ShelfGenie®

a neighborly® company

# FRANCHISE DISCLOSURE DOCUMENT

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**SHELFGENIE SPV LLC**
a Delaware limited liability company
1010 North University Parks Drive,
Waco, Texas 76707 (205) 623-4398
franchise@shelfgenie.com (email)
www.shelfgenie.com (website)

As a franchisee, you will operate a business that designs and installs customized solutions for new and existing cabinets, pantries, closets, garages and other structures identified by the trade name and service mark "SHELFGENIE".

The total investment necessary to begin operation of an Executive Franchise ShelfGenie® franchise (with standard two territories of 125,000 households each, under two franchise agreements) ranges from $95,050 to $148,100. This includes $70,900 to $71,200 that must be paid to the franchisor and our affiliates. The total investment necessary to begin operation of an Owner/Operator Franchise ShelfGenie® franchise ranges from $55,300 to $100,300. This includes $36,400 to $36,700 that must be paid to the franchisor and our affiliates.

The total investment necessary to begin operation of an area development ShelfGenie® Business is $167,350 (which includes the development fee plus the minimum cost of opening two Executive Franchise businesses) to $348,200 (which includes the development fee for 7 Executive Franchise businesses plus the cost of opening the first two Executive Franchise businesses). This includes $120,900 to $201,200 that must be paid to the franchisor or affiliate. The minimum number of franchised businesses required to be opened under a development agreement is two.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Bradley Stevenson, 1010 North University Parks Drive, Waco, Texas 76707, (254) 745-2400.

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

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

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

Issuance Date: April 1, 2025, as amended July 1, 2025

**How to Use This Franchise Disclosure Document**

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

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.

2. **Mandatory Minimum Payments**. You must make minimum license fee 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 may be required to 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. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

5. **Sales Performance Requirement**. 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. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY <u>THE MICHIGAN FRANCHISE INVESTMENT LAW</u>**

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

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

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

Any questions regarding the notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
G. Mennen Williams Building, First Floor
525 West Ottawa
Lansing, Michigan 48933
Telephone: 517-373-7117

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APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT N.

## ITEM 1

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

For ease of reference in this disclosure document, the franchisor, ShelfGenie SPV LLC, is referred to as "we," "us" or "Franchisor," and sometimes "ShelfGenie" and the person who buys the franchise is referred to as "you", "your", or "Franchisee". The business that is operated under the Franchise Agreement is referred to as the "franchise" or the "Business" and the right to operate granted by the Franchise Agreement is sometimes referred to as the "license" or "franchise." If you are a legal entity, the provisions of the Franchise Agreement and related agreements apply to your owners.

This disclosure document outlines and summarizes some contractual obligations of both the Franchisor and the Franchisee which are found in the Franchise Agreement and other agreements. For ease of reference and understanding, these obligations may be paraphrased or described in general terms in this document.

The Franchisor and Predecessor

The Franchisor is ShelfGenie SPV LLC. We are a Delaware limited liability company organized on November 13, 2020. We maintain our principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. We do business under our corporate name and under the name SHELFGENIE®. Our agents for service of process are listed on Exhibit B.

Our predecessor and affiliate is ShelfGenie Franchise Systems, LLC, a Georgia limited liability company formed on November 29, 2007 ("Predecessor"). Predecessor's principal place of business is 1010 North University Parks Drive, Waco, Texas 76707. On September 25, 2020, Predecessor became a wholly-owned subsidiary of ShelfGenie Holdings LLC, a Delaware limited liability company ("SG Holdings"), which, on September 30, 2020, became a wholly-owned subsidiary of Dwyer Franchising LLC d/b/a Neighborly. From May 2008 until the closing of the 2021 Securitization Transaction (as defined below) in March 2021, Predecessor offered franchises for SHELFGENIE® businesses. Predecessor never offered franchises in any other line of business.

Predecessor offered until March 2021 and we now offer (through a licensee) SHELFGENIE franchises in Canada under a separate form of disclosure document and franchise agreement.

We have not had any other predecessors during the 10-year period immediately before the date of this disclosure document.

Our Business Experience

Since 2008, Predecessor and we have offered franchises for the operation of mobile businesses that market, design, sell and install customized solutions for new and existing cabinets, pantries, closets, garages and other structures under the name SHELFGENIE®. We have not offered franchises in any other line of business nor engaged in any other activity. As of December 31, 2024, there were 261 ShelfGenie franchises in operation in the U.S. and 20 affiliate-operated outlets operated by our affiliate, Cabinet Essentials Atlanta, LLC. We and/or our licensees also offer franchises in Canada and as of December 31, 2024, there were a total of 20 SHELFGENIE franchises in operation in Canada.

Our Parents and Affiliates

We are a direct, wholly-owned subsidiary of Neighborly Assetco LLC ("Parent"). The name and principal business address of each of our direct or indirect parents that exercise control over the policies and direction of the System (as defined below) are as follows:

| **Name of Company** | **Principal Business Address** | **Ownership or Control of Company** |
|---|---|---|
| Nest Holdings LP ("Nest Holdings") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P. |
| Nest Holdings Inc. ("Nest Holdco") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Nest Holdings |
| Nest Topco Guarantor Inc. ("Nest Guarantor") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Nest Holdco |
| Nest Topco Borrower Inc. ("Nest Topco Borrower") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Nest Guarantor |
| Nest Bidco Inc. ("Nest Bidco") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Nest Topco Borrower |
| Balcones Holdco, Inc. ("Balcones Holdco") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Nest Bidco |
| TDG Intermediate, LLC ("Intermediate") | 2800 Sand Hill Road, Suite 200 Menlo Park, CA 94025 | Wholly owned by Balcones Holdco |
| Neighborly Company ("Manager") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by Intermediate |
| TDG Holding Company ("TDGHC") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by Manager |
| The Dwyer Group, Inc. ("TDG") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by TDGHC |
| The Dwyer Group LLC ("Dwyer") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by TDG |
| Dwyer Franchising LLC d/b/a Neighborly ("Neighborly") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by Dwyer |
| Neighborly SPV Guarantor LLC ("SPV Guarantor") | 1010 North University Parks Drive Waco, Texas 76707 | Wholly owned by Neighborly |

| Name of Company | Principal Business Address | Ownership or Control of Company |
|---|---|---|
| Neighborly Issuer LLC (“Issuer”) | 1010 North University Parks Drive<br>Waco, Texas 76707 | Wholly owned by SPV Guarantor |
| Neighborly Assetco LLC | 1010 North University Parks Drive<br>Waco, Texas 76707 | Wholly owned by Issuer |

On August 31, 2021, Nest Bidco, a Delaware corporation, purchased from TDG Investment Holdings, LP all of the issued and outstanding shares of common stock of Balcones Holdco under the terms of a Stock Purchase Agreement dated June 30, 2021 by and among Nest Bidco, Balcones Holdco, and TDG Investment Holdings, LP (“KKR Acquisition”). Upon the closing of the KKR Acquisition, Nest Bidco became our indirect parent company. Nest Bidco is controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., which is a leading global investment firm (“KKR”).

We currently have no affiliates required to be included in this item except as provided below.

The following affiliates are wholly-owned direct subsidiaries of Parent and they offer franchises in the U.S. under separate franchise disclosure documents:

Since 1992, Aire Serv SPV LLC, a Delaware limited liability company (“Aire Serv”), and its predecessor (Aire Serv LLC) have offered franchises which provide installation, maintenance and repair of residential and commercial heating, ventilating and air-conditioning equipment under the name AIRE SERV®. Aire Serv maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total 208 Aire Serv franchises in operation in the U.S. Aire Serv has never conducted business or offered franchises of the type described in this disclosure document.

Since April 2011, Dryer Vent Wizard SPV LLC, a Delaware limited liability company (“DVW”) and its predecessor (Dryer Vent Wizard International LLC) have been offering franchises for the operation of businesses providing installation and repair of, and cleaning products and services for: dryer vents, bathroom vents, kitchen vents, appliances, exhaust vents, air movement systems and washing machine filters and hoses to enhance the performance and safety of clothes dryers and other household appliances to residential and commercial customers, under the Dryer Vent Wizard® name. DVW maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 165 Dryer Vent Wizard franchises in operation in the U.S. DVW has never conducted business or offered franchises of the type described in this disclosure document.

