667-4828	1
Michael Thompson	5700 Climbing Rose Way	Sanford	FL	32771	(321) 303-4611	1

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Dustin Hart & Courtney Richard	4747 47th Ave N	St. Petersburg	FL	33714	(727) 337-5948	2
Eric Swilley	3907 Castle Key Lane	Valrico	FL	33594	(813) 294-2392	1
Mark Rawlinson	325 Redwood Road	Venice	FL	34293	(941) 525-3919	2
Bill Boom	29536 Forest Glen Drive	Wesley Chapel	FL	33543	(813) 994-5050	2
Adolpho Fernandes Jr.	7420 Still Pond Lane	Windermere	FL	34786	(407) 759-0802	3
Matthew A. Griffin	96685 Blackrock Road	Yulee	FL	32097	(904) 548-7857	1
<b>Georgia</b>						
Dirk A. Visser	404 Mulberry Creek Drive	Good Hope	GA	30641	(706) 769-3399	1
Mark Colston	4311 Deep Springs Court	Kennesaw	GA	30144	(770) 720-4956	1
Jeffrey Martin	2022 Stonewick Court	Lawrenceville	GA	30043	(770) 682-3132	4
Larry Young	3790 Hickory Ridge Ct.	Marietta	GA	30066	(770) 565-0403	3
Clint Griffith	633 Oakland Ridge	Monroe	GA	30655	(615) 838-0092	1
Tom Edmonds	1685 Branch Valley Dr.	Roswell	GA	30076	(678) 467-5610	4
Clint Hall	2206 Meadowbrook Drive	Tifton	GA	31794	329) 382-5656	1
<b>Hawaii</b>						
Jacob Lee	1585 Kapiolani Blvd 1533	Honolulu	HI	96814	(808) 216-4987	4
<b>Idaho</b>						
Cory McEwen	287 S. 400 W.	Heyburn	ID	83336	(208) 312-7135	1
Adam Howard	2043 South 5500 West	Rexburg	ID	83440	(208)356-8805	2
Kim Thompson	328 Shoup Ave. W.	Twin Falls	ID	88301	(208) 735-8191	1
Steve Robinson	15011 East 11 <sup>th</sup> Court	Spokane Valley	WA	99037	(208) 661-9506	1
<b>Illinois</b>						
Kyle & Danielle Cullnan	301 Wedgewood Circle	Lake in the Hills	IL	60156	(815) 333-6278	1
<b>Indiana</b>						
Mike Caldwell	3465 S 900 W	Jamestown	IN	46147	(317) 745-7121	2
Craig LeMond	1370 Valley View Drive	Jasper	IN	47546	(812) 634-1132	1
Mark Sanders	1433 Thomas Drive	Lebanon	IN	46052	(765) 482-2731	1
Rodney Trent	879 N.E. 4th Street	Linton	IN	47441	(812) 847-4473	1
Benny Wilt	2112 N. Janney Ave.	Muncie	IN	47304	(765) 717-1093	1
<b>Iowa</b>						
Kevin Fligg	417 N.W. 9th Street	Ankeny	IA	50023	(515) 971-5860	1
Ryan & Abbie Snakenberg	Meadow Breeze Lane	Center Point	IA	55213	(319) 393-4589	1
Donald Dietz	14200 Starr Pass	Dubuque	IA	52002	(563) 543-8301	1
Eric Meyers	17614 R. Avenue	Minburn	IA	50167	515-270-2963	2
Dan Palm	37 Pinehurst Circle	Ottumwa	IA	52501	(641) 682-1812	1

