

# SUPPLY POINTe Franchising, LLC

A North Carolina Limited Liability Company

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The franchise offered provides a unique network of very select trucking, freight forwarding, pallet and industrial packaging companies. These companies connect to form a wider menu of choices and savings for commercial clients.

The total investment necessary to begin operation of a SUPPLY POINTe franchise is \$158,650 to \$199,400. This includes \$129,400 that must be paid to the franchisor or affiliate.

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

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire 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, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

This Disclosure Document was issued on: May 14, 2024

## 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.

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

# FRANCHISE DISCLOSURE DOCUMENT

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## 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 agency information in Exhibit A.

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

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## FRANCHISE DISCLOSURE DOCUMENT

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### 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 and multi-unit operator agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state 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 North Carolina 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 your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
- 4) **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addendum" (if any) to see whether your state requires other risks to be highlighted.

## **DISCLOSURES REQUIRED BY NORTH CAROLINA LAW**

**The State of North Carolina 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 contract or agreement.**

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## EXHIBITS

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- A. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. TABLE OF CONTENTS OF OPERATIONS MANUAL
- D. FINANCIAL STATEMENTS
- E. LIST OF CURRENT FRANCHISES
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- G. STATE SPECIFIC ADDENDA
- H. RECEIPTS

To simplify the language, this disclosure document uses “we,” “us” or “our” to mean SUPPLY POINTe Franchising, LLC, the franchisor. “You” or “your” means the individual, corporation, or other entity that buys a SUPPLY POINTe franchise.

## **Item 1: The Franchisor, and any Parents, Predecessors, and Affiliates.**

### *The Franchisor, Parent and Affiliates*

Our principal business address is 227 W. 4th Street, Charlotte, NC 28202. We are a limited liability company, organized under the laws of North Carolina on December 1, 2016. Our parent company is SUPPLY POINTe Holdings, LLC, whose principal address is 227 W. 4th Street, Charlotte, NC 28202 (our “Parent”).

We have an affiliate, TAPS of America, LLC that has been operating a business of the type being franchised since 2002. TAPS of America, LLC has never offered franchises in this or any other line of business previously.

We have an affiliate, TAPS of Carolinas, LLC that has operated a business of the type being franchised since 2011. TAPS of Carolinas, LLC has never offered franchises in this or any other line of business previously.

We have an affiliate, SUPPLY POINTe Properties, LLC whose principal business address is 227 W. 4th Street, Charlotte, NC 28202. SUPPLY POINTe Properties, LLC owns and licenses to us, the exclusive right to use and sublicense the use of the trademarks used in the operation of the franchised business.

The Franchisor was formed for the purpose of franchising the business model developed by our Affiliate, who has been developing and conducting this business model since 2002. We have offered franchises providing the type of business you will operate since January of 2017. None of our Affiliates nor we have offered franchises in any other line of business.

We do not have any predecessors.

We currently use the name SUPPLY POINTe to conduct business and do not have any current plans to use other names.

### *Agents for Service of Process*

Our agent for service of process in North Carolina is Adam Cahill who can be reached at the principal business address of 227 W. 4th Street, Charlotte, NC 28202. Our agents for service of process in all other states are listed in Exhibit A.

### *The Franchise Being Offered*

We are not involved in any other business activities; however our Affiliates, TAPS of America, LLC and TAPS of Carolinas, LLC have operated a business similar to the one

being franchised since 2005 and 2012, respectively, under the name TAPS (Transportation & Packaging Specialists).

Franchisees will operate a business-to-business independent sales company that provides all manner of services to commercial clients. Packaging, logistics, transportation, inventory management, and industrial waste removal are a sampling of the ever-growing list of services you will help your clients procure. SUPPLY POINTe works with a unique network of companies including very select trucking, freight forwarding, pallet and packaging companies who connect to form a wide menu of choices and savings for commercial clients.

The Business can be operated from a home office, using telephone and electronic methods. Sales and marketing is done by the owner in their Designated Market via field activity and technology including internet marketing, website, social media, articles and email campaigns. All of these are necessary and required.

### Market and Competition

The general market for the product or service that you will offer is for trade businesses across the United States. The potential for this concept applies across the U.S. and even internationally because trade businesses are and have always been important for commerce.

The competition within the industry in which the franchised business operates includes other industrial supply and transportation and logistics companies. Your competition can include national chains, other franchised business, independent contractors and local or regionally operated programs.

### Regulations

Many states have enacted laws and regulations governing the National and International Freight Standards. It is your responsibility to learn and stay current with the laws and regulations affecting the operation of your business in your Designated Market Area, both before purchasing a SUPPLY POINTe franchise and throughout the terms of your franchise agreement. Franchisees must be able to secure a local license if required by state law and all freight companies contracted with will abide by national standards and have licenses to operate in specific states.

## **Item 2: Business Experience.**

### **Founder and Managing Owner: Matthew Cahill**

Matt Cahill created what later became known as SUPPLY POINTe in 2002 with the first location in Cincinnati, Ohio. Matt did so after realizing there was a need to help businesses with freight and pallet solutions. His customers soon started to ask for additional products,

like large boxes, bulk bags, drum and totes. Matt discovered the growth for SUPPLY POINTe was limitless.

Matt has over 35 years of experience in freight transportation and various packaging solutions. Prior to opening SUPPLY POINTe, Matt spent 16 years at FedEx working with local, national and global clients showcasing a knack for international sales while acquiring more than 1,500 hours of various sales and negotiation training.

Matt also has training and experience in the corrugated industry, including time with a Toronto based operations. The net result is a seasoned professional who understands customer challenges and has the skill set and commitment to provide practical solutions and economical enhancements to the corporate world.

### **Managing Owner: Adam Cahill**

Adam Cahill is owner of SUPPLY POINTe in Charlotte, North Carolina which opened in 2011. Adam is the son of the company founder Matt Cahill. Prior to joining the family business, Adam taught high school social studies and coached football, baseball and track. After watching his father establish SUPPLY POINTe for more than 10 years, Adam was fascinated by the relationships he'd developed and loved the idea of being a solutions provider to those customers. Adam was also attracted to the independence and expansion potential SUPPLY POINTe of the Carolinas could provide him and now takes immense pride in having a business and product all his own. By using the communication tools he developed as a teacher, Adam takes a deliberate approach to educate his clients about the benefits to using a one-stop, solutions provider for all of their logistic needs. In 2016 , Matt and Adam realized that this business was duplicatable and decided franchising was the best way to do that.

### **VP of Franchise Development: Vicktoria Healy**

Vicktoria has served as the Director of Franchise Development of SUPPLY POINTe in Charlotte, NC since March 2023 and the Director of Franchise Development of Icebox Cryotherapy Studios in Atlanta, GA since 2016. Ms. Healy has also served as the Vice President of Franchise Expansion for FranServe Inc. in Upper Saddle, NJ from October 2019-September 2022, as well as a Corporate Trainer and Mentor for FranServe Inc. from 2010-2019. She also serves as CEO of Prosperity Franchise Advisors in Port Charlotte, FL since October 2009.

### **Regional Vice President: Chad Bickle**

Chad Bickle, Certified Franchise Consultant (CFC) and IFPG member has been with SUPPLY POINTe since May 2023. Chad has a deep background in Franchise Development, Sales, and Training. As the former National Director of Sales From 2014 to 2022, Chad served as Vice President of Franchise Development for BirthdayPak; Chad was responsible for Franchise Development and Sales. He currently heads up the Franchise Development Department for the Philadelphia Iconic Santucci's Pizza.

### **VP of Strategic Growth and Development: Michele Goitiandia**

Michelle has been with SUPPLY POINTe since April 2023. Michele has served as the Director of Strategic Initiatives for FranServe Inc. in Upper Saddle, NJ from June 2017 – April 2023. Her diverse role entailed training and managing a virtual team of 10 support staff as well as working with the Franchise Development team at all levels. Michele was an active member of the Executive Team, proposing and implementing new initiatives as the company experienced tremendous growth; she also worked directly with franchisor partners to market and grow their brands. Michele’s previous experience includes Sales Manager, Sales Agent, Trainer & Executive Assistant.

### **Director of Finance: Kim Kimmel**

Kim Kimmel joined SUPPLY POINTe in June 2022. From 1992 to May 2021, she worked as an administrative lieutenant supervisor in law enforcement for 17 years. After retiring she decided she wanted to continue working but remotely, which is part of the business model for SUPPLY POINTe. Kim has extensive experience in administrative work, is very organized and a great communicator.

### **Franchisee Business Consultant: Paul Masters**

Paul Masters has been a Business Consultant for SUPPLY POINTe since July 2021. Paul is the owner and CEO of Anago of Atlanta, which handles the commercial cleaning needs of company facilities from 1,000 square feet to 500,000 square feet. Since purchasing the company in 2017, Anago of Atlanta has enjoyed 4000% growth, and ranked in the Top 5 Performers for the entire system for 3 consecutive years. Early in 2021, Mr. Masters made the decision to expand his portfolio by purchasing 2 Molly Maid franchise territories in the metro Atlanta area. He also is a partner in an investment group that owns and operates multiple DBat baseball & softball franchises throughout the Southeast. Prior to starting Anago, Mr. Masters was co-founder and President of Ernest Communications, a ground-breaking telecommunications venture, which later expanded into IT and Mobility services. After operating the company for 15 years, he and his partner successfully sold the business in 2013. He currently serves as the Chairman of the Leadership Board for The Gwinnett Chapter of the Fellowship of Christian Athletes and is on the Board of Directors of Craft Bank in Atlanta, Georgia. He holds a B.S. from Shorter College and an M.B.A. from Emory University’s Goizueta School of Business. Paul is also recognized as an Associate Certified Coach through the International Coaching Federation.

### **Franchisee Business Consultant: Angel Connell**

Angel Connell has been a Business Consultant with SUPPLY POINTe since October 2022. Angel has several decades of experience in the waste, construction, and restoration industry. She brings vast experience in cultivating strategic partnerships and is well seasoned in analyzing different situations. With her strong sales background she has maintained positions

as a top sales producer and has held supervisory roles managing teams up to one hundred employees. Her in-depth knowledge of what her customers' needs and what technology is available today allows her to exceed customer expectations and provide excellent service alongside generating repeat business. As an ambassador for the local Chamber of Commerce which has earned a 5-star accreditation through the US Chamber of Commerce, her goal is to grow business in the community. Angel has earned accreditations through training and various sales platforms always keeping up to date with the market fluctuations. She additionally trains others to develop and grow their knowledge within the sales industry and holds several certificates of achievement.

**Item 3: Litigation.**

No litigation is required to be disclosed in this Item.

**Item 4: Bankruptcy.**

No bankruptcy is required to be disclosed in this Item.

**Item 5: Initial Fees.**

The initial franchise fee of \$49,500 is due when you sign the Franchise Agreement and is uniform for all franchisees in the system. There will be a 10% discount of the initial franchisee fee for the first territory for military veterans through the VetFran program if the individual qualifies.

A franchisee may choose to purchase multiple territories at the same time. A franchisor who purchases multiple territories at the same time will pay the franchisor \$49,500 for the first franchise agreement plus fees for the additional territories as outlined below:

Any existing franchisee who purchases subsequent territories will also qualify for the discount below:

Additional Designated Territory Being Awarded	Territory Fee	Total Development Fee
2	\$42,000 (For unit 2)	\$91,500
3	\$38,000 (For unit 3)	\$129,500
4	\$36,000 (For unit 4)	\$165,500
5	\$34,000 (For unit 5)	\$199,500
6	\$32,000 (For unit 6)	\$231,500
7	\$30,000 (for unit 7)	\$261,500

The initial franchise fee and any subsequent territory fees are not refundable under any circumstances.

The other fee due with signing the Franchise Agreement is a \$79,900 Ready to Launch fee. These fees are not refundable.

**Item 6: Other Fees.**

**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	4.25% of Gross Sales (subject to minimum) <sup>1</sup>	Minimum Royalties will be payable to us monthly via EFT. We reserve the right to change the date and frequency of Royalty Payment Collection.	Reports are due 15th of every month. Royalty will be collected on the 25th of every month subjected to holidays. Royalty Fees will be calculated via cash-based reporting, but financial reporting will be based on accrual method of accounting. See Note 1. Royalty Fee will be subject to a minimum royalty as shown in the chart included in Note 1 below. We reserve the right to change the date and frequency of Royalty Payment Collection.
Local Advertising	A minimum of \$1,500 per month per territory starting in month 13 after opening but may be increased with advance notice from franchisor.	Payable to approved suppliers monthly	You must spend this money on a marketing plan as we direct, as defined in the Confidential Operations Manual, which may include, but not be limited to, Search Engine Optimization, Pay Per Click, Retargeting, Review, Email, and Digital Marketing. Franchisee must spend this amount and it may not be decreased without approval from Franchisor.

Type of Fee	Amount	Due Date	Remarks
Marketing Fund Contribution	All Franchised Businesses will contribute \$100.00 per month starting in Month 13 from the Start Date. In month 25 the contribution will increase to \$225.00 per month. In month 37 the contribution will increase to \$550 per month, where it will remain for the remainder of your contract.	Marketing Fund Contributions will be payable to us monthly via EFT. We reserve the right to change the date and frequency of Marketing Fund Contributions.	Marketing Fund Contributions will be collected on the 25th of every month subjected to holidays. We reserve the right to change the date and frequency of Marketing Fund Contributions.
Operations and Admin Coordinator	Estimated Hourly Wage \$20-\$25 per hour	As Arranged	You are required to employ a Sales Admin/Coordinator required to work a minimum of 5 hours per week.
Virtual Office Address	Estimated \$75-\$100	As Arranged	You must obtain a virtual office address. The virtual office address will be used on all of your collateral and on your landing page on the SUPPLY POINTe website.
Admin Fee	.25% of Gross Sales, subject to increase	As arranged	You will pay us an Administrative Fee on your Gross Sales on a monthly basis on the same structure and timeline as your Royalties. We have the right to increase this amount by .25% once per calendar year, not to exceed 1% over the life of your contract.
Audit Expenses <sup>2</sup>	All costs and expenses associated with audit, approximately \$1,500 to \$5,000	See Note 2	See Note 2

Type of Fee	Amount	Due Date	Remarks
Late Fees	Every day after due date, an additional \$100 daily fee until submitted. After a third occurrence we have the right to terminate your franchise.	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit. This fee is non-refundable.	Late fees begin from the date payment was due, but not received, or date of underpayment and will include weekends.
Approval of Products or Suppliers	\$500 to \$1,000	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.
Insurance Policies	Amount paid by us for your insurance obligations plus and additional ten percent (10%) administrative fee.	Yearly	Payable to us as a reimbursement only if you fail to maintain required insurance coverage and we elect, in our discretion, to obtain coverage for you.
National Conference Registration Fee	You will not pay a fee to attend National Conference, but you must pay your own expenses.	Up to Yearly	You may also be responsible for your own expenses, including, but not limited to transportation to and from the national conference, and lodging, meals, and salaries for you and your employees during the national conference
Transfer Fee <sup>3</sup>	\$10,000 plus fees owed to us by the buyer.  See Note 3 for breakdown of fees.	At the time of transfer	Payable to us at time of transfer.

Type of Fee	Amount	Due Date	Remarks
Successor Franchise Fee	\$10,000	Upon signing the then-current form franchise agreement.	Payable to us, as a condition to entering successor franchise agreement. See item 17.
Substitute or New Manager Training/ Additional Training	If requested by the franchisee or the franchisee is not in compliant with the terms of the franchise agreement the franchisor may charge franchisees a per diem fee (currently, \$1,500/day per trainer) for additional training, plus expenses, for any onsite training.	Time of training	We provide an initial training program before you begin operations and ongoing training programs during the term of the franchise.
Monthly Franchisee Ongoing Education Fee	Actual training costs may vary and will not exceed \$379 per month, without a 30 day written notice.	Payable monthly, starting in month 13 after opening.	Ongoing Education fee is required for the first 3 years of your franchised business. If your franchised business is in excess of \$2 million in Gross Sales at the 3 year mark, the training becomes optional. However, if your sales dip below the \$2 million threshold, you will be required to re-enroll in the training program for a minimum of 12 months.
Ongoing Training	Currently, Your expenses in attending	Time of assistance	From time to time, we may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. You shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

Type of Fee	Amount	Due Date	Remarks
Technology Fee	Currently \$575 but can change with a 30 day written notice.	Payable monthly to us or a 3 <sup>rd</sup> party provider we designate on the 15 <sup>th</sup> of each month	Collected once a month in the same manner as your Royalty Fee if payable to us. Currently, the Technology Fee is \$575 per month, but we reserve the right to increase the fee periodically at the start of any calendar month by providing you with written notice of any change at least 30 days prior. Currently this covers your technology fees for your CRM (2 users), Reporting System, Outlook, Billing, proposal and operating systems.
Bookkeeper Fee	Currently \$325 per month but could be higher if franchisee's hours exceed allotted time needs.	Payable monthly to us or a 3 <sup>rd</sup> party provider we designate	3 <sup>rd</sup> party bookkeeper has right to report and send the franchisee's monthly financial statements directly to franchisor. 3 <sup>rd</sup> party bookkeeper reserves the right to increase pricing with a 30 day written notice.
Interim Management Fee	\$500 per day or the net profits of the business during the interim management period (greater of).		Following the delivery of a notice of breach pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to the greater of \$500 per day or the net profit of the Franchised Business, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

Type of Fee	Amount	Due Date	Remarks
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs incurred in enforcing your obligations to us if we prevail.