Since September 2007, Five Star Painting SPV LLC, a Delaware limited liability company (“Five Star Painting”), and its predecessors (Five Star Painting, LLC and Five Star Painting, Inc.) have offered franchises which perform and provide residential and commercial painting services and other related products and services under the name Five Star Painting®. Five Star Painting maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 245 Five Star Painting franchises in operation in the U.S. Five Star Painting has never conducted business or offered franchises of the type described in this disclosure document. On March 25, 2016, ProTect Painters International, LLC (“ProTect Painters”), a Michigan limited liability company, merged with and into Five Star Painting’s predecessor, with Five Star Painting’s predecessor being the surviving entity in the merger (the “Merger”). As a result of the Merger, Five Star Painting’s predecessor offered, and now Five Star Painting offers, franchises under both, the Five Star Painting marks and the ProTect Painters marks. As of December 31, 2024, there were two ProTect Painters franchises in the U.S.

Since March 2004, Glass Doctor SPV LLC, a Delaware limited liability company ("Glass Doctor"), and its predecessor (Synergistic International, LLC) have offered franchises that repair and replace auto and/or flat glass under the name GLASS DOCTOR®. From 1977 to March 2004, Glass Doctor's predecessors offered similar franchises. Glass Doctor maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 171 Glass Doctor franchises in operation in the U.S. Glass Doctor has never conducted business or offered franchises of the type described in this disclosure document.

Since April 2010, The Grounds Guys SPV LLC, a Delaware limited liability company ("Grounds Guys"), and its predecessor (The Grounds Guys LLC) have offered franchises which perform and provide commercial, residential and municipal property maintenance, landscaping and hardscaping services, snow and ice maintenance services, trash and debris removal, arboriculture services, lawn renovation, turf care services and other related products and services under the name The Grounds Guys®. Grounds Guys maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 228 The Grounds Guys franchises in operation in the U.S. Grounds Guys has never conducted business or offered franchises of the type described in this disclosure document.

Since 1979, HouseMaster SPV LLC, a Delaware limited liability company ("HMS"), and its predecessors (HM Services, LLC) have been offering franchises for the operation of a building inspection and related services business under the HouseMaster™ trademark. HMS maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 235 HouseMaster franchises in operation in the U.S. HMS has never conducted business or offered franchises of the type described in this disclosure document.

Since 2005, Junk King SPV LLC, a Delaware limited liability company ("JUK") and its predecessors (Junk King Industries, LLC, Junk King Franchise Systems, Inc., and Junk King, LLC) have been offering franchises for the operation of businesses providing junk removal, dumpster and recycling services and related services under the Junk King® name. JUK maintains its principal business address at 1010 N. University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 172 Junk King franchises in operation in the U.S. Through an agreement with The Dwyer Group Canada, Inc., JUK offers franchises for the same type of business in Canada under the trademark Junk Works, as described below. JUK has never conducted business or offered franchises of the type described in this disclosure document.

Since January 2023, Lawn Pride SPV LLC, a Delaware limited liability company ("LAP") has been offering franchises for the operation of a business that provides lawn care and maintenance services through the application of fertilizer and other products, perimeter pest control services, and performance of related services including fungus control and prevention, grub treatments, aeration, mole control, and tree and shrub feeding and insect control (but specifically excluding mosquito or other flying pest, tick and flea control services), to both residential and commercial customers under the Lawn Pride trademark. LAP maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were 35 Lawn Pride franchised outlets and one affiliate-operated Lawn Pride business in operation in the U.S. LAP has never conducted business or offered franchises of the type described in this disclosure document.

Since May 1984, Molly Maid SPV LLC, a Delaware limited liability company ("Molly Maid"), and its predecessors (Molly Maid LLC and Molly Maid, Inc.) have offered franchises for the operation of businesses that offer professional residential housekeeping services as well as a carpet cleaning program under the name Molly Maid®. Molly Maid maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 448 Molly Maid franchises in operation in the United States and Puerto Rico. Molly Maid has never conducted business or offered franchises of the type described in this disclosure document.

Since 2012, Mosquito Joe SPV LLC, a Delaware limited liability company ("MoJo"), and its predecessor (Mosquito Joe Franchising, LLC) have been offering franchises for the operation of businesses providing services and equipment to both residential and commercial customers to control undesirable outdoor insects, such as mosquitoes, ticks and fleas, under the Mosquito Joe® name. MoJo maintains its principal business address at 4490 Holland Office Park, Suite 100, Virginia Beach, VA 23452. As of December 31, 2024, there were a total of 415 Mosquito Joe franchises in operation and 2 affiliate operated units in the U.S. MoJo has never conducted business or offered franchises of the type described in this disclosure document.

Since August 1996, Mr. Appliance SPV LLC, a Delaware limited liability company ("Appliance") and its predecessor (Mr. Appliance LLC) have offered franchises which perform and provide service and repair on all major appliances for residential and commercial customers under the name MR. APPLIANCE®. Appliance maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 310 Mr. Appliance franchises in operation in the U.S. Appliance has never conducted business or offered franchises of the type described in this disclosure document.

Since 1994, Mr. Electric SPV LLC, a Delaware limited liability company ("Electric"), and its predecessor (Mr. Electric LLC) have offered franchises which perform electrical services and repairs under the name MR. ELECTRIC®. Electric maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 211 Mr. Electric franchises in operation in the U.S. Electric has never conducted business or offered franchises of the type described in this disclosure document.

Since January 2000, Mr. Handyman SPV LLC, a Delaware limited liability company ("Mr. Handyman"), and its predecessor (Mr. Handyman International, L.L.C.) have offered franchises for the operation of companies dedicated to performing business and residential maintenance and repair services under the name Mr. Handyman®. Mr. Handyman maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 347 Mr. Handyman franchises in the U.S. Mr. Handyman has never conducted business or offered franchises of the type described in this disclosure document.

Since 1993, Mr. Rooter SPV LLC, a Delaware limited liability company ("Rooter"), and its predecessor (Mr. Rooter LLC) have offered franchises which provide plumbing and plumbing repair services; sewer, drain and pipe cleaning services; septic tank pumping; water heater replacement; TV pipe inspection; line and leak detection; hydronics; excavation and replacement of sewer lines and other related services and products in homes and commercial buildings under the names MR. ROOTER® and AMERICA'S TROUBLE SHOOTER®. Rooter maintains its principal place of business at 1010 North University Parks Drive, Waco, TX 76707. As of December 31, 2024, there were a total of 229 Mr. Rooter franchises and three affiliate-operated locations in operation in the U.S. Rooter has never conducted business or offered franchises of the type described in this disclosure document. As of December 31, 2024, Rooter also had 4 franchised locations in the UK (through a master franchise relationship).

Since February 2005, Precision Door Service SPV LLC, a Delaware limited liability company ("PDS") and its predecessor (Precision Holdings of Brevard, Inc.) have been offering franchises for the operation of a business that provides garage door repair and service under the Precision Garage Door

Service™ trademark. PDS maintains its principal business address at 2395 Washington Avenue, Suite 5, Titusville, Florida 32780. As of December 31, 2023, there were a total of 132 Precision Garage Door Service™ franchised outlets in operation in the U.S. PDS has never conducted business or offered franchises of the type described in this disclosure document.

Since 1981, Rainbow International SPV LLC, a Delaware limited liability company ("Rainbow International"), and its predecessor (Rainbow International LLC) have offered franchises which provide carpet cleaning, dyeing, repair, reinstallation and related services; upholstery, drapery and ceiling cleaning and related services; and deodorization services under the names RAINBOW RESTORATION®, RAINBOW INTERNATIONAL®, RAINBOW INTERNATIONAL CARPET CARE & RESTORATION SPECIALIST®, RAINBOW INTERNATIONAL RESTORATION & CLEANING® and RAINBOW INTERNATIONAL RESTORATION®. In 1997, Rainbow International's predecessor added an option to perform air duct cleaning services. In 2000, Rainbow International's predecessor added water, smoke and disaster restoration services. In 2001, Rainbow International's predecessor added an option to perform mold remediation services. Rainbow International maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 330 Rainbow Restoration franchises in operation in the U.S. In addition, Rainbow International offers Rainbow Restoration franchises in the UK (through a master franchise relationship), with 48 franchises in operation in the UK as of December 31, 2024. Rainbow International has never conducted business or offered franchises of the type described in this disclosure document.