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Greg Giardino and Parker Turner	613 East Tyler	Washington	IA	52353	(319) 653-7915	1
Adam Hagensick	115 2nd Ave NE	Waverly	IA	50677	(319) 352-2454	3
Darrick & Sandy Schubert	338 Oxbow Trail	Dakota Dunes	SD	57049	(605) 232-6230	1
<b>Kansas</b>						
Phillip Washington & Nicole Long	2804 Gary Ave	Dodge City	KS	67801	(620) 225-5559	1
Dustin Hudson	205 W 11th	Ellis	KS	67637	(785) 259-4786	1
Gary Patnode	2020 Skyler Cir.	Manhattan	KS	66502	(785) 565-8776	1
Michael Soyland	2338 184th Rd.	Sabetha	KS	66534	(785) 364-5484	1
Tim Bulleigh	2064 Leland Way	Salina	KS	67401	(785) 342-5917	1
<b>Kentucky</b>						
William Brad Bryant	324 Hadley Loop Road	Bowling Green	KY	42101	(270) 843-8573	1
<b>Michigan</b>						
Tim Nemeth	29229 Hunter Court	Brownstown	MI	48183	(313) 402-4476 (734) 692-8990	2
Brent and Tammy Carlson	634 Corunna Avenue	Owosso	MI	48867	989-251-3455 or 517-885-8078	1
<b>Minnesota</b>						
Ann M. Kerr	224 Norton Street	Duluth	MN	55803	(218) 343-7447	1
Wayne Seehusen	1100 Alan Avenue	Marshall	MN	56258	(507) 828-1575	1
Jamie Narum	521 Cottonwood Dr.	Fargo	ND	58102	(218)-287-9499	1
<b>Missouri</b>						
Randy Madison	34 Woodhaven Court	Belleville	IL	62223	(618) 660-6437	1
<b>Montana</b>						
Don and Steve Loessberg	83 Red Oak Drive	Belgrade	MT	59714	(406) 209-3588	1
Mark Neilson	29667 South Ferndale Drive	Bigfork	MT	59911	(406) 837-5550	1
Rob Hunsaker	3919 Remington	East Helena	MT	59635	(406) 494-7555	1
John Newman	139 Daly Avenue	Hamilton	MT	59840	(406) 369-4063	1
Dan Small	211 Rita Ct.	Missoula	MT	59803	(406) 549-8506	1
<b>Nebraska</b>						
Norman & Steele Sullivan	P. O. Box 215 135 W. Sanders St.	Arcadia	NE	68815	(308) 789-9113 (308) 520-7866	1
Dale Simmons	1710 S. 13th St.	Beatrice	NE	68310	(402) 228-4747	1
George Landkamer	P. O. Box 1202 2853 Fairlane Avenue	Columbus	NE	68602	(402) 564-9060	1
Shane Godtel	106 W 9 <sup>th</sup>	Hickman	NE	68372	(402) 475-4747	2
Ron And Shanon Matson	2023 25th Road Lot 1	Kearney	NE	68847	(402) 463-0674	1
Lynette Addison	West Omaha Avenue	Norfolk	NE	68701	(402) 379-2999	1
<b>Nevada</b>						
Bill Cleland	7418 Old Compton Street	Las Vegas	NV	89166	(702) 497-4827	15



<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Spencer Beck	3088 Windmill Drive	Santa Clara	UT	84765	(435) 628-5756	1
Joshua Brandt	5676 Pearl Drive	Sun Valley	NV	89433	(775) 997-2378	1
<b>New Hampshire</b>						
Patric Iach	126 Daniel Webster Hwy Unit 3	Belmont	NH	03249	(603) 387-5778	1
<b>New Jersey</b>						
Marc Manfre	384 Casino Drive	Farmingdale	NJ	7727	(732) 751-8833	3
<b>New York</b>						
Bruce Weinrib	25 Baisley Avenue	East Rockaway	NY	11518	(718) 669-5361	4
Daniel Jeffery	3616 Hoover Ave.	Endwell	NY	13760	(607) 349-8824	1
<b>North Carolina</b>						
Curtis Stevens	1008 Cove Cir	Clayton	NC	27520	(919) 250-0940	6
Frank Coletto and Donna Hansen-Coletto	8218 Symphony Ct	Denver	NC	28037	(704) 966-0795	1
Greg Humphrey	3005 Manchester Court	Gastonia	NC	28056	(704) 363-7487	5
Terry and Paula Cowart	205 Washington Drive	Hertford	NC	27944	(252) 426-1991	1
Bret Wooton	300 Bear Cove Road	Mars Hill	NC	28754	467-0177 or (888)254-1819	2
Mark Griffin	141 N. Gibbs Road	Mooresville	NC	28117	(704) 756-0208	3
Jay Livesay	737 Carolina St.	Roanoke Rapids	NC	27870	(252) 537-4114	1
Trevor McDonald	122 James Creek Road	Southern Pines	NC	28387	(910) 295-0502	1
Mark Mariotti	275 Cleek Drive	Summerfield	NC	27358	(336) 339-4172	1
Stefan Gee	1010 North Shore Drive	Surf City	NC	28445	(910) 333-7706	1
Eddie Craven	575 Gate Road	Thomasville	NC	27360	(336) 472-8880	3
Duane Durand	3600 S College Rd Ste. 128	Wilmington	NC	28412	(910) 398-0958	2
<b>North Dakota</b>						
Jamie Narum	521 Cottonwood Dr.	Fargo	ND	58102	(218)-287-9499	1
Jerry Eddie Williams	13672 Redwood Way NW	Williston	ND	58801	(701) 339-3547	1
<b>Ohio</b>						
Simon Verderame	4260 Fergus Street #2	Cincinnati	OH	45223	(513) 468-6436	1
<b>Oklahoma</b>						
Lara & Matt White	8115 Cardinal Ridge Dr	Edmond	OK	73034	(405) 938-9227	1
Kim Wadsworth	189505 E. County Road 44	Fargo	OK	73840	(580) 550-0084	1
Eric Davey	8805 Keller Rd	Grove	OK	74344	(918) 786-3939	3
Randy Griffith	2402 Pin Oak Rd.	Muskogee	OK	74401	(918) 360-2912	2