Gross Income is defined as Gross Revenue less Cost of Goods sold. Gross Revenue includes any commissions received, gross sale price of any goods sold and any other revenue derived in the operation of the Franchised Business. Cost of Goods equals the price paid by Franchisee for any goods or services sold, plus any commercially reasonable delivery cost paid by Franchisee to an unaffiliated third party. Bank statements are due along with QuickBooks reports on the 15<sup>th</sup> of every month from the third party bookkeeping service that you are required to use. When sales are made in which your commission gets paid directly to us, the commissions will be paid directly to us and we will distribute payment to you. Royalty Fees will be calculated via cash-based reporting but financial reporting will be based on accrual method of accounting. Franchisee shall pay any and all royalties due in the same manner for servicing a National Contract as they would for any other customer. Company shall retain sixty percent (60%) of gross income of all National Contracts. Franchisee shall be entitled to forty percent (40%) of gross income of each National Contract they service. Our National Accounts Agreement is included as Attachment 8 to the Franchise Agreement. Non reporting for thirty days may lead to loss of franchise license. Three occurrences of late reporting may lead to loss of franchise license.

<sup>1</sup>. Minimum Royalty payment is due on each Territory purchase and is shown below.

### **Per territory profile**

Territory: 1000 business counts – consisting of 5 employees or more, 250 will be specifically manufacturing and distribution as reported by their NAICS codes, which can be a mix of primary and secondary.

The remaining 750 business counts are targeted NAICS codes which can be a mix of primary and secondary.

### **One Territory**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date

Months 7-9. \$500/month.

Months 10-12. \$750/month

Months 13-18. \$1000/month

Months 19-24. \$1250/month

Months 25 and beyond \$1500/month

**Two Territories**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date  
Months 7-9. \$500/month. (Incentive for buying 2pack, no increase)  
Months 10-12. \$1000/month  
Months 13-18. \$1500/month  
Months 19-24. \$2000/month  
Months 25 and beyond \$2500/month

**Three Territories**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date  
Months 7-9. \$500/month. (Incentive for buying 3pack, no increase)  
Months 10-12. \$1200/month  
Months 13-18. \$1900/month  
Months 19-24. \$2700/month  
Months 25 and beyond \$3400/month

\*On a monthly basis, a Gross Revenue royalty of 4.25% will be calculated and charged. The franchisor will obtain the Gross Sales for the month directly from the QuickBooks file of the Franchisee. The franchisor will obtain the Gross Profit (Total Sales less Cost of Goods) data for the preceding half-year, directly from the QuickBooks file of the Franchisee. The Gross Revenue royalty must meet a minimum of 30% of the Gross Profit. This will be reviewed and calculated on a twice-yearly basis. In the event that 30% of the Gross Profit for this six-month period exceeds the total of the Gross Revenue monthly 4.25% royalties for this six-month period, then the franchisee will be charged the difference between these two figures.

If you do not meet the minimum revenue requirement by the end of year two, we have the right to terminate your franchise agreement.

2. Due if the audit shows you have not spent the monthly minimums on local advertising or if you underreported amounts you owe us by 3% or more. We assume costs vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.
3. Transfer fees: You will pay a \$10,000 transfer fee to us upon transfer. The buyer will pay us a \$79,900 ready to launch marketing fee as well as a \$10,000 fee for territory rights. A new LLC must be set up by existing franchisees if they are to acquire a territory via transfer. A new LLC may be required after any franchisee purchases more than 3 territories. A 10% discount will be applied to any existing franchisee who acquires the transfer.

## REMARKS

We require that all fees payable to us be paid through an electronic depository transfer account. Franchisee will be required to provide bank routing information for electronic payment of fees.

All of the fees noted above are uniform. No other fees or payments are to be paid to us or our affiliate, nor do we impose or collect any other fees or payments for any other third party. All fees are generally non-refundable.

### Item 7: Estimated Initial Investment.

#### YOUR ESTIMATED INITIAL INVESTMENT

Payment	Amount	When Due	Method of Payment	To Whom Paid
Initial franchise fee	\$49,500	Upon signing Franchise Agreement	Lump Sum	Us
Ready to Launch Fee <sup>(1)</sup>	\$79,900	Upon signing Franchise Agreement	Lump Sum	Us
Utility & security deposits <sup>(2)</sup>	\$0 - \$500	As Incurred	Lump Sum	Third parties
Computer system and software <sup>(3)</sup>	\$750 - \$4,000	As Incurred	Lump Sum	Outside suppliers
Vehicles <sup>(4)</sup>	\$0 - \$4,000	As Incurred	Lump Sum	Third parties
Office Supplies	\$500 - \$1,000	As Incurred	Lump Sum	Outside suppliers
Professional fees <sup>(5)</sup>	\$1,000 - \$5,000	As Incurred	Lump Sum	Third parties
Insurance <sup>(6)</sup>	\$2,000 - \$5,000	As Incurred	Lump Sum	Third parties
Training expenses <sup>(7)</sup>	\$0-\$500	As Incurred	As Incurred	Third parties
Additional funds (3 months)	\$25,000 - \$50,000	As Incurred	As Incurred	Third parties

Payment	Amount	When Due	Method of Payment	To Whom Paid
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(8)</sup></b>	\$158,650-\$199,400			

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Franchised Business. We do not finance any part of your initial investment. In general, none of these amounts are refundable.

- (1) The Ready to Launch Program will encompass a number of launch, advertising and marketing initiatives, SUPPLY POINTe branded collateral materials, as well as assistance with personnel recruitment, required software platforms, set-up and training. The technology set-up, training and personnel recruitment will be complete in 90 days, the marketing and advertising initiatives will extend for the first 12 months and the on-going business coaching, mastermind calls will also extend for the first 12 months of your franchised business.
- (2) It is anticipated that you will operate the business from your home therefore there are no real estate costs included in this estimate. You will however be required to obtain a virtual office address. We recommend, but do not require that you set aside a designated space within your home, from which to operate the business.
- (3) This is the estimated cost for a computer and smart phone.
- (4) Vehicle costs will vary, the \$4,000 represents the upfront fees for leasing a base model truck. Or you may use an existing vehicle or decide to purchase a vehicle, which will increase your investment level. Includes any required state business or trade licenses which can vary by state.
- (5) Includes fees that may be paid to outside attorney, accountant to evaluate the franchise opportunity as well as setting up your business entity.
- (6) Includes an estimate for either your first quarterly or semi-annual premium payment. When preparing these figures we relied upon our President and CEO's experience in opening and operating their affiliated companies.
- (7) Training is virtual, and no real costs are estimated to be incurred. If you decide to include an additional person in training, you may incur additional fees for payroll or compensation.

- (8) We relied upon the experience of our affiliate-owned outlets to compile these estimates. You should review these figures carefully with a business advisor before making any decision to invest in the franchise. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Franchised Business. Your additional costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our service; competition; and the sales level reached during your initial period. We do not offer financing for any part of the initial investment.

### **Item 8: Restrictions on Sources of Products and Services.**

(1) You are required to purchase all of the products or services, and a computer system for the Franchised Business under the specifications set forth in the operations manual.

(2) We or our Affiliate may be Approved Suppliers of certain required purchases.

(3) If you desire to utilize any products or services that we have not approved, you must provide us with sufficient information, specifications and samples to assess the quality of the products or services.

(i) We have not yet developed standard criteria for approving suppliers.

(ii) You will be permitted to contract with alternative suppliers once they become Approved Suppliers.

(iii) You shall bear the cost of all expenses incurred by us in determining whether we shall approve a supplier.

(iv) You shall be notified within a reasonable time (usually not more than 90 days) whether you may purchase from the submitted supplier.

(v) We may revoke our approval of an Approved Supplier at any time by notifying you and/or the supplier.

(4) We estimate that approximately 35% to 50% of your expenditures for leases and purchases in establishing your Franchised Business will be for goods and services that must be purchased from us, an Affiliate, an approved supplier, or from another party according to our standards and specifications. We estimate that approximately 55% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an Affiliate, an approved supplier, or another party according to our standards and specifications.

(5) We issue specifications for Approved Suppliers in the Operations Manual and may, from time to time, modify the specifications in subsequent versions of the Operations Manual.

(6) We do not currently derive revenue or other material consideration from any Approved Suppliers, however we may do so in the future.

(7) Currently, no Approved Supplier will make payments to us from franchise purchases; however, we reserve the right to create such relationships in the future.

(8) There are currently no purchasing or distribution cooperatives; however, we reserve the right to establish such cooperatives in the future and require you to participate.

(9) We may, but are not required to negotiate purchase agreements with suppliers on your behalf.

(10) Franchisees must use our designated vendor for all Accounts Payable and Accounts Receivable services. We reserve the right to take over billing and collection transactions in your territory.

(11) We do not provide material benefits to you based on the purchase of particular products or services or use of particular suppliers.

(12) Franchisees will be required to use our technology system which will also include mandatory use by franchisee's operations manager as defined in the Operations Manual. We have the right to provide you with a designated system to which you must use. Franchisees must also install and maintain a high-speed Internet connection in their franchised office location.

(i) You are required to purchase computer equipment consisting of hardware which includes the following:

Hardware	Software
Laptop Computer w/ Broadband Internet Service	Franchise Management Software (SAAS license), CRM Software such as HubSpot
All-in-one Printer/Copier/Fax	Microsoft Office w/ Outlook
Smartphone w/ 4G Service	QuickBooks and Financial Reporting Software Platform

We estimate the cost for hardware in the above chart to be between \$750-\$4,000. The cost of the software is included in your one-time Ready to Launch Fee.

(13) Franchisees will be required to obtain various types of insurances a certified and reputable insurance provider that covers business, auto, crime, and umbrella and must abide by conditions we establish in the Operations Manual. We have the right to mandate a provider at any time. Our current conditions are as follows:

(i) All policies (except any workers' compensation insurance) shall: (a) expressly name Franchisor as an additional insured or loss payee; (b) contain a waiver of all subrogation rights against Franchisor and its successors and assigns; (c) Franchisee's coverage must be primary & non-contributory, and (d) have a rating of "A" or higher from AM Best or a similar insurance ratings agency.

(ii) Within sixty (60) days of the Effective Date, in addition to any other insurance that may be required by applicable law, or by lender or lessor, at Franchisee's sole expense, Franchisee shall procure and maintain in full force and effect during the term of this Agreement:

(A) Property insurance coverage including "special" perils on all assets including inventory, furniture, fixtures, equipment, supplies, and other property used in the operation of the Franchised Business. Franchisee's property insurance policy must have coverage limits that meet or exceed full replacement cost.

(B) Workers' Compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum per claim and disease or injury aggregate of One Million Dollars (\$1,000,000) or, if higher, the statutory minimum limit as required by state law.

(C) Comprehensive General Liability (CGL) insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of :

- \$1,000,000 Per occurrence
- \$15,000 Guest Medical
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

(D) Automobile Liability insurance with a minimum combined single limit for bodily and property damage of One Million Dollars (\$1,000,000), or greater if required by state law. This policy should include at least Non-Owned coverage, plus any vehicles that may be owned by the franchise and Hired Auto coverage if the exposure exists for your franchise.

(E) Umbrella Liability insurance, covering over coverage B, C & D above, with limits of at least One Million Dollars (\$1,000,000) per occurrence, with separate \$1,000,000 Aggregates for both General Liability & Products/Completed Operations Liability.

(iii) Furthermore, we recommend that each Franchisee consider at least the following additional insurance coverages where applicable:

- (A) Credit Insurance (for accounts receivable)
- (B) Cyber Security both first party & third party.
- (C) Professional Liability, if you provide any opinions, design work and/or other professional services.
- (D) Employment Practices Liability, including third party coverage, when/if you have employees on payroll.

### Item 9: Franchisee’s Obligations

**This table lists Franchisee’s principal obligations under the franchise and other agreements. It will help Franchisee find more detailed information about Franchisee’s obligations in these agreements and in other ITEMS of this Disclosure Document.**

	Obligation	Section in Agreement	Disclosure Document Item
a.	Operating Location	2 and 5	11
b.	Pre-opening purchases/leases	5, 12, and 15	7 and 8
c.	Site Development and other pre-opening requirements	5, 8, 10, 13	11
d.	Initial and ongoing training	8.	6, 7 and 11
e.	Opening	5 and 8	11
f.	Fees	3, 5, 8,10,11,13,15,18 and 22.	5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	6, 7, 9, 10 and 13.	8, 14 and 16
h.	Trademarks and proprietary information	6,7 and 9.	13 and 14
i.	Restrictions on products/services offered	6 and 13.	8 and 16
j.	Warranty and customer service requirements	13.	16

<b>Obligation</b>		<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
k.	Territorial development and sales quotas	Not Applicable	12
l.	Ongoing product/service purchases	13.	8 and 11
m.	Maintenance, appearance and remodeling requirements	5 and 13	6
n.	Insurance	15.	6, 7 and 8
o.	Advertising	11.	6,7 and 11
p.	Indemnification	21	Not Applicable
q.	Owner's participation/ management/ staffing	14	15
r.	Records and reports	12.	11
s.	Inspections and audits	6 and 12	6, 11 and 13
t.	Transfer	18 and Exhibits 1 and 5.	6 and 17
u.	Renewal	4 and Exhibits 1 and 5	17
v.	Post-termination obligations	17 and Exhibits 2 and 5	17
w.	Noncompetition covenants	7 and 17 and Exhibits 2 and 5	17
x.	Dispute resolution	23 and Exhibit 5	17
y.	Other	Not Applicable	Not Applicable

## **Item 10: Financing**

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

## **Item 11: Franchisor's Assistance, Advertising, Computer Systems, Websites and Training.**

**Except as listed below, SUPPLY POINTe Franchising LLC is not required to provide you with any assistance:**

### Pre-opening Obligations of Franchisor

- We currently do not have any specifications for the location from which the Franchised Business will be operated (Section 5.1). It is anticipated that you will operate the business from your home. You will however be required to obtain a virtual office address. We recommend, but do not require that you set aside a designated space within your home, from which to operate the business.
- We will provide written specifications/names for approved suppliers. Local pallet sources must meet franchisor specifications documented in the Operations Manual.
- We have a National Accounts program, where we may negotiate specific pricing and service contracts on a national basis. If you choose to opt out of servicing any customer or account in the National Account program, we or another franchisee may provide service to that customer within your territory.
- You are responsible for researching and complying with any local ordinances and obtaining any required permits to operate the business. (Section 13.6)
- We will provide virtual training for up to 5 days in duration, for the franchisee and one manger if requested. We will provide additional virtual training upon the Franchisee's request and payment. This training is described in detail later in this Item. (Section 8.1 and 8.4)
- You are responsible for all necessary equipment, signs, fixtures, opening inventory and supplies. We will provide minimum specifications and quantities for all such items, and may provide list of approved suppliers and/or require specific suppliers for certain items. (Sections 13.1, 13.2 and 13.3)

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 45-60 days. You will be required to commence operations within 90 days of execution of the Franchise Agreement. Factors that

may affect this time period include your ability to acquire financing, compliance with local ordinances and restrictions, and completion of required training.