Since 2005, Real Property Management SPV LLC, a Delaware limited liability company ("RPM"), and its predecessor (Property Management Business Solutions, LLC) have been offering franchises for the operation of businesses providing property management services, including management of maintenance and repair services and rent collection under the Real Property Management name. RPM maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 447 Real Property Management franchises in operation in the U.S. RPM has never conducted business or offered franchises of the type described in this disclosure document.

Since 1998, Window Genie SPV LLC, a Delaware limited liability company ("Window Genie"), and its predecessor (FOR Franchising, LLC) have offered franchises for the operation of a residential and commercial window cleaning, window tinting and pressure washing business operated under the Window Genie® name. Window Genie maintains its principal business address at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, there were a total of 103 Window Genie franchises in operation in the U.S. Window Genie has never conducted business or offered franchises of the type described in this disclosure document.

The following portfolio company of KKR offers franchises in the U.S.:

Qdoba Restaurant Corporation ("Qdoba"). Qdoba is a franchisor of Mexican restaurants under the name "Qdoba" and related trademarks with a menu consisting of Mexican-inspired food. Qdoba's principal place of business is 350 Camino De La Reina, Suite 400, San Diego CA 92108. Qdoba became a KKR-affiliated franchise program in August 2022. Qdoba has been franchising since 1998, and as of December 22, 2024, there were 784 Qdoba restaurants (616 franchised/licensed and 168 company-owned). Qdoba has not offered franchises in any other line of business.The affiliates named above offer franchises using separate franchise disclosure documents. We will make any of those disclosure documents available to you upon request.

The following affiliates are direct or indirect wholly-owned subsidiaries of Neighborly and they offer franchises outside the U.S.:

The Dwyer Group Canada, Inc. ("TDGC"), a wholly owned subsidiary of Neighborly since January 1998, was incorporated in the Province of Ontario, Canada on January 21, 1998. TDGC has the right to offer and sell Aire Serv, Dryer Vent Wizard, Five Star Painting, Glass Doctor, HouseMaster, Junk Works, Mr. Appliance, Mr. Electric, Mr. Handyman, Mr. Rooter, Rainbow Restoration, ShelfGenie and The Grounds Guys franchises in Canada under 3-party agreements between TDGC, us or the applicable affiliate-franchisor, and the franchisee. TDGC, in cooperation with us or such affiliate-franchisor, provides, support and supervision and, at times, assistance or guidance, to Canadian franchisees operating under our or the affiliate's trademarks and systems. TDGC maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. As of December 31, 2024, TDGC had 13 Mr. Handyman franchises, 24 Mr. Rooter franchises, 15 Rainbow Restoration franchises, 10 Glass Doctor franchises, 13 Mr. Appliance franchises, 8 Mr. Electric franchises, 5 Aire Serv franchises, 5 Dryer Vent Wizard franchises, 15 Five Star Painting franchises, 26 The Grounds Guys franchises, 18 HouseMaster franchises, 20 ShelfGenie franchises and 6 Junk Works franchises in operation in Canada. TDGC offers franchises in Canada for the same type of business as described in this disclosure document.

Dwyer (UK Franchising) Limited ("Dwyer UK"), a wholly-owned subsidiary of Neighborly since March 9, 2012, was incorporated in England and Wales on March 9, 2012. Dwyer UK has the right to offer and sell Aire Serv and Mr. Electric franchises in the United Kingdom using agreements between Dwyer UK and the franchisee. Dwyer UK, in cooperation with Aire Serv and Electric, provides support and supervision and, at times, assistance or guidance, to franchisees operating under those trademarks and systems in the United Kingdom. Dwyer UK maintains its principal place of business in Five Mile House, 128 Hanbury Rd., Stroke Prior, Bromsgrove, Worcester EG B60 4JZ, United Kingdom. As of December 31, 2024, Dwyer UK had 2 Mr. Electric franchises and 2 Aire Serv franchises. Dwyer UK has the right to offer franchises in the United Kingdom for the same type of business as Aire Serv and Electric offer in the U.S. under separate franchise disclosure documents.

In October 2015, a wholly-owned subsidiary of Neighborly, Drain Doctor Holdings Limited (f/k/a Dwyer DD UK Limited), a private limited company registered in England and Wales, acquired ownership of Rooter's UK master licensee that had been offering Mr. Rooter franchises in the U.K. under the name Drain Doctor®. There were 66 Drain Doctor® franchises in the UK as of December 31, 2024.

Rainbow International Systemzentrale Deutschland GmbH ("Rainbow Germany"), a wholly-owned subsidiary of Neighborly since September 18, 2014, was incorporated in Germany on September 18, 2014. Rainbow Germany has the right to offer and sell Rainbow Restoration franchises in Germany using agreements between Rainbow Germany and the franchisee. Rainbow Germany, in cooperation with Rainbow Restoration, provides support and supervision and, at times, assistance or guidance, to franchisees operating under the Rainbow marks and system in Germany. Rainbow Germany maintains its principal place of business at Flözstraße 18, 73433 Aalen, Germany. As of December 31, 2024, Rainbow Germany had 39 Rainbow Restoration franchises in Germany. Rainbow Germany has the right to offer franchises in Germany for the same type of business as Rainbow International offers in the U.S. under a separate franchise disclosure document.

Locatec Ortungstechnik GmbH ("Locatec") is a wholly-owned subsidiary of Neighborly since April 27, 2016. Locatec has the right to offer and sell Locatec franchises in Austria and Germany using agreements between Locatec and the franchisee. Locatec, in cooperation with our affiliates, provides support and supervision and, at times, assistance or guidance to franchisees operating under Locatec trademarks and systems in Germany and Austria. Locatec maintains its principal place of business at Flözstraße 18, 73433 Aalen, Germany. Locatec franchisees offer non-destructive detection of all types of leaks in pipe systems (indoor and outdoor including pipes for gas, water, sewage, and district heat) and flat roofs as well as emergency repair services. As of December 31, 2024, Locatec had 50 franchises in Germany and 4 in Austria.

Bright and Beautiful UK Limited ("Bright and Beautiful") is a wholly owned subsidiary of Neighborly since April 13, 2017. Bright and Beautiful has the right to offer and sell Bright and Beautiful franchises in the United Kingdom using agreements between Bright and Beautiful and the franchisee. Bright and Beautiful provides support and supervision and, at times, assistance or guidance to franchisees operating under Bright and Beautiful trademarks and systems in the United Kingdom. Bright and Beautiful franchisees offer domestic cleaning services. As of December 31, 2024, Bright and Beautiful had 86 franchises in the United Kingdom.

Countrywide Garden Maintenance Services Limited ("Countrywide") is a wholly owned subsidiary of Neighborly since May 2, 2017. Countrywide has the right to offer and sell Countrywide franchises in the United Kingdom using agreements between Countrywide and the franchisee. Countrywide provides support and supervision and, at times, assistance or guidance to franchisees operating under Countrywide trademarks and systems in the United Kingdom. Countrywide franchisees offer commercial grass cutting, landscape maintenance, grounds maintenance and winter gritting services. As of December 31, 2024, Countrywide had 43 franchises in the United Kingdom.

Dream Doors Holdings Limited ("Dream Doors") has been a wholly owned subsidiary of Neighborly since February 26, 2019. Dream Doors has the right to offer and sell Dream Doors franchises in the United Kingdom using agreements between Dream Doors and the franchisee. Dream Doors provides support and supervision and, at times, assistance or guidance to franchisees operating under Dream Doors trademarks and systems in the United Kingdom. Dream Doors franchisees offer fully-fitted kitchen makeovers, replacement doors and countertops and the installation of new appliances. As of December 31, 2024, Dream Doors had 91 franchises in the United Kingdom.

GreenSleeves Lawn Care Limited (UK) ("GreenSleeves") is a wholly owned subsidiary of Neighborly since October 28, 2022. GreenSleeves has the right to offer and sell GreenSleeves franchises in the United Kingdom using agreements between GreenSleeves and the franchisee. GreenSleeves provides support and supervision and, at times, assistance or guidance to franchisees operating under GreenSleeves trademarks and systems in the United Kingdom. GreenSleeves franchisees offer lawn care services including fertilizer treatments, moss treatments and debris removal in the United Kingdom. As of December 31, 2024, GreenSleeves had 99 franchised and 11 corporate locations in the United Kingdom.