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
<b>Oregon</b>						
David Daffer	1505 4th St.	Baker City	OR	97814	(541) 523-7525	1
Joe and Aleta Uta'atu	7898 Oneil Road NE	Keizer	OR	97303	(503) 981-1134	2
John And Wyvonna Manly	6510 South 6th St Space 106	Klamath Falls	OR	97603	(541) 810-1495	1
Alex Miller	10104 Leonard Lane P. O. Box 417	LaGrande	OR	97850	(541) 963-5200	1
Michael Sollman	15010 Emerson Ct.	Oregon City	OR	97045	(503) 505-3565	2
Benjamin Waite	104 SW Dorion Ave #162	Pendleton	OR	97801	(541) 969-0402	1
Howard and Trudy James	P.O. Box 207 1540 SW 22nd Place	Redmond	OR	97756	(541) 923-1289	2
<b>Pennsylvania</b>						
Jo Ann Dilts	175 Springfield Rd.	Landisville	PA	17538	(717) 898-6340	1
Chris Pinchak	104 Old Route 45	Milton	PA	17847	(570) 246-3732	1
Stephen & Lori Wilson	336 Lamont way	Tobyhanna	PA	18466	(570) 894-1500	3
<b>South Carolina</b>						
Jeremy And Kelli Van Pinxteren	112 Graduate Lane	Ladson	SC	29456	(843) 851-3543	3
Sean Atkinson	123 Dormitory Road	Okatie	SC	29909	(843) 415-3320	1
Scott Mikula	108 Willow Oak Ct	Simpsonville	SC	29681	(864) 201-1307	4
<b>South Dakota</b>						
Darrick and Sandy Schubert	338 Oxbow Trail	Dakota Dunes	SD	57049	(712) 899-4289	1
Gregg Burtis	904 Leadale	Sioux Falls	SD	57103	(605) 275-2787	1
<b>Tennessee</b>						
Leo Millan (Angel Millan)	308 South 2nd Street	Clarksville	TN	37040	(931) 801-2864	1
Ronald Walls	1221 Armstrong Rd SE	Cleveland	TN	37323	(423) 774-0516	2
Wayne & Kristin Kelly	2095 Exeter Rd Ste. 80 #345	Germantown	TN	38138	(901) 832-4280	1
Edward Hernandez	210 Willow Green Dr.	Jackson	TN	38305	(731) 225-3301	1
<b>Texas</b>						
Kenneth & Teresa Reamy	8317 Spitfire Trail	Aubrey	TX	76227	(214) 494-2900	1
Craig & Lisa Dunnam	609 Highland Drive	Big Spring	TX	79720	(432) 268-3392	2
JL Stevens	409 Fife Drive	Briarcliff	TX	78669	(512) 328-2504	5
Jordan and Celest Bryan	1841 Castle Dr.	Clyde	TX	79510	(325) 690-1009	1
Darrell Arrant	16961 Scenic Knoll Drive	Conroe	TX	77385	(832) 724-4985	1
Joel G. Pacheco	1620 Bar Harbor Drive	Flower Mound	TX	75028	(210) 413-2514	1
Carlos & Elizabeth Rosales	5500 Meadow Valley Drive	Fort Worth	TX	76123	(817) 915-6268	3
Violet Aden	P.O. Box 1445 326 CR 337	George West	TX	78022	(361) 537-1118	2