During operation of the Franchised Business, we will:

- authorize the products and services for sale or use in your Franchised Business. (Section 13.1)
- make available to you ongoing virtual training as we think necessary and when we do we require you attend. (Section 8.5)
- provide you with modifications to the Operations Manual as they are made available to franchisees. (Section 9.2) We have the right to change or modify the System and will notify you of any changes. (Section 10.2)
- offer you advice and guidance on prices for products and services. (Section 14.1)
- prescribe a standard accounting system in the Operations Manual. (Section 12)
- be available to render advice, discuss problems and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods with respect to general operating problems. (Section 14.1) We or our representative also may make periodic virtual visits to your territory to provide you with consultation, assistance and guidance in various aspects of the operation and management of the franchised business. (Section 14.2)

**Advertising Program**

- We require you to spend a minimum of \$1,500 on local marketing and advertising activities per month starting in month 13 after opening.
- The Ready to Launch Program will encompass a number of launch, advertising and marketing initiatives, SUPPLY POINTe branded collateral materials, as well as assistance with personnel recruitment, required software platforms, set-up and training. The technology set-up, training and personnel recruitment will be complete in 90 days, the marketing and advertising initiatives will extend for the first 12 months and the on-going business coaching, mastermind calls will also extend for the first 12 months of your franchised business.
- We must approve all advertising materials. We reserve the right to collect some or all of your grand opening funds and/or your Local Advertising expenditure and implement grand opening campaign activities and/or Local Advertising on your behalf.

- Other than any advertising conducted via our Marketing Fund detailed below, we are not obligated to conduct local, regional or national advertising on your behalf. (Section 11.5)
- You shall submit to us for our prior approval all advertising and promotional materials to be used. (Section 11.2.2)
- We do not currently have an advertising council.
- There are presently no advertising councils or local or regional advertising cooperatives. If an advertising cooperative is formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the advertising cooperative and the times agreed upon by the majority, and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We have the right to collect and designate all or a portion of your local advertising for cooperative advertising. (Section 11.4)
- We are not obligated to spend any amount on marketing and advertising in your area or territory and not all system franchisees will benefit directly or on a pro rata basis from our expenditures.
- Franchisor will oversee the management of the system wide Marketing Fund. All activities related to the fund's administration and overhead will be paid for by fund monies, including any salaries of the franchisor's staff. An accounting of fund expenditures will be made available to the franchisee, upon request, at the end of each year. You must participate in the System-wide Marketing Fund. (Section 11.3)
  - All Franchised Businesses will contribute \$100.00 per month starting in Month 13 from the Start Date. In month 25 the contribution will increase to \$225.00 per month. In month 37 the contribution will increase to \$550 per month, where it will remain for the remainder of your contract. We will have an accounting of the marketing fund prepared each year. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the marketing fund's expense. (Section 11.3.6)
  - All accountings will be available to you upon reasonable request. (Section 11.3.6)
  - In this fiscal year ended December 31, 2023, we collected \$7,100. Last year no fund monies were spent on production, media placement, administrative expenses, or any other use.

- If excess amounts remain in any fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the fund, and next out of prior year contributions and then out of current contributions. (Section 11.3.1.3)
- We do not use any advertising funds principally to solicit new franchise sales.

**Computer Hardware and Software**

You are required to purchase computer equipment consisting of hardware and software in accordance with our specifications in the Operations Manual. The cost of the software is included in your Ready to Launch Fee. (Section 12.5). Current requirements include:

Hardware	Software
Laptop Computer w/ Broadband Internet Service	Franchise Management Software (SAAS license), CRM Software such as HubSpot
All-in-one Printer/Copier/Fax	Microsoft Office w/ Outlook
Smartphone w/ 4G Service	QuickBooks and Financial Reporting Software Platform

We estimate the cost for the hardware in the above chart to be between \$750-\$4,000. The cost of the software is included in your Ready to Launch Fee. There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs.

Upon our request, you must provide us with independent direct access to your computer system and there is no contractual limitation on our access or use of the information we obtain. You must make sure that we have access at the times and in the manner we specify, at your cost.

You must obtain any upgrades and/or updates to the software and hardware, at your expense. In addition, we may require you to update and/or upgrade all or a portion of software and hardware during the term of your Franchise Agreement, at your expense.

You are not required to have an ongoing maintenance or support agreement, but you may find it advantageous to do so. The cost will depend, in part, on the services you choose and the length of the contract. Some maintenance contracts average \$75 to \$150 per month.

**Websites** We will create all websites and social media pages using the Marks for the use of your Franchised Business. These sites and pages will remain our property at all times. You are not permitted to promote your Franchised Business or use any of the Proprietary Marks in any manner on any social or networking websites including but not limited to Facebook, LinkedIn, Twitter and Instagram, X, TikTok without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Franchised Business’ operation, including prohibitions on you and your employees creating web pages or blogs representing the Franchised Business or the System, other than on a website and social media accounts established or authorized by us. We reserve the right to conduct collective/national campaigns via local social media on your behalf for increased brand recognition.

**Franchisor’s Training Program**

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Location</b>
<b>Prerequisite Training using our Learning Management System (LMS) Software-Prerequisite CRM &amp; Knowledge of Products and Services Offered</b>	60-75 hours	Remote
<b>Initial Training</b>		
Business Plan Workshop	2-4 hours	Remote
Territory Management Workshop	1-3 hours	Remote
Product Knowledge Workshop	3-5 hours	Remote
Sales for Success Workshop	5-7 hours	Remote
Managing Financials Workshop	1-2 hours	Remote
<b>TOTAL: 82-96 hours (Including Prerequisite)</b>	<b>12-21 hours</b>	<b>Remote</b>

(A) The headquarters portion of initial training program will typically be conducted approximately 4-5 weeks before the opening of the Franchised Business. Training will be conducted virtually. (Section 8.1)

(B) The training materials include the Operations Manual and related written materials. The training will be overseen by Adam Cahill or Matt Cahill and conducted by a qualified SUPPLY POINTe Corporate

trainer. Adam has been the President and COO of SUPPLY POINTe since December 2016 and has worked in the industry for 13 years. Matt Cahill has been the owner of SUPPLY POINTe since December 2002 and has worked in the industry for 22 years. The Operations Manual consists of at least 452 pages. The Table of Contents of the Operations Manual is attached to this document as Exhibit C.

(C) Training is virtual, and no real costs are estimated to be incurred. If you decide to include an additional person in training, you may incur additional fees for payroll or compensation (Section 8.1)

(D) You and your designated manager must(if applicable) complete the initial training program to our satisfaction before we will approve the opening of the Franchised Business.

(E) Periodically, you and/or your employees may be required to attend refresher-training programs to be conducted virtually or at another location we designate. Attendance at these programs will be at your expense. (Section 8.5) Additional refresher training will be conducted on an as needed basis.

(F) We have the right to setup required online training and resource guides. Participation in these online training courses will be mandatory.

(G) Use of our designated CRM system is mandatory. Currently that CRM system is HubSpot but we have the right to change that with a 30 day advance written notice. Franchisee must report contacts, companies, leads, transactions and quoting opportunities. We will have a team conducting regular calls to document and grow usage. Participation in these calls is mandatory.

## **Item 12: Territory**

The franchisor will approve the territory in which the franchisee requests for a location, such approval will be based on factors such as geographic location, population density, amount of competition and other considerations. SUPPLY POINTe territory is based upon the minimum number of targeted companies. You will receive a designated market area which will contain no fewer than 1000 business counts – consisting of 5 employees or more, manufacturing and distribution as reported by their NAICS codes, which can be a mix of primary and secondary. The 1000 business counts are targeted NAICS codes and 250 of these counts will be 250 manufacturing/distribution NAICS which can be a mix of primary and secondary. The remaining 750 business counts are targeted NAICS codes which can be a mix of primary and secondary.

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

When you are granted a territory, an existing franchisee may have an established account in this territory. If this is the case, the new franchisee and the existing franchisee will both be compensated for the account. Compensation is outlined in the Operations Manual.

You do not have any right to acquire additional franchises granted under this Agreement.

You are required to meet the following minimum Gross Revenue Requirements:

- a. After Year 2, if you are not earning at least \$100,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.
- b. After year 3, if you are not earning at least \$150,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.
- c. After year 4 and beyond, if you are not earning at least \$175,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.

### **Restrictions and Competition**

(i) Our Affiliates currently operate businesses of the type being franchised, in the Charlotte, NC and Cincinnati, OH metropolitan areas. Additionally, we or an affiliate of ours may acquire such a business. Neither we, our Affiliates or other franchisees have the right to solicit or accept orders from within your Designated Market Area related to industrial packaging sales, however, we may set up a cross market referral program where franchisees and affiliates can solicit within other designated market areas, provided franchisee or affiliate who owns such designated market area is fairly compensated. (Section 2.9)

(ii) You shall not directly market to or solicit customers related to industrial packaging sales located within the Designated Market Area of another franchisee or Affiliate and the franchisor will not locate another company-owned or franchised business under the franchisor trademark within the franchisee's protected area. (Section 2.10)

(iii) We do not currently operate a business under a different trademark that will compete with you within the Designated Market Area but may do so in the future. (Section 2.8)


(iv) We and our affiliates may sell products and services under the Proprietary Marks within and outside your Designated Territory through alternate method of

distribution including the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”).

(v) You may not use alternative distribution channels to make sales outside or inside your Designated Territory and you will not receive any compensation for our sales through alternative distribution channels.

### Item 13: Trademarks

We license from our Affiliate, SUPPLY POINTe Properties, LLC, the exclusive right to use and sublicense the use of (1) our principal trademark (depicted on the cover page of this document), (2) the other registered trademark and trademark application listed below and (3) the common law rights associated with these and any trade name, trademark, service mark or logo used in the operation of a SUPPLY POINTe franchise (collectively, the “Marks”). We sublicense the Marks to you for use associated with the Franchised Business. You may not use any marks that we have not designated, and you may not use the Marks, except as we designate in the operation of your Franchised Business.

MARK	USPTO NO./STATUS	REGISTER	DATE OF REGISTRATION
	Reg. No. 5,589,248	Principal	October 23, 2018

We have filed all required affidavits and intend to renew our registrations for the Marks when they become due.

Franchisee shall immediately notify Franchisor of any third party use of the Marks they become aware of, any challenge made to their use of any of the Marks or any published statements that attack the reputation of the brand. You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them.

Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously.

If it becomes advisable at any time in our sole discretion, we may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the

System. You must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

We know of no pending material federal or state court litigation regarding our use or ownership rights in any of the Marks.

We know of no currently effective agreement that significantly limits our right to use or license the use of any of the Marks.

#### **Item 14: Patents, Copyrights and Proprietary Information (Trade Secrets).**

(1) We do not own or license any patents or patent applications. We own a copyright in the Confidential Operations Manual, our website, marketing materials and other copyrightable items that are part of the System.

(2) There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding any patent or copyright listed in this document.

(3) There are no material proceedings pending in either the United States Patent and Trademark Office or any court.

(4) The right to use the copyrighted items is not materially limited by any agreement.

(5) We are not obligated to protect the copyright or to defend you against claims arising from your use of the copyrighted items.

(6) We know of no patent or copyright infringement that could materially affect your Franchised Business.

(7) We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a SUPPLY POINTe Franchised Business.

#### **Item 15: Obligation to Participate in the Actual Operation of the Franchise Business.**

(1) You are obligated to directly supervise the Franchised Business, OR

(2) You must appoint a minimum of one certified manager for each territory or territories if they are contiguous (“Designated Manager”) to provide personal supervision of the Franchised Business. Details of the franchisor’s certification program will be maintained

in the operations manual, and may be updated over time. In the event that one of the franchisee's certified managers is terminated or leaves their employment, the franchisee must replace and train (as designated by the franchisor) a new manager within 30 days.

(i) If you are an individual, we may require that you serve as the Designated Manager.

(ii) There are no limits on whom you can appoint as a Designated Manager except our right to insist that you fill the role.

(iii) The Designated Manager must successfully complete our training program to our satisfaction.

(3) Your appointed Designated Manager will be required to sign nondisclosure and noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition agreement attached to the Franchise Agreement. We will be a third party beneficiary with the right to enforce those Agreements.

(4) Spouses of the Franchisee must sign the Guaranty.

#### **Item 16: Restrictions on What the Franchisee May Sell.**

(1) You are only permitted to offer the services and products authorized by us and you must discontinue offering any services or products that we may disapprove.

(2) You are obligated to offer all of the products or services mandated by us. (see Sec. 13.1.1)

(3) The franchisor will not restrict its franchisees from serving any customers in their territory.

(4) We may periodically change required or authorized services or products. There are no limits on our right to do so, except as otherwise required by federal, state or local regulations.

#### **Item 17: Renewal, Termination, Transfer and Dispute Resolution.**

##### **THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. Franchisee should read these provisions in the agreement attached to this Disclosure Document. Franchisee should refer to Franchisee's state's-specific addendum attached to this Disclosure Document for exceptions to this ITEM 17.**

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	4.1	Initial term is 10 years.
b. Successor Franchise term	4.2	Two additional 10 year terms. A Successor Franchise means the continuation of Franchisee's Franchised Business under the then current Franchise Agreement and Operations Manual that may contain materially different terms and conditions than Franchisee's original contract.
c. Requirements for franchisee to renew or extend	4.2, Exhibit 5	Franchisee may renew the then-current Franchise Agreement if Franchisee: has fully complied with the provisions of the Franchise Agreement; has the right to maintain possession of the Operating Location or an acceptable substitute location for the term of the renewal; has made capital expenditures as necessary to maintain uniformity with the System; has satisfied all monetary obligations owed to us; is not in default of any provision of the Franchise Agreement or any other agreement with us; has given timely written notice of Franchisee's intent to renew; signs a current Franchise Agreement, which may have different terms and conditions than Franchisee's original Franchise Agreement; complies with current training requirements; and signs a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	16.1	Franchisee may terminate the Franchise Agreement if Franchisee is in compliance with it, Franchisor materially breaches it, and Franchisor fails to begin to cure our breach within 30 days of receiving Franchisee's written notice.
e. Termination by franchisor without cause	None	

Provision	Section in Franchise or Other Agreement	Summary
f. Termination by franchisor with cause	16.2	See g and h below.
g. "Cause" defined-curable defaults	16.2.2	If a default arises from Franchisee's failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, Franchisee can avoid termination of the Franchise Agreement if Franchisee cures the following defaults: Franchisee's failure to maintain insurance; Franchisee's failure to make payments due to us; Franchisee's failure to comply with any mandatory Specification, standard or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing; or any other default not explicitly stated in the Franchise Agreement.
h. "Cause" defined-noncurable defaults	16.2.1, Exhibit 5	Franchisor has the right to terminate the Franchise Agreement without giving Franchisee an opportunity to cure if Franchisee: fails to timely select an approved site for or establish, equip and begin operations of the franchised business; fails to have its Designated Manager satisfactorily complete training; makes a material misrepresentation or omission in the application for the franchise; after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of either party or the franchised business; is convicted of or pleads no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised business; uses the Operations Manual, Training Manuals, trade secrets or other confidential information in an unauthorized manner; if required, fails to have its owners (and members of their immediate families and households), officers, directors, managers, executives and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and noncompetition agreements or, if requested, fails to

Provision	Section in Franchise or Other Agreement	Summary
		<p>provide Franchisor with copies of all signed nondisclosure and noncompetition agreements; abandons the Franchised Business for 5 or more consecutive days; surrenders or transfers control of the Franchised Business in an unauthorized manner; fails to maintain the Franchised Business under the supervision of a Designated Manager following their death or disability; submits reports on 2 or more separate occasions understating any amounts due by more than 3%; is adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuses or makes unauthorized use of the Marks; fails on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due Franchisor or any Affiliate; violates on 2 or more occasions any health, safety or other laws or operates the Franchised Business in a manner creating a health or safety hazard to customers, employees or the public; takes any action reserved to us; fails to comply with applicable law after notice; breaches the franchise agreement or fails to comply with specifications on 2 or more occasions within any 12 months; or defaults under any other agreement with Franchisor (or an Affiliate) so that they have the right to terminate such agreement.</p>
<p>i. Franchisee's obligations on termination/nonrenewal</p>	<p>17.1</p>	<p>If the Franchise Agreement is terminated or not renewed, Franchisee must: stop operating the franchised business; stop using any trade secrets, confidential information, the System and the Marks; if requested, assign Franchisee's interest in the franchise location to Franchisor; cancel or assign to Franchisor any assumed names; pay all sums owed to Franchisor including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other confidential information; assign Franchisee's telephone and facsimile numbers to Franchisor; comply with the covenants not to compete and any</p>

Provision	Section in Franchise or Other Agreement	Summary
		other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	18.1	There are no restrictions on Franchisor’s right to assign its interest in the Franchise Agreement.
k. “Transfer” by franchisee-definition	18.2	“Transfer” means to sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the franchise granted hereby, its assets, or any part or all of the ownership interest in Franchisee.
l. Franchisor’s approval of transfer by franchisee	18.2	Franchisee may not transfer its interest without the prior written consent of Franchisor.
m. Conditions for franchisor approval of transfer	18.2	Franchisor will consent to a transfer if: Franchisor has not exercised its right of first refusal; all obligations owed to Franchisor are paid; Franchisee and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets the business and financial standards of Franchisor; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; Franchisee provides a copy of all contracts and agreements related to the transfer; Franchisee or the transferee pay a transfer fee of \$10,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; Franchisee has agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; Franchisee or all of its equity owners have signed a noncompetition agreement in a form the same as or