The following affiliates provide services to ShelfGenie franchises:

G-O Manufacturing SPV LLC ("Manufacturing"), a Delaware limited liability company and wholly-owned subsidiary of Neighborly, formed in November 2020, sells and distributes customized shelving solutions and other products such as strip mounts and accessories ("Core Products") to our franchisees. Manufacturing may also sell some of these products on its SimpleShelf.com or SlidingSusan.com website. Each of our franchisees is required to enter into a supply agreement with Manufacturing (in the form attached to the Franchise Agreement as Schedule H). Manufacturing also sells certain products (including the Core Products) directly to third parties. Manufacturing does business under the name "G-O Manufacturing, LLC" and "SimpleShelf." Manufacturing's principal business address is 1010 North University Parks Drive, Waco, Texas 76707. Manufacturing does not own or operate any franchises nor has it ever offered franchises in any line of business.

ZorWare SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly ("ZorWare") provides software to us and our affiliates and/or provide technical support to franchisees and collect fees from franchisees for certain software programs. ZorWare maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. ZorWare does not own or operate any franchises nor has it offered franchises in any line of business.

ProTradeNet SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly ("ProTradeNet"), negotiates, and sometimes enters into contracts with some of the vendors, suppliers and others who do business or propose to do business with our and our affiliates' franchisees with the goal of obtaining better terms and conditions on which franchisees purchase goods and services for their businesses. ProTradeNet maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. ProTradeNet does not own or operate any franchises nor has it offered franchises in any line of business.

Neighborly Service Solutions SPV LLC, a Delaware limited liability company and a wholly-owned subsidiary of Neighborly, d/b/a Neighborly Customer Solutions ("Neighborly Service Solutions" or "NCS") was formed in June 2021 to, among other things, negotiate, and sometimes enter into, contracts with some of the Key Accounts. Neighborly Service Solutions may also offers certain marketing and other services and it provides call center services to our franchisees. Neighborly Service Solutions maintains its principal place of business at 1010 North University Parks Drive, Waco, Texas 76707. Neighborly Service Solutions does not own or operate any franchises nor has it offered franchises in any line of business.

BackOffice SPV LLC ("BackOffice"), a Delaware limited liability company and a wholly-owned subsidiary of Neighborly, has been providing certain temporary bookkeeping assistance and training services to the franchisees of several of our affiliates, and BackOffice may in the future provide some of these services to our franchisees. BackOffice is located at 1010 North University Parks Drive, Waco, Texas 76707. BackOffice has not offered any franchises in any line of business. BackOffice does not and has not previously conducted business of the type operated by our franchisees.

Except as noted above, none of our affiliates have offered franchises in the same line of business as offered in this disclosure document or in any other line of business, nor have they conducted any other business.

2021 Securitization Transaction

Under a securitization financing transaction that closed in March 2021 (the "2021 Securitization Transaction"), certain of Neighborly's subsidiaries were restructured. As part of the 2021 Securitization Transaction, all existing U.S. franchise agreements and related agreements for ShelfGenie franchised businesses were transferred to us, and we became the franchisor of all existing and future franchise and related agreements. Ownership and control of the U.S. trademarks and certain intellectual property relating to the operation of ShelfGenie businesses in the U.S. were also transferred to us.

At the time of the closing of the 2021 Securitization Transaction, Manager entered into a management agreement with us to provide the required support and services to ShelfGenie franchisees under their franchise agreements. Manager also acts as our franchise sales agent. We will pay management fees to Manager for these services. However, as the franchisor, we will be responsible and accountable to you to make sure that all services we promise to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with the applicable agreement, regardless of who performs these services on our behalf.

Description of the Franchise

Our franchisees operate a mobile business that markets, designs, sells and installs customized solutions for new and existing cabinets, pantries, closets, garages and other structures for both residential and commercial customers. The franchised businesses operate under SHELFGENIE®, and the additional principal service marks, trademarks, trade names, logos, emblems, slogans or other indicia of origin which are or may be designated by us in the future (the "Marks") for use in accordance with the methods and processes developed by us in connection with the franchise (the "System") within a specified geographical area (the "Territory"). The System includes our operating systems, marketing systems, business techniques, and methods, processes, policies and procedures related to the management and operation of a business that markets, sells and installs products customized and built around homeowners' and business owners' needs for moving shelving, drawer, storage, and organization systems for cabinets, pantries, closets, garages, or other structures, along with items of trade dress, sales, leadership and management training for the development and operation of ShelfGenie Businesses, including all training materials, all as the same may exist today or as the same may change from time to time, as specified in the Manuals or as otherwise reasonably directed by us from time to time. You may, if we approve, convert an existing business offering similar services to a Business or add additional territory to a Business under the terms stated in the Franchise Agreement and related agreements.

The standard form of franchise agreement we are now offering is included in this disclosure document as Exhibit A (the "Franchise Agreement"). Currently, we categorize the franchise offered by the size of the Territory granted as either the Executive franchise or the Owner/Operator franchise, as further described in Item 12 of this disclosure document. To operate an Executive franchise, you will be required to simultaneously sign two Franchise Agreements. If your Territory size places the franchise you purchase in our Owner/Operator Franchise category, you will sign one Franchise Agreement and the Data Sheet attached as Schedule A to the Franchise Agreement modifies the applicable fees for the Owner/Operator franchise. Throughout this Disclosure Document, if a term, fee, or obligation is not applied expressly to either the Executive Franchise or Owner/Operator Franchise model, the term, fee, or obligation applies equally to both models. When we update our disclosure document, the form of franchise agreement and other agreements may change, fees and other obligations may increase and the terms and conditions on which you may obtain a franchise may be less favorable as compared with a previous disclosure document.

Uniformity of franchise agreements among our franchisees may not always be possible or practical. We and our predecessors have offered in the past, and we may offer in the future, franchise agreements to other franchisees on terms materially different from those included in this disclosure document. We also may materially vary the franchise agreement terms, conditions, and obligations (including those relating to fees, territories, training and other items) offered to other franchisees and except as may be required by applicable law we have no obligation to disclose these variations to you or to grant the same or similar variation to you.

We offer to qualified persons the right to develop a minimum of two Executive Franchise Businesses and a maximum of seven Executive Franchise Businesses within a Development Area determined by us, under a development agreement ("Development Agreement"). The Development Agreement requires you to open an agreed upon number of Businesses under a development schedule. You must sign two Franchise Agreements (i.e., the Franchise Agreements for your first Executive franchise) at the time you sign the Development Agreement, and that Business must be opened within 180 days of signing. For each additional Business, you must sign our then-current form of Franchise Agreement for each Business that you open.

The Business offers services to the general public, including residential and commercial customers, and the services are offered in a developed market. There are other nationally recognized trade names in the organizational solutions industry. You will compete with (a) other regional and local chains, which provide similar services, and (b) kits provided at hardware stores for the do-it-yourself homeowners. The franchisees of our affiliate, Mr. Handyman, perform maintenance and repair services and you may compete in your Territory with a MR. HANDYMAN® franchisee if they install organizational solutions for customers when you open for business or sometime in the future as the Mr. Handyman system expands. The franchisees of our affiliate, Dream Doors, offer fully-fitted kitchen makeovers in the UK and you may compete in your territory with a Dream Doors franchisee sometime in the future if the Dream Doors system expands to the United States.

Industry Specific Regulations

Federal, state and local labor regulations, including minimum age and minimum wage laws and other laws and regulations apply to businesses generally. You will be subject to local, city, county and state regulations and local, city, county and state licensing regulations for the operation of businesses generally. These laws vary from place to place. There may also be local, city, county, and state business, home improvement and/or contractor licenses that you need to obtain to operate your Business in your Territory. You are responsible for obtaining any licenses or permits required by your locality for performing the work of the franchise. There may be other laws that apply to the Business and you should investigate these laws.