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Asa Jones	3311 Rocky Hollow Trail	Georgetown	TX	78628	(512) 663-3709	1
Michael Shane Forrest	2602 Ft Worth Hwy Ste 105 411 Canyon Trail Road	Hudson Oaks	TX	79720	(817) 550-6996	1
Bradley Schrader	PO Box 6406	McKinney	TX	75071	(424) 220-0764	1
Matthew Dooley	1510 Winston Cove	San Antonio	TX	78260	(210) 659-8986	11
Marcus Pacheco	1519 Chinook	San Antonio	TX	78251	(210) 394-4299	1
Art Pacheco	9727 Harleyhill	San Antonio	TX	78250	(210) 380-2969	1
<b>Utah</b>						
Justin Young	P. O. Box 682 3616 N 250 E	Enoch	UT	84721	(435) 590-8853	3
Robert Mathieson	11163 N 5550 W	Highland	UT	84003	(801) 910-4003	3
Tyler Boice	1863 E. 3990 S.	Holladay	UT	84124	(801) 860-6770	5
Michael Fokken	38 South 300 East	Richmond	UT	84333	(435) 753-1985	1
Spencer Beck	3088 Windmill Drive	Santa Clara	UT	84765	(435) 628-5756	1
<b>Virginia</b>						
Jay Livesay	737 Carolina St.	Roanoke Rapids	NC	27870	(252) 537-4114	1
Damien and Gavin Brown	5806 Flaxton Place	Alexandria	VA	22303	(571) 332-3382	6
Benjamin Rosenthal	108 Gala Dr	Lynchburg	VA	24503	(434) 942-0985	1
James B. Bonner III	147 Stefaniga Farms Drive	Stafford	VA	22556	(540) 848-1762	4
Evan Leisersohn	101 Braeburn Dr	Winchester	VA	22601	(540) 974-2663	3
<b>Washington</b>						
Ammon Child	PO Box 378 2117 NE Garfield Street	Camas	WA	98607	(360) 606-2707	2
Richard Carns	170 Alpha Drive	Longview	WA	98632	(360) 425-9586	1
Daniel Roppe	5062 Airway Dr NE	Moses Lake	WA	98837	(509) 765-0332	2
Steve Robinson	15011 East 11th Court	Spokane Valley	WA	99037	(509) 999-2659	2
Aaron Carline & Matthew Miller	2544 Lemaister Ave	Wenatchee	WA	98801	(509) 367-4059	1
Hayden Carnline	PO Box 865 1900 Canyon Breeze	Wenatchee	WA	98807	509-664-0199	1
<b>West Virginia</b>						
Evan Leisersohn	101 Braeburn Dr	Winchester	VA	22601	(540) 974-2663	1
<b>Wisconsin</b>						
Darrin and Jennifer Moe	15982 West Sleepy Hollow Drive	Hayward	WI	54843	(715) 699-0988	1
Chad Stella	W 181 N 8302 Destiny Drive	Menomonee Falls	WI	53051	(414) 202-8515	6
Butch And Cindy Graf	86 Sharon Court	Sheboygan Falls	WI	53085	(920) 467-3239	1
<b>Wyoming</b>						

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Cynthia and Ulises Anzures	1026 19th Street	Cody	WY	82414	(307) 586-5432	1

**Franchisees that had an Outlet Terminated, Canceled, Not Renewed, or Otherwise Left the System – Between October 1, 2020 and September 30, 2021**

<b>Name</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>	<b># Territories</b>
Samantha and Aaron Bratcher (Arkansas territory)	290520 S 640 Road	Grove	OK	74344	(479) 213-3084	1
Ana Caballero	17965 Tanleaf Lane	Salinas	CA	93907	(831) 207-3348	1
Kevin Israel	1474 Medallion Dr.	San Jose	CA	95120	(408) 355-5678	2
Chad Cohen	1856 Sandpiper Pointe Place	Deerfield Beach	FL	33442	(954) 821-8198	2
Adrian Gerlak	260 Butte View Drive	Bolingbrook	IL	60490	(630) 759-1370	1
Jim and Cathy Reed	6790 West Whiteland Road	Bargersville	IN	46106	(317) 893-5678	1
Charles Worley	600 S. Pinehurst Street	Aberdeen	NC	28315	(919) 474-9417	1
Dennis Cashner	8773 Body Shop Dr.	Leland	NC	28451	(910) 278-1110	1
Eddie And Debbie Bodford	711 Will Boone Road	Mocksville	NC	27028	(336) 998-8115	2
David E. Ashton	7619 Ashley Trail	Edmond	OK	73034	(405) 509-3759	4
James Appleby	224 Fencepost Lane	Palmyra	PA	17078	(717) 574-4229	1
Zach Burgess	6917 Ranch Hand Drive 3000 Tealwood	Midland	TX	79705	(432) 556-6527	1
Jason & Rebecca Simmons	5049 Pecan Ridge Drive	San Angelo	TX	76904	(325) 340-0061	1
Blair Thueson (Texas territory)		Rexburg	ID	83440	(208) 709-8314	2
Patrick Hanford	5062 Airway Dr NE	Moses Lake	WA	98837	509-765-0332	3