Provision	Section in Franchise or Other Agreement	Summary
		similar to the Nondisclosure and Noncompetition attached to the Franchise Agreement; the transferee has agreed that its Designated Manager will complete the initial training program before assuming management of the franchised business; and the transferee has obtained all necessary types of insurance.
n. Franchisor's right of first refusal to acquire franchisee's business	19	Franchisor may match an offer for the Franchised Business or an ownership interest Franchisee proposes to sell.
o. Franchisor's option to purchase franchisee's franchised business	17.4	Except as described in (n) above, Franchisor does not have the right to purchase the Franchised Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, Franchisor has the right to purchase any assets of the Franchised Business for fair market value.
p. Death or disability of franchisee	18.6	Following the death or incapacity of an owner of the Franchised Business or the death or incapacity of any holder of a legal or beneficial interest in the Franchised Business, Franchisee or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchised business within 180 days of death or incapacity or Franchisor may terminate the Franchise Agreement.
q. Noncompetition covenants during the term of the franchise	7.3	Franchisee, its owners (and members of their families and households) and its officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the franchised business to a competitive business or causing injury or

Provision	Section in Franchise or Other Agreement	Summary
		prejudice to the Marks or the System; owning or working for a competitive business.
r. Noncompetition covenants after the franchise is terminated or expires	17.2, Exhibit 5	For 2 years after the termination or expiration of the Franchise Agreement, Franchisee, its owners (and members of their families and households) and Franchisee's officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other Franchised Business; or soliciting or influencing any of Franchisor's customers, employees or business associates to compete with Franchisor or terminate their relationship with us.
s. Modification of the agreement	9.2, 22.7 and 22.8	The Franchise Agreement can be modified only by written agreement between Franchisee and us. Franchisor may modify the Confidential Operations Manual without Franchisee's consent if the modification does not materially alter Franchisee's fundamental rights.
t. Integration/merger clause	22.6 and Exhibit 5	Only the terms of the Franchise Agreement are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	23.6, Exhibit 5	Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Charlotte, North Carolina.
v. Choice of forum	23.2, Exhibit 5	Subject to state law, any litigation must be pursued in courts located in Charlotte, North Carolina.

Provision	Section in Franchise or Other Agreement	Summary
w. Choice of law	23.1, Exhibit 5	Subject to state law, North Carolina Law applies; except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

**Item 18: Public Figures.**

We do not presently use any public figures to promote our franchise.

**Item 19: Financial Performance Representation.**

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

The table on the following page summarizes the historical performance of our affiliate owned and franchised locations that have been operating on a full time basis for two years or more for the 2023 calendar year. These locations are substantially similar to the Franchised Business you will operate.

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**2023 Profit and Loss Information  
for Affiliate Owned and Franchised Locations**

<u>Corporate</u>	Total Income	Cost of Goods Sold	Gross Profit	Profit Margin %
Cincinnati	\$1,044,300.02	\$743,420.97	\$300,879.05	29%
Charlotte	*NA	\$0	\$712,613.79	NA
<u>Franchisee</u>	Total Income	Cost of Goods Sold	Gross Profit	Profit Margin %
Columbus	\$5,405,313.00	\$4,447,334.00	\$957,979.00	18%
Indianapolis	\$2,243,932.00	\$1,946,572.00	\$297,360.00	13%
Nashville	\$1,292,344.00	\$966,061.00	\$326,283.00	26%
Houston	\$228,961.00	\$131,290.36	\$97,671.00	43%
New Brunswick	\$1,224,982.00	\$909,317.00	\$315,665.00	26%
Memphis	NA	NA	NA	NA
Detailed Breakdown Per Location	Status	Advertising Spend	Administrative Fee	National Marketing Fee
Columbus	Full Time	\$36,606.28	\$20,857.45	\$1,200
Indianapolis	Full Time	\$27,317.03	\$9,352.49	\$1,200
Nashville	Part Time	\$16,100.19	\$10,127.24	\$1,200
Houston	Part Time	\$10,732.18	\$10,503.47	\$1,200
New Brunswick	Part Time	\$14,988.00	\$3,542.53	\$1,200
Memphis	Part Time	NA	NA	NA
<i>*Charlotte has no Total Income or COGS to report as business is solely built on commissions</i>				
KPI Breakdown	Total # of customers	Average Customer Size by Total Income	Average Customer Size by Gross Profit	
Columbus	112	\$48,261.72	\$8,553.38	
Indianapolis	82	\$27,365.02	\$3,626.34	
Nashville	34	\$38,010.12	\$9,596.56	
Houston	18	\$12,720.06	\$5,426.17	
New Brunswick	20	\$61,249.10	\$15,783.25	
Memphis	NA	NA	NA	

- (1) Results are un-audited. These are reports that are managed and monitored by the franchisee and their bookkeeper throughout the year and reported directly to us from the bookkeeping firm. The franchisee approves this data to the bookkeeper before they send it to us.
- (2) Franchisee locations that were not open for a full 12 months of 2023 are not reported.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Center, however, we may provide you with the actual records of that

Center. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Adam Cahill at 227 W. 4th Street, Charlotte, NC 28202; (704) 734-9475; [info@supplypointe.com](mailto:info@supplypointe.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20: Outlets and Franchise Information.**

Table No. 1  
**System wide Outlet Summary For Years 2021 to 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	6	8	+2
	2022	8	6	-2
	2023	6	6	0
Company-Owned <sup>1</sup>	2021	3	3	0
	2022	3	3	0
	2023	3	3	0
Total Outlets*	2021	9	11	-1
	2022	11	9	-2
	2023	9	9	0

<sup>1</sup> Includes Affiliate owned outlets.

Table No. 2  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2021 to 2023**

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3  
**Status of Franchised Outlets For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
Indiana	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	1	1	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	6	3	1	0	0	0	8
	2022	8	0	2	0	0	0	6
	2023	6	0	0	0	0	0	6

Table No. 4  
**Status of Company-Owned<sup>1</sup> Outlets For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
North Carolina	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Ohio	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

TN	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3

<sup>1</sup> Includes Affiliate owned outlets.

Table No. 5  
**Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
SC	1	15	0
Total	1	15	0

Current Franchisees are listed in Exhibit E to the Franchise Disclosure Document. Your contact information will be disclosed here for future franchisees if you purchase a franchise.

Franchisees that have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement in the past fiscal year are also listed in Exhibit F. Your contact information will be disclosed here if you buy a franchise and later leave the franchise system.

Franchisor is not selling any previously owned franchised outlets now under its control.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the SUPPLY POINTe franchise system. 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.

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

### **Item 21: Financial Statements.**

Attached as Exhibit D to this disclosure document are our audited financial statements for the years ended December 31, 2023, 2022 and 2021. Our fiscal year end is December 31.

**Item 22: Contracts.**

All proposed agreements regarding the franchise offering are attached: Franchise Agreement (Exhibit B); General Release (Exhibit 1 to the Franchise Agreement); Nondisclosure and Noncompetition Agreement (Exhibit 2 to the Franchise Agreement); Unlimited Guaranty and Assumption of Obligations (Exhibit 3 to the Franchise Agreement).

**Item 23: Receipts.**

A receipt in duplicate is included as the last two pages of this disclosure document. You should sign and date both copies of the receipt. Keep one copy for your own records and either mail the other copy to SUPPLY POINTe Franchising, LLC, at 227 W. 4th Street, Charlotte, NC 28202 or scan and email a copy of the signed receipt to [adam.cahill@supplypointe.com](mailto:adam.cahill@supplypointe.com).

## EXHIBIT A TO THE DISCLOSURE DOCUMENT

### LIST OF STATE ADMINISTRATORS

The following is a list of state administrators responsible for registration and review of franchises for these states. We may register in one or more of these states.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**



**SUPPLY POINTE FRANCHISING, LLC FRANCHISE AGREEMENT  
With**

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**Date**

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1. Franchisee Disclosure Acknowledgment Statement
2. Territory Description and Franchised Business Location
3. General Release
4. Nondisclosure and Noncompetition Agreement
5. Guaranty
6. Statement of Ownership Interests
7. Internet Advertising, Social Media and Telephone Listing Agreement
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# SUPPLY POINTe Franchise Agreement

Franchisor  
SUPPLY POINTe Franchising, LLC  
227 W. 4th Street  
Charlotte, NC 28202

Franchisee  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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This Franchise Agreement is by and between SUPPLY POINTe Franchising, LLC, a North Carolina Limited Liability Company, (“Franchisor”), and \_\_\_\_\_, [an individual residing in [or] business entity established in] the State of \_\_\_\_\_ (“Franchisee”) and is for the purpose of establishing a franchise relationship between the parties; whereas Franchisor intends to sell and Franchisee intends to own and operate a SUPPLY POINTe Franchised Business. Franchisor and Franchisee, intending to be legally bound, agree as follows:

## **§1** **Definitions**

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor.

“**Agreement**” means this agreement entitled “SUPPLY POINTe Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof.

“**Competitive Business**” means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) services the same as or similar to those provided by Franchised Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns more than a five percent (5%) legal or beneficial interest.

“**Confidential Information**” means information used in or related to SUPPLY POINTe Franchised Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor.

“**Cost of Delivered Goods**” equals the price paid by Franchisee for any goods or services sold, plus any commercially reasonable delivery cost paid by Franchisee to an unaffiliated third party.

**“Operations Manual”** means the SUPPLY POINTe Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

**“Designated Manager”** means the individual designated by Franchisee as having primary responsibility for managing the daily affairs of the Franchised Business.

**“Effective Date”** means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term.

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks.

**“Franchised Business”** means the SUPPLY POINTe business to be established and operated by Franchisee pursuant to this Agreement.

**“Gross Income”** means Gross Revenue less Cost of Delivered Goods.

**“Gross Revenue”** means the aggregate of all revenue collected from all sources in connection with the Franchised Business, whether by check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any revenue Franchisee remits to a customer or property owner or collection agency that Franchisee is contractually obligated to remit, (b) any chargeback fees Franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier. Gross Revenue includes any commissions received, gross sale price of any goods sold and any other revenue derived in the operation of the Franchised Business.

**“Incapacity”** means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**“Marks”** means the trade name or trademark “Supply Pointe” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with SUPPLY POINTe Franchised Businesses;

**“Operating Location”** means the site for the operation of the Franchised Business selected by Franchisee, within the Designated Market Area.

“**System**” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of SUPPLY POINTe Franchising, LLC Businesses;

“**Franchise**” means the Franchisee may sell all of our network offerings including freight, pallets, industrial packaging and any other service available in our network.

“**Trade Secrets**” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in SUPPLY POINTe Franchised Businesses that are not commonly known by or available to the public and that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## **§2 Grant of Franchise and Operating Location**

### **2.1 Grant**

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) SUPPLY POINTe Franchised Business using the System and Marks.

### **2.2 Operating Location**

The street address (or detailed description of the premises) of the Operating Location for the operation of the Franchised Business shall be listed in Attachment 2, attached hereto and incorporated herein.

### **2.3 Designated Market Area**

Franchisee Shall receive a designated market area as defined in Section 2.6 (“Designated Market Area”). Franchisee will operate the Franchised Business within the designated market area and shall limit all direct marketing, advertising, and business activities as stated in Section 2.9. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee’s designated market area. Franchisee’s rights in the designated market area are subject to Franchisor’s rights articulated in Section 2.8. Franchisees will receive a protected Designated Market area for all sales NOT related to freight.

### **2.4 Relocation**

If Franchisee wishes to relocate to a new Operating Location, Franchisee shall give written notice to Franchisor at least seven (7) days prior to such relocation.

## **2.5 Additional Franchise Outlets**

Franchisee shall not be permitted to open additional Franchised Businesses within their Designated Market Area. Additional franchises shall be governed by an additional franchise agreement.

## **2.6 Description of Designated Market Area**

The Designated Market Area shall be defined by and exist within the zip codes or other physical, political or natural boundaries defined in Attachment 2, attached hereto and incorporated herein, which shall then be signed and dated by Franchisee and Franchisor.

## **2.7 Sub-Franchising/Agents**

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

## **2.8 Franchisor's Rights**

2.8.1 Franchisee acknowledges that except to the extent provided in Section 2.4 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.8.1.1 establish, own or operate, and license other to establish, own or operate, SUPPLY POINTe Franchised Businesses related to freight sales inside and outside of the Designated Market Area;

2.8.1.2 establish, own or operate, and license others to establish, own or operate, SUPPLY POINTe Franchised Businesses outside of the Designated Market Area;

2.8.1.3 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Designated Market Area;

2.8.1.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Designated Market Area;

2.8.1.5 provide the services and sell the products authorized for SUPPLY POINTe Franchised Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.8.1.6 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business some or all of which may be located anywhere, including within the Designated Market Area.

2.8.2 If Franchisor purchases or acquires such businesses within the Designated Market Area that are not franchised or licensed, Franchisor may, in its sole discretion:

2.8.2.1 offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a SUPPLY POINTe Franchised Business; or

2.8.2.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

## **2.9 Marketing and Solicitation Restrictions**

2.9.1 Except as part of cooperative advertising implemented pursuant to Section 11.4, Franchisee shall not advertise in any media whose primary circulation is within the area of primary responsibility of another franchisee or Affiliate related to the sale of industrial packaging. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other SUPPLY POINTe Franchised Businesses, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

2.9.2 Despite the marketing restriction in the previous section, Franchisee shall be permitted to serve any customers regardless of their home or business location at their Operating Location within the Designated Market Area.

## **§3 Fees**

### **3.1 Initial Fee**

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of FORTY-NINE THOUSAND FIVE HUNDRED DOLLARS (\$49,500).

The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

### **3.2 Territory Fee**

If Franchisee is purchasing multiple adjacent territories simultaneously with the execution of this Agreement, the Territory Fee for each additional territory after the first, shall be as follows:

A franchisee may choose to purchase multiple territories at the same time. Upon execution of a multi-unit agreement, a multi-unit franchisee will pay the franchisor \$49,500 for the first franchise agreement plus fees for the additional territories as outlined below:

Any existing franchisee who purchases subsequent territories will also qualify for the discount below:

Additional Designated Territory Being Awarded	Territory Fee	Total Development Fee
2	\$42,000 (For unit 2)	\$91,500
3	\$38,000 (For unit 3)	\$129,500
4	\$36,000 (For unit 4)	\$165,500
5	\$34,000 (For unit 5)	\$199,500
6	\$32,000 (For unit 6)	\$231,500
7	\$30,000 (for unit 7)	\$261,500

When you are granted a territory, an existing franchisee may have an established account in this territory. If this is the case, the new franchisee and the existing franchisee will both be compensated for the account. Compensation is outlined in the Operations Manual.

### 3.3 Royalty Fee

Reports are due on the 15th of every month. Royalty will be collected on the 25th of every month subjected to holidays. Royalty Fees will be calculated via cash-based reporting, but financial reporting will be based on accrual method of accounting. This will apply to Franchisees only and on all gross income. Non reporting for thirty days may lead to loss of franchise license. Three occurrences of late reporting may lead to loss of franchise license.

When sales are made in which your commission gets paid directly to us, the commissions will be paid directly to us and we will distribute payment to you.

The Royalty Fee or Minimum Royalty payment are due for each territory operated by Franchisee. For so long as this Agreement shall be in effect, Franchisor shall be entitled to a fee (“Royalty Fee”) of four and one quarter percent (4.25%) of Gross Sales once minimum Royalty is met. We reserve the right to change the date and frequency of Royalty Payment collection. You also will pay us an Administrative Fee of one quarter percent (.25%) per gross sale. We have the right to increase this amount by .25% with 30 days written notice once per calendar year not to exceed 1% over the life of your contract.

3.3.1 The Royalty Fee shall be subject to a monthly minimum, as follows (“Minimum Royalty”):

#### Per territory profile

Territory: 1000 business counts – consisting of 5 employees or more, 250 will be specifically manufacturing and distribution as reported by their NAICS codes, which can be a mix of primary and secondary.

The remaining 750 business counts are targeted NAICS codes which can be a mix of primary and secondary.

### **One Territory**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date

Months 7-9. \$500/month.