Financial Incentives

We may offer financial incentives to existing franchisees, employees of ShelfGenie SPV LLC, or other third parties who refer a franchise prospect lead to us that results in the granting of a franchise to that lead within 6 months of the date of referral. The incentive payment would only be paid with respect to the first franchise purchased by the referred new franchisee and other limitations may apply. We may change or eliminate the referral program at any time without notice. Franchisees participating in the referral program are not our sales agents and are not authorized to make any statements on our behalf, including any statements relating to the financial performance or prospect for success of any franchise.

## ITEM 2

## BUSINESS EXPERIENCE

President: Anthony Wayne Ditzler

Mr. Ditzler has been our President since May 2024, in Waco, TX. From September 2023 until May 2024, he was the Executive VP for Jewelry Repair Enterprises in Boca Raton, FL. From July 2022 until September 2023, he was the VP of Operations for HairClub in Boca Raton, FL. From November 2011 until July 2022, he was the director of franchise business for Amplifon USA in Minneapolis, MN.

Vice President of Operations: Charles Allison

Mr. Allison has been our Vice President of Operations since March 2023. From August 2021 until February 2023, Mr. Allison was the Chief Operating Officer for Van's Kitchen in Dallas, TX. From July 2020 until July 2021, Mr. Allison pursued other opportunities. From September 2000 until June 2020, he was the Senior VP of Scholastic, Inc. in Waco, TX.

Chief Executive Officer: Michael Anthony Davis.

Mr. Davis has been our Chief Executive Officer since November 2024. Since July 2024, he has also been the Chief Executive Officer of a number of our affiliates and parent companies, including Neighborly, Manager, The Dwyer Group LLC, The Dwyer Group, Inc., TDG Intermediate, LLC, Balcones Holdco, Inc., Nest Bidco Inc., Nest Topco Borrower Inc., Nest Topco Guarantor Inc., and Nest Holdings Inc. From July 2022 until July 2024, he was the CEO of Mathnasium Center Licensing, LLC in Los Angeles, CA. From April 2021 till July 2022, he was self-employed as a consultant in Los Angeles, CA. From May 2017 until April 2021, he was the CEO of Valpak Direct Marketing Systems, LLC in St. Petersburg, FL.

Chief Financial Officer: Benjamin Daniel Lamb

Mr. Lamb has been our Chief Financial officer since May 2025. He is based in Dallas, Texas. Since May 2025, he has also been the Chief Financial Officer of a number of our affiliates and parent companies, including Neighborly, Manager, The Dwyer Group LLC, The Dwyer Group, Inc., TDG Intermediate, LLC, Balcones Holdco, Inc., Nest Bidco Inc., Nest Topco Borrower Inc., Nest Topco Guarantor Inc., and Nest Holdings Inc. From November 2022 until February 2025, he was an Executive Vice President and CFO of EnLink Midstream in Dallas, TX, and from June 2018 until November 2022, he was the EVP and COO of EnLink Midstream in Dallas, TX.

Senior VP of Finance: Heather Robertson

Ms. Robertson has been our Senior VP of Finance, and the Senior VP of Finance for a number of our affiliates and parent companies, since November 2024. Ms. Robertson has been our Interim Treasurer from September 2023 until July 2024. Also from September 2023 until July 2024, she was the interim Chief Financial Officer of Neighborly and Manager and certain of our other parents and affiliates. From March 2022 until September 2023, she was the Senior VP of Finance of Neighborly, and from January 2018 until March 2022, she was the VP of Finance for Neighborly.

Chief Marketing Officer: Stacy Lynn Bourgeois

Ms. Bourgeois has been our Chief Marketing Officer as well as the Chief Marketing Officer of Neighborly and a number of our other affiliates since December 2024. From May 2023 till November 2024, she was the Head of Product, Quality and Ops for Renewed with Amazon in Seattle, WA. From February 2021 until April 2023, she was the U.S. Head of Musical Instruments with Amazon in Seattle, WA. From October 2019 until January 2021, she was the U.S. Head of Marketing for PCs with Amazon in Seattle, WA.

The following individuals are included here because they are either officers of Manager or they have management responsibility relating to the sale or operation of franchises offered by this disclosure document:

Secretary of Manager and Franchisor, and EVP, General Counsel and Secretary of Neighborly: Grayson Brown

Mr. Brown has been the Secretary of Manager since May 2018. He has also been the Executive Vice President, General Counsel and Secretary of Neighborly and The Dwyer Group Inc. since May 2018. Previously, he was Vice President and General Counsel of Neighborly from August 2015 until May 2018. He has been our Secretary since March 2021 and previously he was the Secretary of Predecessor from October 2020 until March 2021. He is also the Secretary of our affiliates listed in Item 1 that offer franchises in the U.S. under separate franchise disclosure documents.

Group President: Matthew Crowley

Mr. Crowley has been Group President of Neighborly for the corporate owned stores of the Neighborly brands, which group includes the ShelfGenie brand, since May 2025. From January 2023 until May 2025, he was the Principal of Crowley Consulting, LLC in Yorba Linda, CA. From November 2017 until January 2023, Mr. Crowley was the Executive Vice President of Valpak in St. Petersburg, FL.

Chief Growth Officer for Neighborly: Reese Edward Neumann

Mr. Neumann has been the Chief Growth Officer of Neighborly since January 2025. From September 2024 till January 2025, he was a consultant for Purposed Brands in Plano, TX. From September 2015 until June 2024, he was the VP Strategy, CFO of Yum Brands in Plano, TX.

Chief Development Officer for Neighborly: Bradley Stevenson

Mr. Stevenson has been Chief Development Officer for Neighborly since October 2019.

Vice President of Franchise Development: Gary Sipes

Mr. Sipes has been Vice President of Franchise Development for Neighborly since July 2016.

Senior VP Franchise Support Services for Neighborly: David Luke Stanton

Mr. Stanton has been the Senior VP, Franchise Support Services of Neighborly since December 2024. From January 2018 until December 2024, he was the President of our affiliates ProTradeNet and NS Neighborly Service Solutions SPV LLC and their predecessors.

Except as otherwise stated above, the location of each of the positions described above was 1010 North University Parks Drive, Waco, Texas 76707.

## ITEM 3

## LITIGATION

Concluded Action

Cabinet Essentials Group, LLC, ShelfGenie Franchise Systems, LLC and G-O Manufacturing, LLC v. Lee Anne Daniels, Frank Daniels, Marianna Keselman, Eric Gelman, Gliding Shelf Solutions, Inc., Complete Solutions, and Rydan Manufacturing, Inc., Superior Court of Justice, Ontario, Case No. CV-15-124463-SR, Filed October 28, 2015.