**Franchise Disclosure Document Exhibit H  
INFORMATION CONCERNING HEAVEN'S BEST  
"STATE OWNER" MASTER FRANCHISES AND  
SALES AND SERVICE REPRESENTATIVES**

The following is a list of the "State Owner" master franchises and our sales and service representatives, alphabetically by state. The listed information responds to Items 1 ("Name, Address, and Business Organization of the Area Developer"), 2 ("Identity and Experience of Persons Affiliated with the Area Developer"), 3 ("Litigation"), and 4 ("Bankruptcy") of the attached Franchise Disclosure Document.

**ITEM 1  
MASTER FRANCHISES AND SALES AND SERVICE REPRESENTATIVES**

**ALABAMA** (Master Franchise)

Name: John Steiner and Eagle Five Endeavors, LLC

Business Address: 417 S. 12<sup>th</sup> W., Rexburg, Idaho 83440

Business Phone: 208-313-4554

Territory: The State of Alabama

**ARIZONA** (Sales and Service Representative)

Name: Robert Ashcraft, R&M Franchises, LLC

Business Address: 11080 Whooping Crane Lane, Las Vegas, NV 89144

Business Phone: 702-524-4982

Territory: The State of Arizona

**CALIFORNIA** (Sales and Service Representative)

Name: Dan Child and Child Enterprises, Inc.

Business Address: 6266 Wester Sierra Way, El Dorado Hills, CA 95762

Business Phone: (916) 765-6618

Territory: The State of California

**FLORIDA** (Master Franchise and Sales and Service Representative for new franchisees)

Name: Ronald Smith and Heaven's Best of Brevard, Inc.

Business Address: 9089 Central Ave, Micco, Florida 32976.

Business Phone: (772) 913-4118

Territory: The State of Florida

**GEORGIA** (Master Franchise and Sales and Service Representative for new franchisees)

Name: Robert Ashcraft, Paul Scott Morigeau and R&S Professionals, Inc.

Business Address: 11080 Whooping Crane Lane, Las Vegas, NV 89144

Business Phone: 702-524-4982

Territory: The State of Georgia

**IDAHO** (Master Franchise)

Name: Adam Howard and HB Idaho, LLC

Business Address: 2043 S 5500 W., Rexburg, Idaho 83440

Business Phone: 208-356-8805

Territory: The State of Idaho

**INDIANA** (Master Franchise)

Name: Stan Parulski and Jim Tibbetts

Business Address: 206 Panferio Drive, Pensacola Beach, FL 32561 (Stan)  
6156 Golden Landing, Canton, GA 30114 (Jim)

Business Phone: 574-361-7067(Stan) and 770-335-9950 (Jim)

Territory: The State of Indiana

**NEBRASKA** (Master Franchise)

Name: Dale and Debra Simmons.

Business Address: 1710 S. 13<sup>th</sup> St., Beatrice, Nebraska 68310

Business Phone: 402-228-4747

Territory: The State of Nebraska

**NORTH CAROLINA** (Master Franchise and Sales and Service Representative for new franchisees)

Name: Jim Flamm and Bluebird Enterprises, Inc.

Business Address: 2935 Chasewood Dr., Idaho Falls, Idaho 83406

Business Phone: 208-542-0701

Territory: The State of North Carolina

**SOUTH CAROLINA** (Master Franchise)

Name: Jeremy and Kelli Van Pinxteren

Business Address: 112 Graduate Lane, Ladson, SC 29456

Business Phone: 843-851-3546

Territory: The State of South Carolina

**TENNESSEE** (Master Franchise and Sales and Service Representative for new franchisees)

Name: Leo Millan

Business Address: 308 South 2nd Street, Clarksville, TN 37040

Business Phone: 931-538-6049

Territory: The State of Tennessee

**ITEM 2  
BUSINESS EXPERIENCE**

**John Steiner, Master Franchise in Alabama**

Mr. Steiner has operated the Heaven's Best master franchise in Alabama since January 2016. Mr. Steiner has served as our Operations Manager and Training Supervisor in Rexburg, Idaho since January 2018. He served in the same roles for our predecessor, M-CO, Inc. in Rexburg, Idaho from January 2000 to January 2018.