Months 10-12. \$750/month

Months 13-18. \$1000/month

Months 19-24. \$1250/month

Months 25 and beyond \$1500/month

### **Two Territories**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date

Months 7-9. \$500/month. (Incentive for buying 2pack, no increase)

Months 10-12. \$1000/month

Months 13-18. \$1500/month

Months 19-24. \$2000/month

Months 25 and beyond \$2500/month

### **Three Territories**

No Minimum royalty 1<sup>st</sup> 6 months from the Start Date

Months 7-9. \$500/month. (Incentive for buying 3pack, no increase)

Months 10-12. \$1200/month

Months 13-18. \$1900/month

Months 19-24. \$2700/month

Months 25 and beyond \$3400/month

\*On a monthly basis, a Gross Revenue royalty of 4.25% will be calculated and charged. The franchisor will obtain the Gross Sales for the month directly from the QuickBooks file of the Franchisee. The franchisor will obtain the Gross Profit (Total Sales less Cost of Goods) data for the preceding half-year, directly from the QuickBooks file of the Franchisee. The Gross Revenue royalty must meet a minimum of 30% of the Gross Profit. This will be reviewed and calculated on a twice-yearly basis. In the event that 30% of the Gross Profit for this six-month period exceeds the total of the Gross Revenue monthly 4.25% royalties for this six-month period, then the franchisee will be charged the difference between these two figures.

If any account purchased inside or outside of your territory lies dormant for three straight months the franchisor has the right to take it over and away from franchisee.

You are required to meet the following minimum Gross Revenue Requirements:

- a. After Year 2, if you are not earning at least \$100,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.

- b. After year 3, if you are not earning at least \$150,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.
- c. After year 4 and beyond, if you are not earning at least \$175,000, you will be issued a warning with 6 months to reach that mark otherwise you may lose your franchise and be terminated.

### **3.4 Taxes**

Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Operating Location is located.

### **3.5 Late Fees**

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor on the due date shall incur late fees. Late or inaccurate financials will incur a daily fee of \$100 until submitted. After a third occurrence we have the right to terminate your franchise. Late fees begin from the date payment was due, but not received, or date of underpayment and will include weekends. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

### **3.6 Technology Fee**

You must pay to us, or a third party that we designate, a technology fee for various technology services that we will provide or arrange for third parties to provide, which services are subject to change over time (a "Technology Fee"). Currently, the Technology Fee is \$575 per month, but we reserve the right to increase the fee periodically at the start of any calendar month by providing you with written notice of any change at least 30 days prior

### **3.7 Application of Payments**

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

## **§4 Term and Renewal**

## **4.1 Initial Term**

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.

## **4.2 Successor Franchise**

4.2.1 Subject to the conditions below, a Franchisee has the option to renew for two additional subsequent ten (10) year terms (“Successor Term(s)”) at the expiration of the term of this Agreement, provided that each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.1.2 Franchisee has access to and, for the duration of the successor franchise, the right to remain in possession of the Operating Location, or a suitable substitute location, which is in full compliance with Franchisor’s then-current specifications and standards;

4.2.1.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor’s then-current standards and specifications;

4.2.1.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.1.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.1.6 Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than six (6) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.1.7 Franchisee has executed Franchisor’s then-current form of franchise agreement that may be different from this Agreement (or has executed other documents at Franchisor’s election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution;

4.2.1.8 Franchisee has complied with Franchisor’s then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

4.2.1.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Attachment 3, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

4.2.1.10 Franchisee has paid a fee to us a successor term fee of \$10,000.

## **§5 Operating Location**

### **5.1 Selection of Site**

Franchisee shall operate the Franchised Business from a principal location within the Designated Market Area which is in full compliance with Franchisor's specifications and standards. It is anticipated that you will operate the business from your home. You will however be required to obtain a virtual office address.

### **5.2 Lease or Purchase of Operating Location**

5.2.1 If Franchisee is to execute a lease for, or a binding agreement to purchase, the Operating Location, Franchisee represents and warrants that nothing therein contained shall be contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement.

### **5.3 Opening**

5.3.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.3.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.3.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease (if any), or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.3.1.3 complete initial training to the satisfaction of Franchisor;

5.3.1.4 hire and train the personnel necessary or required for the operation of the Franchised Business;

5.3.1.5 if Franchisee is a business entity, cause each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.3.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.3.1.7 pay in full all amounts due to Franchisor.

#### **5.4 Failure to Open**

Time is of the essence. Should Franchisee fail to commence operations of the Franchised Business within three (3) months of signing this Agreement, Franchisor has the right to terminate this Agreement.

#### **5.5 Use of Operating Location**

Franchisee shall not use the Operating Location to operate any business other than for the Franchised Business unless approved in writing by Franchisor.

#### **5.6 Relocation**

Franchisee shall not relocate the Operating Location without alerting Franchisor. If the new operating location is outside the Designated Market Area, Franchisee must get Franchisor's written approval prior to relocation. Approval will be granted or denied at Franchisor's discretion, but shall not be denied in bad faith. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance.

### **§6 Proprietary Marks**

#### **6.1 Ownership**

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

#### **6.2 Limitations on Use**

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark

registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Operating Location, and upon any vehicle, used in the operation of the Franchised Business displaying a Mark, a prominent notice stating that the Franchised Business is an “Independently Owned and Operated Franchise” of Franchisor.

### **6.3 Notifications**

Franchisee shall immediately notify Franchisor of any third party use of the Marks they become aware of, any challenge made to their use of any of the Marks or any published statements that attack the reputation of the brand. Franchisee shall not communicate with any person other than Franchisor and Franchisor’s counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee’s counsel at Franchisee’s expense. Franchisor has the right to take such action it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor’s counsel, be necessary or advisable to protect and maintain Franchisor’s interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor’s interest in the Marks.

### **6.4 Indemnification for Use of Marks**

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee’s authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor’s directions in responding to such proceeding. At Franchisor’s option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee’s use of any Mark. This indemnification shall, not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks; not apply to litigation between Franchisor and Franchisee wherein Franchisee’s use of the Marks is disputed or challenged by Franchisor; not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee’s use of the Marks.

### **6.5 Discontinuance of Use**

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor’s directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required

to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

## **6.6 Right to Inspect**

To preserve the validity and integrity of the Marks licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Operating Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

## **6.7 Franchisor's Sole Right to Domain Name**

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "Supply Pointe" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all rights, title and interest in and to such domain names as Franchisor shall designate in the Operations Manual.

## **§7 Trade Secrets and Other Confidential Information**

### **7.1 Confidentiality of Trade Secrets and Other Confidential Information**

Both parties acknowledge that they shall disclose Confidential Information to each other. Neither party shall acquire any interest in the Confidential Information disclosed, other than the right to use it in the development and operation of the Franchised Business and in performing their duties during the term of this Agreement. Both parties acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute unfair competition. Both parties acknowledge that the Confidential Information is proprietary and is disclosed solely on the condition that no one shall: (a) use the Confidential Information in any other business or capacity; (b) break the absolute confidentiality of the Confidential Information during or after the term of this Agreement; (c) make any unauthorized copies of any portion of the Confidential Information disclosed; and (d) fail to adopt and implement all reasonable procedures to prevent unauthorized use or disclosure of the Confidential Information. Both parties shall enforce this Section as to its employees, agents and representatives and shall be liable for any unauthorized disclosure or use of Confidential Information by any of them.

## **7.2 Additional Developments**

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

## **7.3 Exclusive Relationship**

7.3.1 Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among SUPPLY POINTe franchisees if owners of Franchised Businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1.1 divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.1.2 own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

## **7.4 Nondisclosure and Noncompetition Agreements with Certain Individuals**

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Attachment 4, upon execution

of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and noncompetition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

## **7.5 Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

## **§8 Training and Assistance**

### **8.1 Initial Training**

The initial training program will be conducted virtually approximately 4-5 weeks before the opening of the Franchised Business. The training materials include the Operations Manual and related written materials.

### **8.2 Opening Assistance**

In conjunction with the beginning of operation, but not to exceed 60 days from the opening of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, a minimum of one (1) of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with the Franchised Business System techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

### **8.3 Failure to Complete Initial Training Program**

If Franchisor determines that the Franchisee is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the Principal fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction.

### **8.4 New Designated Manager**

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within thirty (30) days of being named. The new Designated Manager may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

## **8.5 Ongoing Training**

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

## **8.6 Additional Training**

Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide virtual remedial training and assistance to Franchisee's. For any additional training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

Starting in month 13 after opening, you will pay us a monthly training fee of up to \$379 per month. Actual training fees will vary, but will not exceed \$379 per month without 30 days written notice. Training fee is required for the first 3 years of your franchised business. If your franchised business is in excess of \$2 million in Gross Sales at the 3 year mark, the training becomes optional. However, if your sales dip below the \$2 million threshold, you will be required to re-enroll in the training program for a minimum of 12 months.

## **§9 Operations Manual**

### **9.1 Loan by Franchisor**

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Operations Manual or grant Franchisee access to an electronic copy of the Operations Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Operations Manual. The Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

## **9.2 Revisions**

Franchisor has the right to add to or otherwise modify the Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times. If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

## **9.3 Confidentiality**

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Operating Location in a current and up-to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Operating Location; if the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination or passwords needed for access to the Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

## **§10 Franchise System**

### **10.1 Uniformity**

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Operations Manual or other communications supplied to Franchisee by Franchisor.

### **10.2 Modification of the System**

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR (\$1.00) during the first (1<sup>st</sup>) year of

the term of this Agreement; (b) FIFTY THOUSAND DOLLARS (\$50,000.00) in the aggregate during the initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, U.S. City Average, all items, 1982-84=100, as published by the United States Department of Labor, Bureau of Labor Statistics “CPI-U”); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

### **10.3 Variance**

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee’s qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Franchised Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance granted to another franchisee.

### **10.4 National Conference**

Franchisor may, in Franchisor’s discretion, hold an national conference at a location to be selected by Franchisor. Franchisor shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor’s personnel regarding Franchised Business operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the national conference and to pay Franchisor’s then-current registration fee. All expenses, including Franchisee’s and Franchisee’s employees’ transportation to and from the national conference, and lodging, meals, and salaries during the national conference, are Franchisee’s sole responsibility. Franchisor may use expenditures from the Marketing Fund for purposes related to the national conference, including costs related to productions, programs, and materials.

## **§11 Advertising and Promotional Activities**

### **11.1 Initial Launch Marketing**

The Ready to Launch Program is \$79,900 and will encompass a number of launch, advertising and marketing initiatives, SUPPLY POINTe branded collateral materials, as well as assistance with personnel recruitment, required software platforms, set-up and training. The technology set-up, training and personnel recruitment will be complete in 90 days, the marketing and advertising initiatives will extend for the first 12 months and the on-going business coaching, mastermind calls will also extend for the first 12 months of your franchised business. This will be payable to us when you sign

your Franchise Agreement will be the Ready to Launch Fee. Franchisor shall provide guidelines to Franchisee for conducting this program. We must approve all advertising materials. We reserve the right to collect some or all of your Local Advertising expenditure and implement Local Advertising on your behalf. Prior to their use, all materials to be used in Initial Launch Marketing must be approved by Franchisor through the process set forth in Section 11.2.2. Initial Launch Marketing expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions. The Ready to Launch Fees are non-refundable.

## **11.2 Local Advertising**

11.2.1 Franchisee shall continuously promote the Franchised Business. Every month, Franchisee shall spend a minimum of \$1,500 per month per territory starting in month 13 after opening on marketing that includes but is not limited to Search Engine Optimization and Pay Per Click Program, Retargeting, Review, Email, and Digital Marketing, as directed by the Franchisor in order to promote the Franchised Business (“Local Advertising Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month. Franchisee may ask Franchisor permission to pause Local Advertising Spending, but Franchisor reserves the right to approve or deny that request.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have received the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee’s right to determine the prices at which Franchisee sells products or provides services.

## **11.3 System-Wide Marketing Fund**

Franchisor has established and administers a System-wide marketing, advertising and promotion fund to assist in Franchisor’s regional and national advertising (“Marketing Fund”). All Franchised Businesses will contribute \$100.00 per month starting in Month 13 from the Start Date. In month 25 the contribution will increase to \$225.00 per month. In month 37 the contribution will increase to \$550 per month, where it will remain for the remainder of your contract.

11.3.1.1 (“Marketing Fund Contribution”). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements. Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.1.2 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

11.3.1.3 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.1.4 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.3.1.5 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

11.3.1.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon reasonable request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.1.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

#### **11.4 Cooperative Advertising**

Franchisor has the right, but not the obligation, to create a cooperative advertising program for the benefit of Franchised Businesses located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising

to payments or contributions to Franchisor for the funding of a cooperative advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each cooperative advertising program and to require that Franchisee participate in such cooperative advertising programs when established within Franchisee's region. If a cooperative advertising program is implemented in a particular region, Franchisor has the right to administer the cooperative advertising Program or to establish an advertising council of franchisees to self-administer the cooperative advertising program. Franchisee shall participate in the council according to the rules and procedures established by the council and Franchisee shall abide by the council's decisions. Any financial contributions by the franchisee to the regional cooperative may be credited against their local marketing requirement. Company-owned territories will have voting power and be active members of any cooperatives in their market. Should Franchisor establish a cooperative advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

### **11.5 Internet, Website and Social Media Marketing**

Franchisee may not establish a presence on, or market using, the Internet, any website or Social Media (Facebook, LinkedIn, Twitter, YouTube, blogs, and other online social networks, wikis, forums, content sharing communities, etc.) in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the url: [supplypointe.com](http://supplypointe.com) that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the SUPPLY POINTe website an intranet section or an interior page containing information about the Franchised Business. If Franchisor includes such information on the Internet website, Franchisor has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, and to pay reasonable, per page web hosting fee to Franchisor (or a third party web hosting firm) on a monthly basis. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise and sell the products and services offered by franchised businesses and to use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), Social Media pages, banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor reserves the right to use photographs or videos of Franchisee in all media outlets such as social media, blogs, email and websites for branding and marketing purposes. Franchisor retains the sole right to approve any linking to, or other use of, the SUPPLY POINTe website. If Franchisee is permitted to establish a presence on an Internet website or Social Media site, Franchisor must be granted administrative access to the account.

## **§12 Accounting, Records and Reporting Obligations**

### **12.1 Records**

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Operations Manual or otherwise in writing. At this time Franchisee must use QuickBooks cloud-based accounting system and is responsible for all fees associated with this. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law. Franchisor reserves the right to take over billing and collection transactions in your territory.

## **12.2 Gross Income Reports**

Franchisee shall maintain an accurate record of daily Gross Revenue and Gross Income and shall deliver to Franchisor via facsimile transmission, email, or as otherwise directed by Franchisor, a signed and verified statement of Gross Revenue and Gross Income (“Gross Income Report”). Gross Income Reports for each Royalty Period shall be due 15th of every month.

## **12.3 Financial Statements**

Franchisee shall supply to Franchisor on or before the fifteenth (15<sup>th</sup>) day of each month following the close of a quarter, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding quarter and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing.

## **12.4 Other Reports**

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual. Franchisor shall also have the right to access Franchisee’s personal tax returns as well as their tax returns relating to the franchised business. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor’s lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

## **12.5 Computer Software and Equipment**

Franchisor reserves the right to require Franchisee to purchase, install and use computer and point-of-sale systems consisting of hardware and software in accordance with Franchisor’s specifications. Franchisor shall have full access via internet connection,

to all information generated and/or maintained in and by any software program or service Franchisee is required to or chooses to use to manage the Franchise Business. You must use QuickBooks cloud based accounting and are responsible for all associated fees. There are no contractual limitations on Franchisor's right to access Franchisee's information and data to verify Franchisee's compliance with its obligations under this Agreement or for any other legitimate purpose. Franchisor reserves the right to take over billing and collection transactions in your territory.

## **12.6 Right to Inspect**

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. This includes personal tax returns as well as tax returns related to the business. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **12.7 Release of Records**

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenue, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

## **§13 Standards of Operation**

### **13.1 Authorized Products, Services and Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those *and* all of the items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards.

13.1.2 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications, pricing and a list of Approved Suppliers for some or all of the supplies, signs, furniture, fixtures, inventory, equipment and other approved or specified items and services. Franchisor may from time to time issue revisions to such list. Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Operating Location any products or services that Franchisor has not approved. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.3 If Franchisee desires to utilize any products or services that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's quality, price, delivery record, safety record, production capacity, quality assurance systems, reputation and other factors the franchisor feels are appropriate. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.1.4 If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate.