This case pertains to our Predecessor's attempts to enforce a judgment and an award of damages against a former dealer of Predecessor's affiliate and Manufacturing's predecessor, G-O Manufacturing, LLC, in Canada. Predecessor's then-parent, Cabinet Essentials Group, LLC, G-O Manufacturing, LLC and Predecessor ("Plaintiffs") originally filed an action for injunctive relief against the above-named defendants ("Defendants") in Cabinet Essentials Group, LLC, ShelfGenie Franchise Systems, LLC and G-O Manufacturing, LLC v. Lee Anne Daniels, Frank Daniels, Marianna Keselman, Eric Gelman, Gliding Shelf Solutions, Inc., Complete Solutions, Complete Water Solutions, and Rydan Manufacturing, Inc., Superior Court of Justice, Ontario, Case No. 150/13, Filed August 6, 2013. Plaintiffs alleged that defendants Lee Anne and Frank Daniels, who had signed a Dealer Agreement with G-O Manufacturing, LLC in 2009, had committed numerous breaches of their Dealer Agreement by way of operating competing business in Canada (Gliding Shelf Solutions, Complete Solutions, and Rydan Manufacturing), which included violations of their restrictive covenants and unauthorized use of confidential information and trade secrets. The complaint also alleged that defendants Keselman and Gelman, both of whom worked for the Daniels, and who also received specialized training, were in breach of their confidentiality agreements that they signed with G-O Manufacturing, LLC. The Ontario Court required that the case be re-filed in Virginia and on February 28, 2014, Plaintiffs filed a Complaint against Defendants in Cabinet Essentials Group, LLC, ShelfGenie Franchise Systems, LLC and G-O Manufacturing, LLC v. Lee Anne Daniels, Frank Daniels, Marianna Keselman, Eric Gelman, Gliding Shelf Solutions, Inc., Complete Solutions, and Rydan Manufacturing, Inc., Circuit Court of Hanover County, Virginia, Case No. CL14-578, Filed February 28, 2014. (the "Complaint"). The Complaint alleged (1) Breach of Contract - Dealer Agreement, (2) Breach of Contract – Confidentiality Agreements, (3) Fraudulent Inducement, (4) Passing Off, (5) Breach of Duty of Good Faith, (6) Breach of Confidence, (7) Misappropriation of Business, (8) Unjust Enrichment, and (9) Waiver of Tort. Following a hearing, on July 24, 2015 the Virginia Court ruled in favor of Plaintiffs on all counts, and issued a Final Order Awarding Injunctive and Monetary Relief on Summary Judgment (the "Order"). The Order permanently enjoined various of the Defendants from breaching their agreements with Plaintiffs, permanently enjoined Defendants Lee Anne Daniels, Frank Daniels, Marianna Keselman, and Eric Gelman from engaging in competing activities, and permanently enjoined all Defendants from participating in the operation of any dealership or other business, including but not limited to Gliding Shelf Solutions, Inc., Complete Solutions, Rydan Manufacturing, Inc., that manufactures, produces, sells, and/or installs glide-out and/or roll-out shelving products, regardless of the corporate and/or trade name of such dealership or other business. The Order also (a) awarded G-O Manufacturing, LLC $2,000,000.00 in damages from the Defendants; and (b) awarded G-O Manufacturing, LLC $83,000.00 for reimbursement of attorneys' fees and costs. The Court also ordered that Defendants pay the sum of $350,000.00 in punitive damages to each of Plaintiffs. On October 28, 2015, Plaintiffs filed a Statement of Claim to enforce the Order against the Defendants in Canada, Cabinet Essentials Group, LLC, ShelfGenie Franchise Systems, LLC and G-O Manufacturing, LLC v. Lee Anne Daniels, Frank Daniels, Marianna Keselman, Eric Gelman, Gliding Shelf Solutions, Inc., Complete Solutions, and Rydan Manufacturing, Inc., Superior Court of Justice, Ontario, Case No. CV-15-124463-SR, Filed October 28, 2015. On December 11, 2015, Defendants filed their Answer and Defendants Gliding Shelf Solutions, Inc. ("GSS") and Lee Anne Daniels ("Daniels") filed a counterclaim against the Plaintiffs. The counterclaim alleged that Plaintiffs have damaged GSS and Daniels by having allegedly unlawfully interfered with their economic interests, slandered them contrary to common law, made slanderous comments disparaging their trade and business and created confusion amongst the parties' wares services and businesses, contrary to the *Libel and Slander Act* and the *Canadian Trade-Marks Act*, engaged in other conduct and initiated and engaged in unlawful predatory and anti-competitive sham litigation against them. GSS and Daniels sought injunctive relief, a declaratory order that the Plaintiffs' Order is null and void and not enforceable in Ontario and in Canada, $500,000 for the alleged violations of the *Libel and Slander Act* and the *Canadian Trade-Marks Act*, $4,250,000 for allegedly engaging in unlawful predatory and anti-competitive sham litigation, and punitive damages of $10,000,000, along with pre and post judgment interest and costs. The parties entered into a settlement agreement on September 29, 2020, which settlement agreement included mutual releases of all claims, including all claims arising out of the Superior Court of Justice, Ontario litigation and the Circuit Court of Hanover County, Virginia litigation, including the Order issued by the Virginia Court. In the settlement agreement, the parties agreed (i) not to enforce the Order and that the Order shall be deemed fully satisfied and of no force and effect as against each other, (ii) that the settlement agreement is made without any admission of liability and (iii) that an order dismissing the action, with prejudice, shall be issued.

Administrative Orders involving Affiliates and not involving the Franchisor:

The Commissioner of Business Oversight of the State of California v. FOR Franchising LLC d/b/a Window Genie and Richard Nonelle. On November 14, 2017, FOR Franchising LLC ("FOR"), a predecessor to our affiliate Window Genie that offered Window Genie franchises until March 2021, and Richard Nonelle, then-president of FOR, entered into a Consent Order with the Commissioner of Business Oversight of the State of California (the "Consent Order"). The Commissioner alleged that FOR and Mr. Nonelle had violated Section 31156 of the California Franchise Investment Law by failing to submit to the Commissioner copies of two advertisements offering a Window Genie franchise before such documents were provided to California residents in 2013. In an effort to resolve the matter in the most economical manner, and without admitting any liability or wrongdoing, FOR and Mr. Nonelle entered into the Consent Order and agreed, in full, final and complete resolution of the matter, that (a) FOR and Mr. Nonelle would desist and refrain from violations of section 31156 of the California Franchise Investment Law; (b) FOR would pay an administrative penalty in the total amount of $5,000 (which amount FOR paid) and (c) within 90 days of the date of the Consent Order, Mr. Nonelle and all persons employed by FOR who assist in preparing franchise registrations or who assist in franchise selling would attend remedial education of eight hours of franchise law training courses per person (which requirement has been completed).

State of Kansas vs. Molly Maid, Inc., (18th Judicial District, Sedgwick County, Kansas, Case No. 10CV4719). On November 29, 2010, Molly Maid, Inc. ("MMI"), a predecessor to our affiliate Molly Maid, entered into a Journal Entry of Consent Judgment and Permanent Injunction (the "Consent Judgment"). The District Attorney for the Eighteenth Judicial District alleged that MMI had violated the Kansas Consumer Protection Act ("KCPA") as a result of one Molly Maid franchisee being unable to document that background checks were performed on certain of its employees and the sale of gift certificates after the franchise was terminated. MMI vigorously denied any violation of the KCPA, however in an effort to resolve the matter in the most economical manner, and without admitting any liability or wrongdoing, MMI entered into the Consent Judgment and agreed to pay a civil penalty of $25,000 and to reimburse the District Attorneys' office $25,175 for its costs associated with the investigation, and to be enjoined from engaging in any act or practice, as alleged to have violated the KCPA. The Consent Judgment was marked satisfied on April 29, 2011 and MMI is in full compliance with the Consent Judgment.

Other than these actions, no litigation is required to be disclosed in this Item.

## ITEM 4

## BANKRUPTCY

Bankruptcy proceedings involving portfolio companies controlled by KKR (at the time of the bankruptcy proceeding) and not involving the Franchisor:

In re. The Collected Group LLC. The Collected Group LLC, a Delaware limited liability company (a fashion brand owner), located at 4775 Eucalyptus Avenue, Chino, California, filed a prepackaged Chapter 11 Plan of Reorganization in the United States Bankruptcy Court for the District of Delaware on April 5, 2021 (Case No.: 21-10663). The company emerged from bankruptcy on May 25, 2021 after completing a restructuring.

In re. Envision Healthcare Corporation. Envision Healthcare Corporation, a healthcare provider headquartered at 20 Burton Hills Blvd, Suite 500, Nashville, Tennessee, filed a Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of Texas on May 15, 2023 (Case No.: 23-90341). The company emerged from bankruptcy on November 3, 2023, after completing a restructuring.

In re. Genesis Care Pty Limited. Genesis Care Pty Limited, a healthcare provider, headquartered at Building 1 The Mill, 41-43 Bourke Road, Sydney, New South Wales, Australia, filed Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of Texas on June 1, 2023 (Case No.: 23-90614). The company emerged from bankruptcy on February 16, 2024, after completing a restructuring.

In re. IPI Legacy Liquidation Co. IPI Legacy Liquidation Co. (f/k/a Impel Pharmaceuticals Inc.), a commercial-stage pharmaceutical company, headquartered at 201 Elliott Avenue West, Suite 260, Seattle, Washington, filed a Chapter 11 reorganization in the United States Bankruptcy Court for the Northern District of Texas on December 19, 2023 (Case No.: 23-80016). The company emerged from bankruptcy on April 5, 2024, after completing a restructuring.