**Dan Child, Sales and Service Representative in California**

Mr. Child has operated as the Heaven's Best sales and service representative in California since April 1998. He has served as our sales and service representative in California since February 2018. Mr. Child also serves on our Board and as our Franchise Development Manager in El Dorado Hills, California since January 2018. He has served as our managing partner since August 2020.

**Ronald Smith, Master Franchise and Sales and Service Representative in Florida**

Mr. Smith has operated the Heaven's Best master franchise in Florida since August 2001. He has served as our sales and service representative in Florida since February 2018. Mr. Smith has also served on our Board since January 2018.



Robert Ashcraft, Master Franchise and Sales and Service Representative in Georgia and Arizona

Mr. Ashcraft has operated the Heaven's Best master franchise in Georgia since August 2001. He has served as our sales and service representative in Georgia since February 2018 and in Arizona since April 2018. Mr. Ashcraft served as our President in Las Vegas, Nevada from January 2018 to July 2020. He also served on our Board from January 2018 until December 2021.

Adam Howard, Master Franchise in Idaho

Mr. Howard has operated the Heaven's Best master franchise in Idaho since January 2016.

Stan Parulski, Master Franchise in Indiana

Mr. Parulski has operated the Heaven's Best master franchise in Indiana since 2008 and has acted as our sales and service representative in this same territory since March 2018.

Jim Tibbetts, Master Franchise in Indiana

Mr. Tibbetts has been retired since July 2006. Mr. Tibbetts has operated the Heaven's Best master franchise in Indiana since 2008 and has acted as our sales and service representative in this same territory since March 2018.

Jim Flamm, Master Franchise and Sales and Service Representative in North Carolina

Mr. Flamm has operated the Heaven's Best master franchise in North Carolina since October 2008. He has served as our sales and service representative in North Carolina since February 2021.

Dale Simmons, Master Franchise in Nebraska

Mr. Simmons has operated the Heaven's Best master franchise in Nebraska since January 2016.

Jeremy Van Pinxteren, Master Franchise in South Carolina

Mr. Van Pinxteren has operated the Heaven's Best master franchise in South Carolina since October 2017.

Kelli Van Pinxteren, Master Franchise in South Carolina

Ms. Van Pinxteren has operated the Heaven's Best master franchise in South Carolina since October 2017.

Leo Milan, Master Franchise and Sales and Service Representative in Tennessee

Mr. Milan has operated the Heaven's Best master franchise in Tennessee since 2001. He has served as our sales and service representative in Tennessee since March 2018.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item about any of our master franchisees or sales and service representatives.

**ITEM 4  
BANKRUPTCY**

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

**Franchise Disclosure Document Exhibit I**

*The Franchise Agreement provides that the franchisee must sign a General Release in a form satisfactory to the franchisor in certain circumstances, such as upon transfer or renewal of the franchise. Following is a form of General Release that is subject to change.*

**FORM OF GENERAL RELEASE**

This General Release Agreement ("Agreement") is made this \_\_\_\_\_. It is among HB FRANCHISES, LLC, a Nevada limited liability company ("Franchisor"), \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "Franchisee") and \_\_\_\_\_ and \_\_\_\_\_ (jointly and severally "Transferee").

**RECITALS**

On or about \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, Franchisor and Franchisee entered into a Heaven's Best™ franchise agreement (the "Franchise Agreement[s]") for the operation of a Heaven's Best franchise at the following location: \_\_\_\_\_.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Renewal of Franchise Agreement. The parties covenant and agree:

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal:\_\_\_\_\_.

D. If applicable, you will refurbish, remodel, and replace the Franchise fixtures and equipment to conform to the current Operations Manual and Method of Operation. This includes:\_\_\_\_\_.

E. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of \$\_\_\_\_\_.]

2. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes \$--- in current obligations and will owe additional funds for franchise fees through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of \$-----. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a \_\_\_ percent commission on the gross transfer price (excluding the price of real property), in the amount of \$\_\_\_. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing Heaven's Best franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, materials, advance paid deposits and other personal property and fixtures, except as follows:

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L. Franchisee will properly operate the franchise and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise.