13.1.5 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

13.1.6 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.1.7 Franchisor retains the rights to any business for which Franchisee is solicited but for which Franchisee does not provide the requested products or services. Franchisee shall promptly notify Franchisor of any offers or solicitations they receive but are not equipped at that time to handle so that the franchise system may benefit from that

business. Time is of the essence and a prompt reply shall be judged by the individual circumstances of each situation.

### **13.2 Appearance and Condition of the Franchised Business**

Franchisee shall maintain the Operating Location, vehicle, equipment and signage in suitable, clean and neat condition, and shall repair or replace equipment, vehicle, fixtures, supplies, inventory and signage as necessary to comply with the standards and specifications of Franchisor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

### **13.3 Days of Operation**

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Operations Manual.

### **13.4 Licenses and Permits**

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

### **13.5 Notification of Proceedings**

Franchisee shall notify Franchisor in writing of the receipt of a notice of demand or threatened claim of liability of, or damages against or involving, Franchisee or the Franchised Business not more than five (5) days after Franchisee's receipt of such notice. Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

### **13.6 Compliance with Good Business Practices**

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall

endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor will take disciplinary action by giving written notice for failing to comply with good business practices. Termination will occur after 3 notices have been issued within 12 months. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section. Franchisee shall be subject to and also conduct a background review of every prospective employee's criminal history and any other histories (such as motor vehicle and/or credit histories) that are required by state and local laws, regulations, and ordinances and/or that Franchisee determines to be necessary and appropriate, prior to hiring. Franchisee shall not hire any prospective employee for any position involving entrance on or into private property if such prospective employee's background review indicates, in Franchisee's sole discretion, a propensity for violence, dishonesty, negligent, reckless, or careless behavior, or a conviction for any crime reasonably related to the prospective employee's employment

### **13.7 E-Mail**

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor. If Franchisee is supplied an email account by Franchisor, Franchisee shall use only such email account for communications related to or concerning the Franchised Business and the operation and management thereof, unless otherwise authorized in writing by Franchisor.

### **13.8 Best Efforts**

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

## **§14 Franchisor's Additional Operations Assistance**

### **14.1 General Advice and Guidance**

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes

good business practice is based upon the experience of Franchisor and its franchisees in operating SUPPLY POINTe businesses and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business; provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through the SUPPLY POINTe Internet site, including products sold to persons identified as customers of the Franchised Business.

## **14.2 Periodic Visits**

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

## **§15 Insurance**

### **15.1 Types and Amounts of Coverage**

15.1.1 All policies (except any workers' compensation insurance) shall:

15.1.1.1 expressly name Franchisor as an additional insured or loss payee; Franchisee's coverage must be primary & non-contributory;

15.1.1.2 contain a waiver of all subrogation rights against Franchisor and its successors and assigns;

15.1.1.3 have a rating of A or higher from AM Best or a similar insurance ratings agency.

15.1.2 Within sixty (60) days of the Effective Date, in addition to any other insurance that may be required by applicable law, or by lender or lessor, at Franchisee's sole expense, Franchisee shall procure and maintain in full force and effect during the term of this Agreement:

(A) Property insurance coverage including "special" perils on all assets including inventory, furniture, fixtures, equipment, supplies, and other property used in the operation of the Franchised Business. Franchisee's property insurance policy must have coverage limits that meet or exceed full replacement cost.

(B) Workers' Compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with

a minimum per claim and disease or injury aggregate of One Million Dollars (\$1,000,000) or, if higher, the statutory minimum limit as required by state law.

(C) Comprehensive General Liability (CGL) insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of

- \$1,000,000 Per occurrence
- \$15,000 Guest Medical
- \$2,000,000 General Aggregate
- \$2,000,000 Products/Completed Operations Aggregate

(D) Automobile Liability insurance with a minimum combined single limit for bodily and property damage of One Million Dollars (\$1,000,000), or greater if required by state law. This policy should include at least Non-Owned coverage, plus any vehicles that may be owned by the franchise and Hired Auto coverage if the exposure exists for your franchise.

(E) Umbrella Liability insurance, covering over coverage B, C & D above, with limits of at least One Million Dollars (\$1,000,000) per occurrence, with separate \$1,000,000 Aggregates for both General Liability & Products/Completed Operations Liability.

(iii) Furthermore, we recommend that each Franchisee consider at least the following additional insurance coverages where applicable:

- (A) Credit Insurance (for accounts receivable)
- (B) Cyber Security both first party & third party
- (C) Professional Liability, if you provide any opinions, design work and/or other professional services
- (D) Employment Practices Liability, including third party coverage, when/if you have employees on payroll

## **15.2 Future Increases**

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

## **15.3 Carrier Standards**

Such policies shall be written by our mandated provider, currently Bradley & Parker licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

## **15.4 Evidence of Coverage.**

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

### **15.5 Failure to Maintain Coverage**

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **§16 Default and Termination**

### **16.1 Termination by Franchisee**

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

### **16.2 Termination by Franchisor**

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.1.2 fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8;

16.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets or any other Confidential Information;

16.2.1.7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Attachment 4, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and noncompetition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.1.8 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor.

16.2.1.9 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.1.10 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

16.2.1.11 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.1.13 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.15 violates on two (2) or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

16.2.1.16 engages in any activity exclusively reserved to Franchisor;

16.2.1.17 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.18 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Operations Manual on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not previous breaches or failures are cured; or

16.2.1.19 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

16.2.2.2 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement;

16.2.2.3 within sixty (60) days of receiving notice of Franchisee's failure to achieve Accreditation pursuant to Section 13.10; or

16.2.2.4 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing.

### **16.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

### **16.4 Right of Franchisor to Discontinue Services to Franchisee**

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

### **16.5 Right of Franchisor to Operate Franchised Business**

Following the delivery of a notice of breach pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to the greater of five hundred dollars (\$500) per day or the net profits of the Franchised Business during such period, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business. Should Franchisor elect to assume the operation of the Franchised Business on a temporary basis, Franchisor shall have no responsibility or liability for the obligations or debts of Franchisee.

## **§17 Rights and Duties Upon Expiration or Termination**

### **17.1 Actions to be Taken**

17.1.1 Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.1.2 cease to use the Trade Secrets or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans,

symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.1.3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Operating Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Supply Pointe" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.1.5 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisee as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

17.1.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.1.7 immediately return to Franchisor the Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

17.1.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.1.9 comply with all other applicable provisions of this Agreement.

## **17.2 Post-Termination Covenant Not to Compete**

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 own an interest in, manage, operate or provide the same goods or services to customers through a Competitive Business located or operating (a) within the Designated Market Area, or (b) within the designated market area of any other Franchised Business in existence at the time of termination or expiration; or

17.2.2.2 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Attachment 4.

17.2.4 If for whatever reason, either the above area or time frame covered by the Nondisclosure and Noncompetition Agreement is deemed unreasonable by a court of law, then and only in such an event shall such area and/or its time frame be reduced accordingly by the court. The rulings by the court concerning the area or time frame or any other judicial interpretation shall not affect the rest and remainder of such restrictive covenants.

### **17.3 Unfair Competition**

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. This Section is not

intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Operating Location, Franchisee shall make such modifications or alterations to the Operating Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Operating Location. Franchisee shall make such specific additional changes to the Operating Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Operating Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

#### **17.4 Franchisor's Option to Purchase Certain Business Assets**

Franchisor has the Right of first refusal under Section 19 of this Agreement (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

#### **17.5 Survival of Certain Provisions**

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

### **§18 Transferability of Interest**

#### **18.1 Transfer by Franchisor**

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

#### **18.2 Transfer by Franchisee to a Third Party**

18.2.1 The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial

interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be voidable and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.1.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.1.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Attachment 3, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.1.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business;

18.2.1.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.1.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Attachment 3, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.1.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.1.8 Franchisee selling their franchise shall pay a transfer fee of \$10,000; The buyer will pay us a \$79,900 ready to launch marketing fee as well as a \$10,000 fee for territory rights. A new LLC must be set up by existing franchisees if they are to acquire a territory via transfer. A new LLC may be required after any franchisee purchases more than 3 territories. A 10% discount will be applied to any existing franchisee who acquires the transfer.

18.2.1.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a Unlimited Guaranty and Assumption of Obligations in such form as prepared by Franchisor;

18.2.1.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

18.2.1.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Operating Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.1.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and noncompetition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and noncompetition covenants contained in Sections 7 and 17;

18.2.1.13 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business; and

18.2.1.14 the transferee has obtained all necessary types of insurance as described in Section 15.1.

### **18.3 Transfer to a Controlled Entity**

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8;

18.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

#### **18.4 Franchisor's Disclosure to Transferee**

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless

from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

### **18.5 For-Sale Advertising**

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

### **18.6 Transfer by Death or Incapacity**

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to \_\_\_\_\_ per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

## **§19 Right of First Refusal**

### **19.1 Submission of Offer**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

## **19.2 Franchisor's Right to Purchase**

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

## **19.3 Non-Exercise of Right of First Refusal**

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred eighty (180) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

## **19.4 Sales or Transfers to Family Excepted**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

## **§20 Beneficial Owners of Franchisee**

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Attachment 6 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

## **§21 Relationship and Indemnification**

### **21.1 Relationship**

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or

implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Operating Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

### **21.2 Standard of Care**

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **21.3 Indemnification**

To the fullest extent permitted by law, Franchisee shall, at Franchisee's sole cost and expense, hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon (a) any personal injury, bodily injury or property damage whatsoever occurring in or at the location of the Franchised Business; (b) any bodily injury to an employee of Franchisee arising out of and in the course of employment of the employee; (c) Franchisee's ownership or operation of the Franchised Business; (d) Franchisee's breach of the lease for the Operating Location; (e) Franchisee's violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (f) Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (g) Franchisee's defamation of Franchisor or the System; (h) Franchisee's acts, errors or omissions committed or incurred in connection with the Franchised Business and or place of operations, including any negligent or intentional acts; or (i) Franchisee's infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section shall expressly survive the termination of this Agreement.

## **21.4 Right to Retain Counsel**

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section to take corrective or remedial action, causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

## **§22 General Conditions and Provisions**

### **22.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

### **22.2 Injunctive Relief**

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.6. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

### **22.3 Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

SUPPLY POINTe Franchising, LLC

Attn: Adam Cahill  
227 W. 4th Street  
Charlotte, NC 28202

### **22.4 Cost of Enforcement or Defense**

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

### **22.5 Spousal Guaranty**

**If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 5 hereof.**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

### **22.6 Entire Agreement**

This Agreement and all attachments to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to you.

### **22.7 Severability and Modification**

22.7.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.7.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

## **22.8 Construction**

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## **22.9 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

## **22.10 Timing**

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

## **22.11 Withholding Payments**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

## **22.12 Further Assurances**

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

## **22.13 Third-Party Beneficiaries**

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

## **22.14 Multiple Originals**

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

## **§23 Dispute Resolution**

### **23.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina (without reference to its conflict of laws principles). The parties hereby submit all such disputes not governed by the U.S. Trademark Act of 1946 (or breaches of the Noncompete Provisions hereof set forth in Attachment 4 hereof) to binding arbitration as their exclusive forum and remedy with the Arbitration Act to exclusively govern the procedure for all such arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

### **23.2 Consent to Jurisdiction**

Any action brought by either party except those claims required to be submitted to arbitration, shall only be brought in the appropriate state or Federal courts located in or serving Charlotte, North Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

### **23.3 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy

herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

#### **23.4 Limitation of Damages**

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

#### **23.5 Waiver of Jury Trial**

Franchisee and Franchisor Each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

#### **23.6 Arbitration**

23.6.1 This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to intellectual property rights, including, but not limited to, Franchisor's Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties (except the Noncompete Agreement attached hereto as Attachment 4), shall be settled by binding arbitration conducted in Charlotte, North Carolina in accordance with the Revised Uniform Arbitration Act (G.S. 1-569.1). The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

23.6.2 Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

### **§24 Acknowledgements**

Franchisee shall acknowledge the truthfulness of the statements contained in Attachment 1 hereto. Franchisee's acknowledgments are an inducement for Franchisor to enter into this Agreement. Franchisee shall immediately notify Franchisor, prior to acknowledgment, if any statement in Attachment 1 is incomplete or incorrect.

*Signature Page to Follow*

The parties hereto have executed this Franchise Agreement on the day and year first above written.

FRANCHISOR:

SUPPLY POINTe Franchising, LLC

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

\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

## ATTACHMENT 1

### FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

\_\_\_\_\_  
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee acknowledges that it has received the SUPPLY POINTe Franchising, LLC's Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

\_\_\_\_\_  
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that

Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE SUPPLY POINTE FRANCHISING, LLC'S AND ANY OF SUPPLY POINTE FRANCHISING LLC'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

\_\_\_\_\_  
Initial

This statement will not be signed or used if the franchisee resides within or if the franchised business will be located within the State of Maryland

FRANCHISEE:

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name)

\_\_\_\_\_  
(Print Name, Title)

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

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

**ATTACHMENT 2**

**TERRITORY DESCRIPTION AND  
FRANCHISED BUSINESS LOCATION**

**Operating Location**

The street address (or detailed description of the premises) of the Operating Location for the operation of the Franchised Business is:

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**Designated Market Area**

The Designated Market Area shall be defined by and exist within the following zip codes or other physical, political or natural boundaries (as further defined on the attached map, which is for display purposes only): \_\_\_\_\_

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### ATTACHMENT 3

#### GENERAL RELEASE

This General Release is made by \_\_\_\_\_, (“RELEASOR”) a/an \_\_\_\_\_ with a principal address of \_\_\_\_\_, in consideration of:

\_\_\_\_\_ the execution by SUPPLY POINTe Franchising, LLC, a North Carolina Limited Liability Company (“RELEASEE”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S refund of fifty percent (50%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged.

Accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE’S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE’S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any action brought by either party regarding this Release, shall only be brought in the appropriate state or federal court located in or serving Charlotte, North Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: \_\_\_\_\_  
(type/print name)

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

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

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

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

## ATTACHMENT 4

### NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This “Agreement” is by and between \_\_\_\_\_,  
 (“Franchisee”) and \_\_\_\_\_  
 (“Individual”).

#### WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) by and between Franchisee; and SUPPLY POINTe Franchising, LLC (“Company”);

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below;

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) logistics, trucking, freight forwarding, pallet and packaging or similar to that provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company’s other franchisees (hereinafter, “Competitive Business”); provided, however, that the term “Competitive Business” shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

#### **1. Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a “Trade Secret” is information in any form (including, but not limited to, materials and techniques, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Franchised Business that is not

commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement “Confidential Information” means technical and nontechnical information used in or related to the Franchised Business that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

## **2. Confidentiality/Nondisclosure**

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a SUPPLY POINTe Business.

### **3. Noncompetition**

a) During the term of Individual's relationship with Franchisee and for a period of one (1) year after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's trademark "Supply Pointe" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with the Franchised Businesses or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of a Franchised Business.

b) During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within a twenty-five (25) mile radius of the Franchisee's Operating Location or within Franchisee's Designated Market Area, whichever is greater without the express written consent of Franchisee.

c) For a one (1) year period following the term of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within Franchisee's Designated Market Area, or within the designated market area of any other SUPPLY POINTe Business without the express written consent of Franchisee.

d) During the term of Individual's relationship with Franchisee and for a period of one (1) year thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other SUPPLY POINTe Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other SUPPLY POINTe Business.

### **4. Reasonableness of Restrictions**

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

**5. Relief for Breaches of Confidentiality, Non Solicitation and Noncompetition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

**6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Charlotte, North Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Company may bring claims for injunctive relief where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the

ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and noncompetition provisions contained herein.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE**

**OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE:

\_\_\_\_\_

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

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

INDIVIDUAL:

\_\_\_\_\_

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

**ATTACHMENT 5**  
**GUARANTY**

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_ to SUPPLY POINTE FRANCHISING, LLC a North Carolina Limited Liability Company (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “Franchisee Agreement”) with \_\_\_\_\_, a(n) \_\_\_\_\_ and \_\_\_\_\_ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2 and 22 of the Franchise Agreement. Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

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

**ATTACHMENT 6**

**STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ENTITY**

**Name**

**Percentage of Ownership**

## ATTACHMENT 7

### INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE LISTING AGREEMENT

**THIS INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between SUPPLY POINTe Franchising, LLC, a North Carolina limited liability company (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”).