Café Coffee Day, an operator of a retail chain of cafes in India, headquartered at #23/2, Vittal Mallya Road, Bangalore, Karnataka 560001, India, filed an insolvency resolution in the Bangaluru Bench of the National Company Law Tribunal on August 8, 2024 (Company Petition (IB) No. 152/BB/2023). As of February 27, 2025, the Chennai bench of the National Company Law Appellate Tribunal passed the order, allowing the appeal of Coffee Day Enterprises, and set aside the National Company Law Tribunal's (NCLT) August 2024 insolvency order against the company. The initial petition for insolvency was filed on January 18, 2021 by creditors of Café Coffee Day.

Other than the above-listed proceedings, no other bankruptcy proceeding is required to be disclosed in this Item.

## ITEM 5

## INITIAL FEES

Initial Franchise Fee

Executive Franchise

If you wish to operate an Executive franchise ShelfGenie Business, then you will be required to simultaneously enter into two Franchise Agreements, and at the time you sign the Franchise Agreements, you will pay to us a total initial franchise fee of $69,500 ($34,750 under each Franchise Agreement) for which you will receive two adjacent Territories (one Territory per Franchise Agreement) of approximately 125,000 houses or households each (for a total of approximately 250,000 total houses or households for your Business). If you request to add, and we approve the addition of, more households to your Business above 250,000 total households, your initial franchise fee will increase by $240 per 1,000 houses or households added to your Business (this additional amount applies to any approved request to add more area to your Territories, whether this is for your first, or any subsequent, Franchise Agreement); provided, however, that for each additional 125,000 additional houses or households, you will be required to purchase a separate additional Territory at the fees set forth below and sign a separate Franchise Agreement.

Therefore, depending on the number of Territories you wish to purchase, your total Initial Franchise Fee (under all Franchise Agreements) will be as follows:

- $69,500 for your first Executive franchise ShelfGenie Business with 2 Territories (of approximately 125,000 households each), entered into simultaneously under 2 Franchise Agreements;
- $30,000 for your third Territory (of approximately 125,000 households), pursuant to a third Franchise Agreement;
- $20,000 for your fourth Territory (of approximately 125,000 households), pursuant to a fourth Franchise Agreement;
- $20,000 for your fifth and any additional Territory (for a total initial franchise fee of $139,500 if you purchase five Territories, under five Franchise Agreements).

The above-described discount for additional Territories applies regardless of whether all Territories are acquired at the same time; provided, however that your fee for an additional Territory (above 2 initial Territories) may be pro-rated if the additional Territory is added to your existing Franchise Agreement based on the number of years remaining in the term of the existing Franchise Agreement. Approval as a franchisee for your first ShelfGenie Business does not guarantee that you will be approved as a franchisee for additional ShelfGenie Businesses or additional Territories. If you execute additional franchise agreements for territories that are not contiguous with your original ShelfGenie Business, then that will be considered a separate and distinct ShelfGenie Business.

Owner/Operator Franchise

If you are entering into a Franchise Agreement with us for the operation of an Owner/Operator franchise ShelfGenie Business, then, at the time you sign the Franchise Agreement you will pay to us an Initial Franchise Fee equal to $35,000. If you request to add, and we approve the addition, of more area to your Territory above 150,000 households, your initial franchise fee will increase by $0.24 per each house or household added to your Territory; provided that your Territory under the Owner/Operator franchise model cannot exceed 200,000 houses or households. If you purchase an Owner/Operator Territory of 200,000 houses or households, your total initial franchise fee would be $47,000. As we do not anticipate that there will be contiguous Territories under the Owner/Operator franchise model, we do not have a graduated initial franchise fee scale as outlined under the Executive franchise model.

Payment

You must pay the initial franchise fee in full when you sign the Franchise Agreement. The initial franchise fee is fully earned upon receipt and is non-refundable. Financing for the initial franchise fee may be available as noted in Item 10.

In the year ended December 31, 2024, only Executive Franchises were sold, and the average initial franchise fee paid by ShelfGenie franchisees was approximately $31,829 and the initial franchise fee paid during that period ranged from $20,650 to $36,882 based on the number of households in the territory purchased and available discounts (discussed below).

Discount Programs

Our discount programs are as follows:

VetFran Discount

As a member of the International Franchise Association ("IFA"), we participate in the IFA's VetFran Program. If you are a United States or Canadian honorably discharged veteran (as such term is defined by us in our sole discretion) who meets our qualifications for purchasing a franchise, we will discount the initial franchise fee for your first Business by 20%. In determining who is a "veteran," we may be guided, in whole or in part, by any definitions we find appropriate, including definitions used by the federal government of the United States or Canada, as applicable, in determining who is eligible for federal benefits intended for veterans. This discount is not available for Franchise Agreements executed pursuant to a Development Agreement.

Incentive Development Program Discount for Purchased TAFS.

We currently offer an incentive program to existing franchisees who meet our expansion criteria and who have been generating a portion of their franchised business' Gross Sales outside of their Territory, in an area that is not currently serviced by another ShelfGenie franchisee (such area, as further described in Item 12, "TAFS"). If you are a qualified existing franchisee generating Gross Sales in an assigned TAFS and you enter, on or before July 31, 2025, into another Franchise Agreement with us for a territory that encompasses such TAFS, we will discount the Initial Franchise Fee attributable to TAFS under such Franchise Agreement by 50%. If you are a qualified existing franchisee generating Gross Sales in an assigned TAFS and you enter, between August 1, 2025 and December 31, 2025, into another Franchise

Agreement with us for a territory that encompasses such TAFS, we will discount the Initial Franchise Fee attributable to TAFS under such Franchise Agreement by 25%.

Development Agreement.

If we agree to grant you the right to develop and operate two or more ShelfGenie® Executive franchises in a defined Development Area through a Development Agreement, you must pay us the development fee and the initial franchise fee as follows:

| # of Executive franchise businesses | # of Territories | Development Fee | Total Initial Franchise Fee | Total Fee | Total Fee per Business |
|---|---|---|---|---|---|
| 2 | 4 | $109,500 | $10,000 | $119,500 | $59,750 |
| 3 | 6 | $114,500 | $15,000 | $129,500 | $43,167 |
| 4 | 8 | $119,500 | $20,000 | $139,500 | $34,875 |
| 5 | 10 | $134,500 | $25,000 | $159,500 | $31,900 |
| 6 | 12 | $149,500 | $30,000 | $179,500 | $29,917 |
| 7 | 14 | $164,500 | $35,000 | $199,500 | $28,500 |

The development fee is due and payable to us upon execution of the Development Agreement. The initial franchise fee of $2,500 for each territory is due and payable to us upon execution of each Franchise Agreement. When you sign the Development Agreement, we require you to execute two Franchise Agreements (for your first Executive franchise Business), requiring the Business to become operational within 180 days, and to pay the initial franchise fee for that Business at the time you sign the Franchise Agreements. The initial franchise fee for each subsequent Business to be opened is due at the time the applicable Franchise Agreements are executed.

Under a Development Agreement, the minimum number of Businesses you may be required to open is two and the maximum number you may be required to open is 7.

During our last fiscal year, we did not sell any Development Agreements.

The development fee is fully earned upon execution of the Development Agreement by us and is non-refundable.

Software Enrollment Fee

You must pay to us, or our designee, an enrollment fee for the setup and initial training for our required business management software (currently WishPortal). See also Items 6, 8, and 11. The amount of the enrollment fee is currently $1,000. Other fees for software usage are described in Item 6. None of the fees for Software System are refundable.

Demo Kit and Stationary Package

In addition, before opening your Business, you must purchase from us or our affiliate demonstration materials for what we call our "Demo Kit" for approximately $400 - $700 (per Business – i.e., per each two or more Territory Business for Executive franchise, or per Owner/Operator franchise).

Referral Fee

As of the date of this Disclosure Document, we offer a referral incentive program that pays $5,000 to an existing franchisee who directly refers a candidate to us who becomes a new ShelfGenie® franchisee in a new location (not as part of a transfer) within 6 months of the date of referral. The incentive payment is only paid with respect to the first franchise purchased by the referred new franchisee and other limitations may apply. We may change or eliminate the referral program at any time without notice. Franchisees participating in the referral program are not our sales agents.