M. Franchisee will maintain sufficient materials and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise, except as follows:

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N. Transferee agrees to place orders with product suppliers to maintain the materials and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise to the current Operations Manual and Method of Operation within 90 days of transfer. This includes:

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[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

3. Franchisee to Cease Using Trade Names, Service Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, trademarks, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);

B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;

C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;

D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;

E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;

8. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the Heaven's Best franchise operations manuals, or any other nonpublic information related to the operation of the Heaven's Best franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

8. Release.

8. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents ("Released Parties") from

any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties, or any of the Released Parties, arising prior to the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee's obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of the Franchise Agreement and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee's existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

B. Waiver of Statute. This release is intended to waive, release and discharge all claims against Franchisor, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of legal counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

8. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

7. Miscellaneous Provisions.

- A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.
- B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.
- C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.
- D. Time of Essence. Time is of the essence of this Agreement.
- E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.
- F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Davidson County, Tennessee in accordance with the mediation procedures of American Arbitration Association or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.
- G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.
- H. Governing Law. This Agreement is accepted in the State of Tennessee and will be governed by the laws of Tennessee, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Tennessee franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Tennessee, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Davidson County, Tennessee.
- I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.
- J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.
- K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.
8. Effective Date. The effective date of this Agreement shall be the date the last party signs.

***(Signatures on following page)***

IN WITNESS WHEREOF, the parties have executed this Agreement.

"Franchisor": HB FRANCHISES, LLC

By (Signature): \_\_\_\_\_

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

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

"Franchisee":

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

By: \_\_\_\_\_  
\_\_\_\_\_, an individual

[ENTITY NAME]

By (Signature): \_\_\_\_\_

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

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

*Instructions for signatures (above) for "Franchisee" and "Transferee": If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.*



**Franchise Disclosure Document Exhibit J  
Franchisee Closing Questionnaire**

**HB FRANCHISES, LLC**  
**A Nevada limited liability company**  
247 N 1<sup>st</sup> E, Rexburg, Idaho 83440

HB Franchises, LLC (“Heaven’s Best”), through the use of this Franchisee Closing Questionnaire, desires to verify certain information about the sales process and to confirm that Heaven’s Best and its employees and representatives have complied with applicable franchise disclosure laws. Heaven’s Best further desires to confirm that you fully understand that the purchase of a **Heaven’s Best** franchise is a business decision involving the evaluation of many risks. Heaven’s Best’s policy is to verify and confirm that in making your decision you are not relying upon any oral statement, representation, promise or assurance made during the negotiations for the purchase of a **Heaven’s Best** franchise by any director, officer, employee, agent or representative of Heaven’s Best (each, a “**Representative**”) that is not specifically reported in Heaven’s Best’s then-current Franchise Disclosure Document, including all of the exhibits attached to it (the “**Disclosure Document**”).

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

**BACKGROUND AND GENERAL INFORMATION**

1. Please state your name and address:

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2. Please state the full name of the Franchisee if you are using a corporation, limited liability company, partnership or other entity to purchase the Franchise:

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3. What is the location of the Franchise Territory you are purchasing?

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4. Franchisee is (check applicable box):

- An individual
- A corporation
- A limited liability company
- A general partnership
- A limited partnership

5. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee (check applicable box):

- Officer (insert title): \_\_\_\_\_
- General Partner
- Other (please explain): \_\_\_\_\_

6. Have you received a copy of Heaven's Best's most current Disclosure Document?

Yes  No

7. On what date did you receive the Disclosure Document? \_\_\_\_\_

### ACKNOWLEDGEMENT

By signing below, you acknowledge that you have personal knowledge of the following facts and that they are all true and correct:

1. You acknowledge that you received the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law.
2. You acknowledge that you received the Franchise Agreement (if applicable) at least 7 calendar days before signing.
3. You acknowledge that you have personally and carefully reviewed the Disclosure Document, that you understand all of the information in the Disclosure Document and that you have been advised by a Representative to have professional advisors of your own, including legal counsel, review the Disclosure Document and consult with you regarding the risks associated with the purchase and operation of a **Heaven's Best** franchise.
4. You acknowledge that you have made your own independent determination as to whether you have the capital necessary to fund a **Heaven's Best** franchise.
5. You recognize and understand that the success or failure of a **Heaven's Best** franchise is subject to many variables, including, but not limited to, (a) geographic location; (b) competition from other businesses in the market; (c) advertising effectiveness based on market saturation; (d) whether you assume the sales position or hire a sales manager; (e) your product and service pricing; (f) vendor prices on materials, supplies and inventory; (g) salaries and benefits to non-business personnel; (h) business personnel benefits (life and health insurance, etc.); (i) weather conditions; (j) employment conditions in the market; (k) inflation, and (l) costs and other business factors. You acknowledge your willingness to undertake these business risks and that it is your responsibility to manage your **Heaven's Best** franchise. You understand that the success or failure of your **Heaven's Best** franchise depends primarily upon your efforts and not those of Heaven's Best.