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for a SUPPLY POINTe Company business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the SUPPLY POINTe brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Accounts**

2.1 **Interest in Web Sites, Social Media Accounts and Other Electronic Listings.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, and the right to hyperlink to certain web sites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites, Social Media Accounts and other Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites, Social Media Accounts and other Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites, Social Media Accounts and other Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites, Social Media Accounts and other Listings or will take such other actions with respect to the Internet Web Sites, Social Media Accounts and other Listings as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s Interest in and to the Internet Web Sites, Social Media Accounts and/or other Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Internet Web Sites, Social Media Accounts and/or other Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s Interest in and to the Telephone Numbers and Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s Interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's Interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of North Carolina, without regard to the application of North Carolina conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

SUPPLY POINTe Franchising, LLC

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

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

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

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

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

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

**Attachment 8 to the Franchise Agreement**

**National Accounts Agreement  
SUPPLY POINTe Franchising, LLC**

SUPPLY POINTe Franchising, LLC  
National Accounts Agreement

This Agreement (the “Agreement”) effective on \_\_\_\_\_, between SUPPLY POINTe Franchising, LLC (hereinafter called “Company”) and the undersigned SUPPLY POINTe Franchising, LLC’s franchisee, \_\_\_\_\_, (hereinafter called “Participant”) regarding the provision of SUPPLY POINTe logistic services to certain National Account customers.

WHEREAS, the Company has and may in the future negotiate and enter into agreements (“National Contracts”) with other companies or organizations (individually, a “Customer” or collectively, “Customers”) operating in more than one designated area for the purpose of providing logistic services, and

WHEREAS, the Customers under such National Contracts agree to purchase significant quantities of their requirements for logistic services for a price negotiated by the Company,

WHEREAS, the Company from time to time does not have the capacity or ability to service certain locations of the Customers, and

WHEREAS, the Participant desires to furnish SUPPLY POINTe logistic services to Customers under such terms and conditions as negotiated in the National Contract in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and undertakings hereinafter set forth, the parties agree as follows:

1. Pursuant to the terms of this Agreement, the Company shall endeavor to promote and develop National Contracts with Customers as determined by the Company in its sole and exclusive business judgment both within and outside of any Protected Territory serviced by the Participant and Participant agrees to honor and abide by the terms and conditions of such National Contracts, on an individual basis, in furnishing the services to each Customer as identified and designated by the Company to the Participant and to otherwise maintain the Company’s performance and operational standards as set forth in the Company’s Operations Manual and attachments to this Agreement.

2. Participant agrees to provide SUPPLY POINTe logistic services (or other services within the scope of the Operations Manual) to each Customer designated by the Company. The specific pricing, services and other details for a specific Customer to be serviced by the Participant under a National Contract will be set forth in such National Contract. Company agrees that for any National Contract the billing, invoicing, servicing and any other items related to Participant servicing Customer will be consistent with Company’s and Participant’s Operations Manual.

3. Participant agrees to provide goods and services to each Customer strictly in accordance with the terms and conditions of the National Contract for such customer issued by the Company.

4. Participant shall pay any and all royalties due in the same manner for servicing a National Contract as they would for any other customer. Company shall retain sixty percent (60%) of gross income of all National Contracts. Participant/Franchisee shall be entitled to forty percent (40%) of gross income of each National Contract they service.

5. Participant shall at all times indemnify, defend and save harmless Company, its employees, officers, partners, successors and assigns against any and all claims, actions, demands, costs, damages, loss of expense of any kind whatsoever asserted by parties other than Company, resulting from or in connection with or arising out of Participant's performance of the services called for herein, or from the omission or commission of any act, lawful or unlawful, by Participant. Participant shall immediately notify Company of any such claim, action, or demand and shall be solely liable for all resulting costs, damages, expenses, and legal fees.

6. Participant shall look solely to the Customer for payment of its invoices. Participant agrees that the Company shall have no obligation or liability to Participant in the event a Customer shall fail or refuse to pay for any services provided by Participant. Participant may discontinue providing services to any Customer location(s) where such Customer is delinquent in the payment of invoices for an amount of time greater than sixty (60) days beyond the Customer's ordinary and customary payment terms; provided, however, the Participant must first give at least ten (10) days prior written notice to Customer and the Company of its intention to discontinue services.

7. Participant shall not solicit, nor enter into for any purpose whatsoever, any separate agreement with any Customer during the term of this Agreement without the prior written consent from Company and Participant shall not do anything to interfere with Company's National Contract with any Customer.

8. The term of this Participant Agreement will commence on the date of execution of this Participant Agreement, and, with respect to each Customer, extend until the date of expiration of the then current contract term or unaltered renewal or extension of each contract term with respect to such Customer serviced by Participant; provided, however that the Company may amend the terms of this Participant Agreement at the time of any renewal or extension of a contract with any Customer on thirty (30) days advance written notice to Participant, at which time Participant may opt out of servicing the amended Customer Contract. If Participant opts out or determines not to service any Customer, Company has the right to service that Customer regardless of the Customer's location. Notwithstanding the foregoing, this Agreement shall terminate as follows: (a) if either party hereto files a voluntary petition of bankruptcy, or for reorganization under any bankruptcy law, or makes an assignment for the benefit of creditors, or if any involuntary petition of bankruptcy is filed against either party and not dismissed or withdrawn within thirty (30) days of such filing, or if a receiver shall be appointed for its

property, or if it shall become insolvent, then the other party shall have the right to terminate this Agreement by giving five (5) days written notice; or (b) automatically upon the termination or expiration of any Franchise Agreement between Participant and the Company; or (c) at any time, upon thirty (30) days written notice to Participant, with respect to any or all Customers or Customer locations serviced by Participant if Participant has any specific service or quality issues not corrected within thirty days of initial written notice. Company agrees that requests will not be unreasonable in nature. In the event of a termination pursuant to subpart (a, b or c) hereof, Participant hereby agrees to provide the Company with all in-service records related to the Customer(s) for such location(s) by Participant within thirty (30) days of such termination.

9. During the term of this Agreement and for a period of two (2) years after termination of this Agreement (regardless of the reason for or the party causing such termination), neither Participant nor any of its affiliates shall directly or indirectly enter into any separate agreement with any Customer regarding any Customer location assigned by Company to Participant under this Agreement without the prior written consent from Company.

10. Participant acknowledges that the Company is the sole and exclusive owner of the service marks "SUPPLY POINTe " and related trademarks, if any (collectively, the "Mark"). Participant also acknowledges that this Agreement does not constitute a license to use any such Mark, and Participant acknowledges that, except as otherwise expressly granted by the Company to Participant in writing, Participant has no right or right whatsoever to use the Marks. Participant further acknowledges and agrees that the National Contracts and the relationships referenced therein are the Company's sole and exclusive property and shall constitute confidential information of the Company.

11. Participant is an independent contractor and not an agent, partner or joint venture of the Company. Participant has no authority to act on behalf of the Company.

12. This Agreement sets forth the entire agreement and understanding between the parties with respect to the subject matter hereof. This Agreement may not be changed or modified, except by agreement in writing, signed by each of the parties. The Company may assign this Agreement, in whole or in part. The Participant may not assign this Agreement without the express written consent of the Company.

13. If any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

14. This Agreement shall be governed and construed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized representatives the day and year above first written.

**\*\*\*\*SIGNATURES ON FOLLOWING PAGE\*\*\*\***

Company: SUPPLY POINTe Franchising, LLC

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

Name: Adam Cahill

Title: President/CEO

Participant/Franchisee: \_\_\_\_\_

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

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

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

# EXHIBIT C TO THE DISCLOSURE DOCUMENT

## SUPPLY POINTE Franchise Operations Manual

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# EXHIBIT C TO THE DISCLOSURE DOCUMENT

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**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**

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**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Supply Pointe Franchising, LLC

### Opinion

We have audited the accompanying financial statements of Supply Pointe Franchising, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and member's equity and cash flows for each of the years in the three-year period ended December 31, 2023, 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 Supply Pointe Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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 Supply Pointe Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial 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 Supply Pointe Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

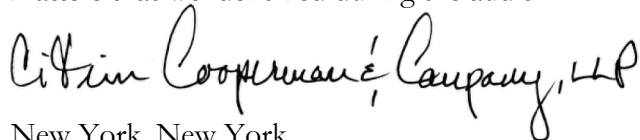
## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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 Supply Pointe Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Supply Pointe Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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



New York, New York

May 10, 2024

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 227,468	\$ 388,800
Accounts receivable	34,473	33,369
Prepaid commissions, current portion	12,423	7,458
Prepaid expenses and other current assets	5,215	13,719
Due from parent	<u>5,652</u>	<u>-</u>
Total current assets	285,231	443,346
Other assets:		
Prepaid commissions, net of current	<u>80,231</u>	<u>44,245</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 365,462</u></b>	<b><u>\$ 487,591</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 44,920	\$ 32,613
Deferred franchise fees	<u>43,445</u>	<u>27,270</u>
Total current liabilities	88,365	59,883
Long-term liabilities:		
Deferred franchise fees, net of current portion	<u>262,907</u>	<u>148,645</u>
Total liabilities	351,272	208,528
Commitments and contingencies (Notes 7 and 8)		
Member's equity	<u>14,190</u>	<u>279,063</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 365,462</u></b>	<b><u>\$ 487,591</u></b>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Royalties	\$ 373,959	\$ 374,276	\$ 185,224
Technology and SEO fee income	28,601	16,326	13,950
Franchise fees	31,814	94,665	73,339
Marketing fund income	7,100	8,500	9,100
Bookkeeping fees	<u>20,330</u>	<u>-</u>	<u>-</u>
Total revenues	461,804	493,767	281,613
Selling, general and administrative expenses	<u>718,285</u>	<u>311,759</u>	<u>175,592</u>
Net income (loss)	(256,481)	182,008	106,021
Member's equity - beginning	279,063	139,930	33,909
Member's distributions	<u>(8,392)</u>	<u>(42,875)</u>	<u>-</u>
MEMBER'S EQUITY - ENDING	<u>\$ 14,190</u>	<u>\$ 279,063</u>	<u>\$ 139,930</u>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:			
Net income (loss)	\$ (256,481)	\$ 182,008	\$ 106,021
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	(1,104)	(16,735)	1,421
Prepaid expenses and other current assets	8,504	(13,719)	-
Prepaid commissions	(40,951)	23,224	12,080
Due from parent	(5,652)	-	-
Accounts payable and accrued expenses	12,307	(5,253)	36,799
Deferred revenues	<u>130,437</u>	<u>(94,665)</u>	<u>(73,339)</u>
Net cash provided by (used in) operating activities	<u>(152,940)</u>	<u>74,860</u>	<u>82,982</u>
Cash used in financing activities:			
Member's distributions	<u>(8,392)</u>	<u>(42,875)</u>	<u>-</u>
Net increase (decrease) in cash	(161,332)	31,985	82,982
Cash - beginning	<u>388,800</u>	<u>356,815</u>	<u>273,833</u>
CASH - ENDING	<u>\$ 227,468</u>	<u>\$ 388,800</u>	<u>\$ 356,815</u>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

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

Supply Pointe Franchising, LLC (the "Company"), a wholly-owned subsidiary of Supply Pointe Holdings, LLC (the "Parent"), was formed on December 1, 2016, as a North Carolina limited liability company to sell franchises pursuant to a license agreement dated January 1, 2017, between the Company and Supply Pointe Properties, LLC (the "Licensor"), an entity related to the Company by common ownership and control. Pursuant to the Company's standard franchise agreement, franchisees will operate businesses known as "Supply Pointe" in the United States of America. Franchisees will be engaged in operating a business-to-business independent sales company that provides packaging, logistics, transportation and other services using a unique network of very select trucking, freight forwarding, pallet and packaging companies to commercial clients.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

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

Basis of accounting

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

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Estimates are used in accounting for, among other items, revenue recognition and certain income tax positions. Actual results may ultimately differ from these estimates.

Revenue recognition

The Company derives its revenues from franchise revenue, royalty fees, technology and search engine optimization fees ("SEO fees"), brand fund revenue, bookkeeping fees and transfer fees.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

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

Revenue recognition (continued)

*Franchise fees and royalties*

Contract consideration from franchisees primarily consists of initial or renewal franchise fees, multi-unit agreement fees ("MUAs"), sales-based royalties, sales-based marketing fund fees, technology fees, bookkeeping fees, initial launch marketing fees, and transfer fees payable by a franchisee for the transfer of its franchise unit to another franchisee. The Company also enters into MUAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees and up-front multi-unit fees are nonrefundable and collected when the underlying franchise agreement or MUA is signed by the franchisee. Sales-based royalties, technology fees and marketing fund fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and therefore is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific is recognized ratably as the training services are rendered.

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

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

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

Revenue recognition (continued)

*Franchise fees and royalties (continued)*

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

*Marketing fund*

The Company maintains a marketing fund (the "marketing fund") established to collect and administer funds contributed for use in marketing and promotional programs for franchise units. Marketing fund fees are collected from franchisees based on a percentage of the franchisees gross revenues. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore recognizes the revenues and expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore are accounted for as a single performance obligation.

When the marketing fund fees exceed the related marketing fund expenses in a reporting period, marketing costs are accrued up to the amount of marketing fund revenues recognized.

*Other revenues*

The Company recognizes revenues from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Incremental costs of obtaining a contract

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises through single-unit franchise agreements which are amortized over the term of the associated franchise agreements.

Accounts receivable

Accounts receivable will be stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts receivable and its contract assets on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

The Company did not require an allowance for doubtful accounts as of December 31, 2023 and 2022.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

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

Income taxes

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

The Company recognizes and measures its unrecognized tax benefits in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Parent files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Advertising

The Company expenses advertising costs as incurred; such costs totaled \$169,396, \$17,587 and \$65,185 for the years ended December 31, 2023, 2022 and 2021, respectively.

Variable interest entities

In accordance with the provisions of FASB Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 7, meet the conditions under ASU 2018-17, and accordingly, are not required to be included in the Company's financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through May 10, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 3. RECENTLY ADOPTED ACCOUNTING STANDARDS**

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASC 326"), along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired. The Company's financial instruments include cash and accounts receivable.

The Company adopted ASC 326 using the modified retrospective method at the beginning of the year on January 1, 2023 and it did not have a material impact on the combined financial statements.

**NOTE 4. FRANCHISED OUTLETS**

The following data reflects the status of the Company's franchised outlets as of December 31, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchises sold	1	-	-
Franchises purchased	-	-	-
Franchised outlets in operation	6	8	8
Franchisor owned outlets in operation	-	-	-

**NOTE 5. REVENUES AND RELATED CONTRACT BALANCES**

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by the timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenues by timing of recognition were as follows:

<i>Point in time:</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Royalties	\$ 373,959	\$ 374,276	\$ 185,224
Technology and SEO fee	28,601	16,326	13,950
income			
Bookkeeping fees	20,330	-	-
Franchise fees	500	-	-
Marketing fund income	<u>7,100</u>	<u>8,500</u>	<u>9,100</u>
Total point in time income	430,490	399,102	208,274
<i>Overtime:</i>			
Franchise fees	<u>31,314</u>	<u>94,665</u>	<u>73,339</u>
Total revenues	<u>\$ 461,804</u>	<u>\$ 493,767</u>	<u>\$ 281,613</u>

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 5. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances

The balances of accounts receivable as of December 31, 2023, 2022 and 2021, were \$34,473, \$33,369 and \$16,635, respectively.

Unamortized initial and renewal franchise fees received from franchisees are presented as "Deferred franchise fees" in the accompanying balance sheets. A summary of significant changes in deferred franchise fees is as follows:

	<u>2023</u>	<u>2022</u>
Deferred franchise revenues at beginning of year	\$ 175,915	\$ 270,580
Revenue recognized during the year	(31,814)	(94,665)
Additions for initial franchise fees received	<u>162,250</u>	<u>-</u>
Deferred franchise revenues at end of year	<u>\$ 306,351</u>	<u>\$ 175,915</u>

Deferred franchise fees expected to be recognized as revenue over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 43,445
2025	43,445
2026	43,445
2027	43,445
2028	35,399
Thereafter	<u>97,172</u>
Total	<u>\$ 306,351</u>

Deferred franchise fees consisted of the following at December 31, 2023:

	<u>2023</u>	<u>2022</u>
Franchise units not yet opened	\$ -	\$ -
Opened franchise units	<u>306,351</u>	<u>175,915</u>
Total	<u>\$ 306,351</u>	<u>\$ 175,915</u>

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheets, and are expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 12,423
2025	12,423
2026	12,423
2027	12,423
2028	11,357
Thereafter	<u>31,605</u>
Total	<u>\$ 92,654</u>

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 6. CONCENTRATIONS OF CREDIT RISK**

Cash

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

Revenue and accounts receivable

For the year ended December 31, 2023, approximately 78% of the Company's total revenues were derived from three franchisees and 82% of accounts receivable were derived from three franchisees. For the year ended December 31, 2022, approximately 68% of the Company's total revenues were derived from three franchisees and 76% of accounts receivable were derived from two franchisees. For the year ended December 31, 2021, approximately 75% of the Company's total revenues were derived from four franchisees and accounts receivable were derived from two franchisees.