6. You acknowledge and agree that your decision to purchase a **Heaven's Best** franchise is in no manner predicated upon any representations, assurances, warranties, guarantees or promises made by a Representative as to the likelihood of success of a **Heaven's Best** franchise. You further acknowledge that you have not received any information from a Representative concerning actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits or earnings, that is not contained in the Disclosure Document, except as follows (if no exceptions, write "None"):

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7. You acknowledge that a Representative has not made any statement, promise or assurance concerning the likelihood of success that you should or might expect to achieve from developing and operating a **Heaven's Best** business. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

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8. You acknowledge that a Representative has not made any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that Heaven's Best will furnish you that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

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9. You acknowledge that a Representative has not made any other statement, promise or assurance concerning any other matter related to a **Heaven's Best** franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

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10. You acknowledge that no rights to any territory or locations whatsoever are granted to you or any other person or entity designated as Franchisee in your Franchise Agreements except as reported in the Disclosure Document or your Franchise Agreements.

Note that under applicable state law, these representations and acknowledgements may not act as a release, estoppel or waiver of any liability incurred.

PROSPECTIVE FRANCHISEE: (Individual)

\_\_\_\_\_

Name

\_\_\_\_\_

Signature

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

PROSPECTIVE FRANCHISEE:

(Corporation, Partnership or Limited Liability Company)

a/an \_\_\_\_\_ corporation

a/an \_\_\_\_\_ partnership

a/an \_\_\_\_\_ limited liability company

\_\_\_\_\_

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

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

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

## 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:

<b>State</b>	<b>Effective Date</b>
California	January 19, 2022
Hawaii	
Illinois	
Indiana	July 1, 2021
Maryland	
Michigan	June 8, 2021
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	May 25, 2021
Virginia	
Washington	
Wisconsin	

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

**Exhibit K  
RECEIPT**

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If **HB FRANCHISES, LLC** offers you a franchise, it must provide this franchise disclosure document to you by the earliest of:

1. The first personal meeting to discuss the franchise (if you are in New York); OR
2. 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale (10 business days if you are in Michigan, New York).

If **HB FRANCHISES, LLC** does not deliver this franchise disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit F.

The name, principal business address, and telephone number of each franchise seller offering the franchise are:

Daniel Child, 247 N 1<sup>st</sup> E, Rexburg, Idaho 83440, (208)359-1106

Other:

Our authorized agents for service of process are identified on Exhibit F to this Franchise Disclosure Document.

Date of Issuance: January 14, 2022

I have received a disclosure document dated as indicated above that included the following Exhibits:

- A. Financial Statements
- B. Standard Franchise Agreement
- C. Telephone Acknowledgment and Assignment
- D. EFT Authorization
- E. State-Specific Addenda
- F. List of State Agents for Service of Process and State Administrators
- G. List of Current and Former Franchisees
- H. Information Concerning Heaven's Best "State Owner" Master Franchises and our Sales and Service Representatives
- I. Form of General Release
- J. Franchisee Closing Questionnaire
- K. Receipt

DATED this \_\_ day of \_\_\_\_\_, 20\_\_.

**Signatures of All Prospective Franchisees:**

Individuals: \_\_\_\_\_  
\_\_\_\_\_

Name of Corporation/LLC/Partnership: \_\_\_\_\_

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

**KEEP THIS COPY FOR YOUR RECORDS.**

RECEIPT

**Exhibit K  
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- K. Receipt

DATED this \_\_ day of \_\_\_\_\_, 20\_\_.

**Signatures of All Prospective Franchisees:**

Individuals: \_\_\_\_\_  
\_\_\_\_\_

Name of Corporation/LLC/Partnership: \_\_\_\_\_

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

**PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO  
HB FRANCHISES, LLC BY EMAIL ATTACHMENT TO [INFO@HEAVENSBEST.COM](mailto:INFO@HEAVENSBEST.COM) OR BY MAIL TO:  
247 N 1<sup>st</sup> E, Rexburg, Idaho 83440**

RECEIPT