**NOTE 7. RELATED-PARTY TRANSACTIONS**

License agreement

On January 1, 2017, the Company entered into a 10-year exclusive license agreement with the Licensor for the use of the registered name "Supply Pointe" (the "license agreement"), which is automatically renewed for an additional 10-year term after the initial 10-year term, unless the Company terminates the license agreement with a written notice. Pursuant to the license agreement, the Company has acquired the right to sell Supply Pointe franchises in the United States of America, and to collect franchise fees, royalties and other fees from franchisees. The Company is obligated to pay the Licensor a license fee based on the Company's gross revenue, as further defined in the license agreement. The license fees were waived for the years ended December 31, 2023, 2022 and 2021.

Due from Parent

In the ordinary course of business, the Company periodically advances funds to the Parent. No interest is charged on these advances. Advances to the Parent are unsecured and have no specific repayment terms. Management has made arrangements with the Parent to settle the balance due within the next year. At December 31, 2023, the balance due from Parent amounted to \$5,652. There were no amounts due from the Parent at December 31, 2022.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8.     MARKETING FUND**

The Company collects marketing fund fees of \$50 per week per territory starting in month seven of operation, \$75 per week starting in month 13 of operation, and \$100 per week starting in month 25 of operation for the remainder of the contract in accordance with the Company's standard franchise agreement (\$50 per month or 1% of franchisees' gross profit per territory at December 31, 2023). Under the terms of the franchise agreements, the Company is obligated to spend the amounts received (when collected from the franchisees) solely on advertising and related expenses for the benefit of the franchisees. The Company has discretion as to the nature of the advertising expenditures, as long as they are related to the business of the franchisees. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the advertising fund. As of December 31, 2023, 2022, and 2021, the Company had earned marketing fund fees in the amounts of \$7,100, \$8,500, and \$9,100, respectively. There was no marketing fund payable as of December 31, 2023 and 2022.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
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**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Supply Pointe Franchising, LLC

We have audited the accompanying financial statements of Supply Pointe Franchising, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and member's equity and cash flows for each of the years in the three-year period ended December 31, 2022, 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 Supply Pointe Franchising, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, 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 Supply Pointe Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial 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 Supply Pointe Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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 Supply Pointe Franchising, LLC's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Supply Pointe Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
April 18, 2023

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 388,800	\$ 356,815
Royalties receivable	33,369	16,635
Prepaid commissions, current portion	7,458	9,631
Prepaid expenses and other current assets	<u>13,719</u>	<u>-</u>
Total current assets	443,346	383,081
Other assets:		
Prepaid commissions, net of current	<u>44,245</u>	<u>65,295</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 487,591</u></b>	<b><u>\$ 448,376</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 32,613	\$ 37,866
Deferred franchise fees	<u>27,270</u>	<u>38,839</u>
Total current liabilities	59,883	76,705
Long-term liabilities:		
Deferred franchise fees, net of current portion	<u>148,645</u>	<u>231,741</u>
Total liabilities	208,528	308,446
Commitments and contingencies (Notes 6 and 7)		
Member's equity	<u>279,063</u>	<u>139,930</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 487,591</u></b>	<b><u>\$ 448,376</u></b>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:			
Royalties	\$ 374,276	\$ 185,224	\$ 70,419
Technology and SEO fee income	16,326	13,950	10,450
Franchise fees	94,665	73,339	108,120
Marketing fund income	<u>8,500</u>	<u>9,100</u>	<u>4,300</u>
Total revenues	493,767	281,613	193,289
Selling, general and administrative expenses	<u>311,759</u>	<u>175,592</u>	<u>145,526</u>
Net income	182,008	106,021	47,763
Member's equity (deficit) - beginning	139,930	33,909	(33,784)
Member's contributions	-	-	19,930
Member's distributions	<u>(42,875)</u>	<u>-</u>	<u>-</u>
MEMBER'S EQUITY - ENDING	<u>\$ 279,063</u>	<u>\$ 139,930</u>	<u>\$ 33,909</u>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Net income	\$ 182,008	\$ 106,021	\$ 47,763
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Royalties receivable	(16,735)	1,421	(4,960)
Franchise fee note receivable	-	-	31,500
Prepaid expenses and other current assets	(13,719)	-	-
Prepaid commissions	23,224	12,080	3,948
Accounts payable and accrued expenses	(5,253)	36,799	(3,394)
Deferred franchise fees	<u>(94,665)</u>	<u>(73,339)</u>	<u>37,380</u>
Net cash provided by operating activities	<u>74,860</u>	<u>82,982</u>	<u>112,237</u>
Cash flows from financing activities:			
Member's contributions	-	-	19,930
Member's distributions	<u>(42,875)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(42,875)</u>	<u>-</u>	<u>19,930</u>
Net increase in cash	31,985	82,982	132,167
Cash - beginning	<u>356,815</u>	<u>273,833</u>	<u>141,666</u>
CASH - ENDING	<u>\$ 388,800</u>	<u>\$ 356,815</u>	<u>\$ 273,833</u>

See accompanying notes to financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 AND 2020**

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

Supply Pointe Franchising, LLC (the "Company"), a wholly-owned subsidiary of Supply Pointe Holdings, LLC (the "Parent"), was formed on December 1, 2016, as a North Carolina limited liability company to sell franchises pursuant to a license agreement dated January 1, 2017, between the Company and Supply Pointe Properties, LLC (the "Licensor"), an entity related to the Company by common ownership and control. Pursuant to the Company's standard franchise agreement, franchisees will operate businesses known as "Supply Pointe" in the United States of America. Franchisees will be engaged in operating a business-to-business independent sales company that provides packaging, logistics, transportation and other services using a unique network of very select trucking, freight forwarding, pallet and packaging companies to commercial clients.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

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

Basis of accounting

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

Variable interest entities

U.S. GAAP provides a framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its financial statements. In general, a VIE is a corporation, partnership, limited liability corporation, trust, or any other legal structure used to conduct activities or hold assets that (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that is unable to direct the activities of the entity that most significantly impact its economic performance, or (3) has a group of equity owners that does not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual or other financial interest in the VIE that is considered a variable interest (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests as if it were consolidated based on a majority voting interest.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has determined that the related parties, as described in Note 5, meet the conditions under the standard, and accordingly, is not required to include the accounts of related parties in the Company's financial statements.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Estimates are used in accounting for, among other items, revenue recognition and certain income tax positions. Actual results may ultimately differ from these estimates.

Revenue recognition

The Company derives its revenues from franchise revenue, royalty fees, technology and search engine optimization fees ("SEO fees"), brand fund revenue, and transfer fees.

*Franchise fees and royalties*

Contract consideration from franchisees primarily consists of initial or renewal franchise fees, multi-unit agreement fees ("MUAs"), sales-based royalties, sales-based marketing fund fees, technology fees and transfer fees payable by a franchisee for the transfer of its franchise unit to another franchisee. The Company also enters into MUAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees and up-front multi-unit fees are nonrefundable and collected when the underlying franchise agreement or MUA is signed by the franchisee. Sales-based royalties, technology fees and marketing fund fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and therefore is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition (continued)

*Franchise fees and royalties (continued)*

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific is recognized ratably as the training services are rendered.

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

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

*Marketing Fund*

The Company maintains a marketing fund (the "marketing fund") established to collect and administer funds contributed for use in marketing and promotional programs for franchise units. Marketing fund fees are collected from franchisees based on a percentage of the franchisees gross revenues. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore recognizes the revenues and expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore are accounted for as a single performance obligation.

When the marketing fund fees exceed the related marketing fund expenses in a reporting period, marketing costs are accrued up to the amount of marketing fund revenues recognized.

*Other revenues*

The Company recognizes revenues from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Incremental costs of obtaining a contract

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises through single-unit franchise agreements which are amortized over the term of the associated franchise agreements.

**SUPPLY POINTE FRANCHISING, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Royalties receivable

Royalties receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. Management considers the following factors when determining the collectibility of specific franchisee accounts: franchisee creditworthiness, past transaction history with the franchisee, and current economic industry trends. If the financial condition of the Company's franchisees were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to royalties receivable. Generally, the Company does not require collateral to support royalties receivable. The Company did not require an allowance for doubtful accounts as of December 31, 2022 and 2021.

Income taxes

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

The Company recognizes and measures its unrecognized tax benefits in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Parent files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Advertising

The Company expenses advertising costs as incurred; such costs totaled \$17,587, \$65,185 and \$34,393 for the years ended December 31, 2022, 2021 and 2020 respectively.

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through April 18, 2023, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. FRANCHISED OUTLETS**

The following data reflects the status of the Company's franchised outlets as of December 31, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Franchises sold	-	-	3
Franchises purchased	-	-	-
Franchised outlets in operation	8	8	6
Franchisor owned outlets in operation	-	-	-

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES**

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by the timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenues by timing of recognition were as follows:

<b><i>Point in time:</i></b>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Royalties	\$ 374,276	\$ 185,224	\$ 70,419
Technology and SEO fee income	16,326	13,950	10,450
Marketing fund income	<u>8,500</u>	<u>9,100</u>	<u>4,300</u>
Total point in time income	399,102	208,274	85,169
 <b><i>Overtime:</i></b>			
Franchise fees	<u>94,665</u>	<u>73,339</u>	<u>108,120</u>
Total revenues	<u>\$ 493,767</u>	<u>\$ 281,613</u>	<u>\$ 193,289</u>

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 AND 2020**

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances

The balances of royalties receivable as of December 31, 2022, 2021 and 2020, are \$33,369, \$16,635 and \$18,055, respectively.

Unamortized initial and renewal franchise fees received from franchisees are presented as "Deferred franchise fees" in the accompanying balance sheets. A summary of significant changes in deferred franchise fees is as follows:

	<u>2022</u>	<u>2021</u>
Deferred franchise revenues at beginning of year	\$ 270,580	\$ 343,919
Revenue recognized during the year	(94,665)	(73,339)
Additions for initial franchise fees received	<u>-</u>	<u>-</u>
Deferred franchise revenues at end of year	<u>\$ 175,915</u>	<u>\$ 270,580</u>

Deferred franchise fees expected to be recognized as revenue over the remaining term of the associated franchise agreements at December 31, 2022, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2023	\$ 27,270
2024	27,270
2025	27,270
2026	27,270
2027	27,270
Thereafter	<u>39,565</u>
Total	<u>\$ 175,915</u>

Deferred franchise fees consisted of the following at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Franchise units not yet opened	\$ -	\$ -
Opened franchise units	<u>175,915</u>	<u>270,580</u>
Total	<u>\$ 175,915</u>	<u>\$ 270,580</u>

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheets, and are expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2022, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2023	\$ 7,458
2024	7,458
2025	7,458
2026	7,458
2027	7,458
Thereafter	<u>14,413</u>
Total	<u>\$ 51,703</u>

**SUPPLY POINTE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 AND 2020**

**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

Cash

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

Royalties and royalties receivable

For the year ended December 31, 2022, approximately 68% of the Company's total revenues were derived from three franchisees and 76% of royalties receivable were derived from two franchisees. For the year ended December 31, 2021, approximately 75% of the Company's total revenues were derived from four franchisees and royalties receivable were derived from two franchisees. For the year ended December 31, 2020, approximately 51% of the Company's total revenues were derived from the termination and recognition of franchise fee income of one outlet.

**NOTE 6. RELATED-PARTY TRANSACTIONS**

License agreement

On January 1, 2017, the Company entered into a 10-year exclusive license agreement with the Licensor for the use of the registered name "Supply Pointe" (the "license agreement"), which is automatically renewed for an additional 10-year term after the initial 10-year term, unless the Company terminates the license agreement with a written notice. Pursuant to the license agreement, the Company has acquired the right to sell Supply Pointe franchises in the United States of America, and to collect franchise fees, royalties and other fees from franchisees. The Company is obligated to pay the Licensor a license fee based on the Company's gross revenue, as further defined in the license agreement. The license fees were waived for the years ended December 31, 2022, 2021 and 2020.

**NOTE . MARKETING FUND**

The Company collects marketing fund fees at the greater of \$50 per month or 1% of franchisees' gross profit per territory in accordance with the Company's standard franchise agreement. Under the terms of the franchise agreements, the Company is obligated to spend the amounts received (when collected from the franchisees) solely on advertising and related expenses for the benefit of the franchisees. The Company has discretion as to the nature of the advertising expenditures, as long as they are related to the business of the franchisees. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the advertising fund. As of December 31, 2022, 2021, and 2020, the Company had collected marketing fund fees in the amounts of \$8,500, \$9,100, and \$4,300 respectively. There was no marketing fund payable as of December 31, 2022 and 2021.

**EXHIBIT E TO THE DISCLOSURE DOCUMENT  
LIST OF CURRENT FRANCHISEES**

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David Parent 10162 North County Road 800 East Brownsburg, IN 46112 317-408-0610	Brian Haverkos 2152 Meadow Hills Court Columbus, OH 43228 614-795-6699
Kal Patel 865 State Route 33 STE 3 Freehold, NJ 07728 201-888-4546	NEP, LLC Michael Carillo 428 Lena Lane Franklin, TN 37067 615-354-3912
Thom Whitley 1130 Hayne Road Memphis, TN 38119 901-701-8855	Fraz Hoda 1300 West Sam Houston PKWY STE 100 #225 Houston, TX 77042 865-803-9116

**List of Franchisee’s who have signed an agreement but have not yet opened:**

Thomas Warren  
3089 Yachtsman Dr.  
Mount Pleasant SC 29466  
(Opened in 2024)

## **EXHIBIT F TO THE DISCLOSURE DOCUMENT**

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### **LIST OF TERMINATED FRANCHISES**

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The following is a list of franchisees who have had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or has not communicated with Franchisor within 10 weeks of the issuance date.

NONE

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**EXHIBIT G:  
STATE SPECIFIC ADDENDA**

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**ADDENDUM TO DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF  
MARYLAND**

This will serve as the State Addendum for the State of Maryland for SUPPLY  
POINTe Franchising, LLC Franchise Disclosure Document.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement, which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

6. Attachment 10 of the Franchise Agreement is amended to state that 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.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

SUPPLY POINTe Franchising, LLC

Supply Pointe FDD 2024 A

\_\_\_\_\_  
Witness

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

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for SUPPLY POINTe Franchising, LLC Franchise Agreement.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement, which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

6. Attachment 10 of the Franchise Agreement is amended to state that 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.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

SUPPLY POINTe Franchising, LLC

\_\_\_\_\_  
Witness

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

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

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

FRANCHISEE:

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**ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for SUPPLY POINTE Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

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

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

ATTEST

SUPPLY POINTE FRANCHISING, LLC

Witness

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

Witness

FRANCHISEE:

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

### 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 states below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	<b>July 19, 2023</b>

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.

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## RECEIPT (Franchisor Copy)

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Issuance Date: May 14, 2024

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

If SUPPLY POINTe Franchising, LLC offers you a franchise, SUPPLY POINTe Franchising, LLC must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of North Carolina.

If SUPPLY POINTe Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Adam Cahill, 227 W. 4th Street, Charlotte, NC 28202, 513-315-6307

Matt Cahill, 227 W. 4th Street, Charlotte, NC 28202, 513-697-8942

Vicktoria Healy, 227 W. 4<sup>th</sup> Street, Charlotte, NC 28202, 404-247-9328

I have received a Franchise Disclosure Document dated May 14, 2024, including the following exhibits on the date listed below:

- A. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. TABLE OF CONTENTS OF OPERATIONS MANUAL
- D. FINANCIAL STATEMENTS
- E. LIST OF CURRENT FRANCHISES
- F. LIST OF TERMINATED FRANCHISES
- G. STATE SPECIFIC ADDENDA
- H. RECEIPTS

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

This copy is for the Franchisor's records. Please either (1) sign, date, and mail it to SUPPLY POINTe Franchising, LLC, 227 W. 4th Street, Charlotte, NC 28202 or (2) sign, scan and email a copy of the signed receipt to: adam.cahill@supplypointe.com.

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# RECEIPT (Franchisee Copy)

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Issuance Date: May 14, 2024

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

If SUPPLY POINTe Franchising, LLC offers you a franchise, SUPPLY POINTe Franchising, LLC must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of North Carolina.

If SUPPLY POINTe Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

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- G. STATE SPECIFIC ADDENDA
- H. RECEIPTS

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)