## ITEM 6

## OTHER FEES

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| License Fee[1, 2] | Executive Franchise – The greater of $400 per month per Territory (minimum license fee) or 5%-7% of Gross Sales (depending on the Business' annual Gross Sales for the current calendar year). See Note 2.<br><br>Owner/Operator Franchise – The greater of $200 per month (minimum license fee) or 5% - 7% of Gross Sales (depending on the Business' annual Gross Sales for the current calendar year). See Note 2. | Monday of each week. | No minimum License Fee will be imposed during the first six months from the effective date of your Franchise Agreement. The minimum license fee is per each approximately 125,000-household Territory.<br><br>After the close of each calendar month, we will calculate the total amount equal to 5% - 7% of your Gross Sales (as applicable), and if this amount falls short of the minimum monthly License Fee, the difference will be due to on the next License Fee payment date.<br><br>The License Fee rate in TAFS will be the applicable License Fee rate plus 5%. |
| MAP Fee[1, 2, 3] | 2% of Gross Sales, in addition to Minimum Local Marketing Spending (See Note 3). | Monday of each week. | Marketing, Advertising and Promotion Fund fee.<br>See Fees Chart and notes.<br><br>In addition to paying us the MAP Fee, you will be required to spend the Minimum Local |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | | | Marketing Spending as set forth in Note 3 below. |
| Local Marketing Groups[1, 2, 3] | Not to exceed 3% of Gross Sales.[5]<br><br>As of the issuance date of this Franchise Disclosure Document, we may require that a portion of your LMG contribution (currently, 2% of your Gross Sales) be paid for use towards the Neighborly marketing and brand awareness initiatives. | Determined by LMG members | We may designate local advertising markets and advertising cooperatives and/or local marketing groups for such markets (collectively, "LMGs"), and if designated, you must participate in and contribute to the LMG's advertising and marketing programs in your market. Your contribution to the LMG will count towards any required Minimum Local Marketing Spending but any required Minimum Local Marketing Spending will not represent a limit on your LMG contributions. (see also Item 11). |
| Minimum Local Marketing Spending[3] | (i) $3,000 per month for the first Territory, (ii) $1,750 for each of the 2nd, 3rd and 4th Territory, and (iii) $1,500 for the 5th and each subsequent Territory. | As incurred, each month | We currently require you to spend these amounts per month on approved local marketing and advertising of your Business (the "Minimum Local Marketing Spending").<br><br>We currently waive the Minimum Local Marketing Spending requirement for the first 3 months from the effective date of your Franchise Agreement.<br><br>The fees paid to Local Marketing Groups count towards your Minimum Local Marketing Spending. |
| Business Management Software Monthly Fees[1, 5] | Currently, $300 per month per Business. | Paid monthly (currently on the 15th of each month) via ACH, starting the earlier of the month you begin | You must use the business management software that we specify (currently WishPortal) and agree to the terms and conditions included in Exhibit J. See also Item 11.<br><br>You will pay the license fees for the use of the Business Management Software directly to us but we pass this fee onto the |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | | operating your Business, or the month when the first software solution is set up. | third-party vendor. This fee may increase in the future to reflect any direct price increases from the third-party vendor. |
| Technology Package[1, 5] | Online Presence and Customer Experience Management Platform: $125 per month per Business; plus<br><br>$11 per month for 2 Exchange email addresses per each Business.<br><br>Additional Microsoft Office365 Exchange, E1 and E3 email accounts are available at $4.50 - $24/month depending on the type of account. | Paid monthly (currently on the 15th of each month) via ACH, starting the earlier of the month you begin operating your Business, or the month when the first software solution is set up. | You must use the software we from time to time specify (currently, an Online Presence and Customer Experience Management Platform and two Microsoft Office365 Exchange email accounts (collectively the "Technology Package")).<br><br>These fees are paid to our affiliate ZorWare. These fees may increase in the future, but as of the date of this Disclosure Document, we don't anticipate this fee to increase by more than 30% annually, in addition to increases due to additional or different software being added to the Technology Package and direct price increases from third-party vendors. See also Item 11. |
| Late Fees (Business Management Software Fees and Technology Package Fee, if/when applicable[1, 5] | $25 per month or the maximum amount allowed under the law, whichever is less. | As incurred. | If you fail to pay the Business Management Software Fees and/or the Technology Package monthly fee(s) within 30 days of the invoice date, you will be required to pay this late fee. |
| Call Center Program Fees[1] | Current fees:<br>$349.99 - $449.99/month (depending on the third-party vendor NCS is able to use) plus $25 per booked appointment | Paid monthly in arrears the first week of each month. | You must participate in our call center program that processes customer requests for services, schedules estimates, refers service requests to franchisees and otherwise handles customer |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | | | inquiries ("Call Center Program").<br><br>These fees are currently paid to our affiliate, Neighborly Service Solutions SPV LLC, which passes a portion of these fees onto a third-party call service provider.<br><br>We reserve the right to change these fees upon 30 days' notice but as of the date of this Disclosure Document we don't anticipate any increase to be more than by 30% annually, in addition to any direct price increases from third-party vendors.<br>We may require you to use a different provider in the future, which may be us or another affiliate. |
| Annual Convention ("Reunion") Fees[1] | Currently $1,000 or less per person attending, per convention. | When you are billed, which may be via automatic bank draft, or within 30 days after Reunion via automatic bank draft | We charge you a per-person registration fee to attend the Reunion. You must attend Reunion each year (see Item 11). We may require you to attend the Reunion and one other annual meeting/convention each year. We may charge you $2,000 if you fail to attend or participate in any Reunion. |
| Transfer Fee[1] | The greater of (i) $7,500 or (ii) 5% of the sales price, per Business (i.e., per each two or more Territory Business for Executive franchise; or per Owner/Operator franchise). | Before transfer | You must pay us this fee on the total gross sales price of the Business including all assets of the Business when you sell your Business, but we may discount or waive the transfer fee if the transfer is to a legal entity you control or to a member of your immediate family (See Section 10.C. of the Franchise Agreement). |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | Development Agreement: $20,000 | | If we approve a transfer of a Development Agreement, you must pay this fee for the transfer of the Development Agreement and a separate transfer fee under each Franchise Agreement transferred at the same time. |
| Late Fees[1] (Franchise Agreement) | $10 per day | On demand | Applies to overdue fees from the due date until all sums are paid. |
| Dishonored Check or ACH Draft[1] | $50 | On demand | You must pay us for each check returned or ACH draft refused by your financial institution for insufficient funds in your account. |
| Interest[1] | 12% on unpaid balances | On demand | Payable on all overdue amounts. The twelve percent (12%) charge is calculated as a per annum rate but may be collected on demand, including weekly or monthly through automatic bank draft. |
| Audit[1] | Cost of audit plus expenses, plus any amount owed as shown by the audit, plus interest and late fees | When you are billed | Payable only if we find an understatement of Gross Sales of 2% or more or if you fail to provide requested information within 30 days of our request. |
| Audit Noncompliance Fee[1] | $500 per document (up to $2,500 per audit) that you fail to timely make available to us in connection with an audit;<br><br>And/or:<br><br>cost of audit, if audit is rescheduled due to your failure to cooperate with the audit | On demand | Payable if you fail to timely make available to us requested documents in connection with an audit.<br><br>In addition, if we must reschedule an audit due to your lack of cooperation, you will be required to pay for the cost of the audit. |
| Renewal Fee[1] | The greater of $5,000 or $1,750 per Territory for Executive franchise;<br><br>$5,000 for Owner/Operator franchise | On renewal | See Item 17 for more terms and conditions for renewal. |
| Amendment Fee[1] | $300 | When you are billed | You must pay us a processing fee for modifications to your franchise agreement that are made at your request. When you |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | | | request an amendment to your franchise agreement or related agreements we may require that you sign a general release releasing us from all claims you may have except claims which, under state law, may not be released. |
| Indemnification and attorneys' fees and costs[1] | Varies according to loss | On demand | If we must engage an attorney to enforce our rights under the franchise agreement and/or Development Agreement (as applicable) and we prevail, or if we are sued because of something you do or fail to do, you must indemnify us and/or reimburse us for all costs, including reasonable attorneys' fees (which may include outside counsel fees and in-house legal costs charged at rates comparable to outside attorneys), interest, court costs and expenses expended or incurred in enforcing our rights. |
| Tax Reimbursement[1] | Varies according to tax | When you are billed | You must pay us or to taxing authorities (as applicable) an amount equal to any sales tax, use tax, gross receipts tax, documentary stamp tax or similar tax (other than income tax), fees or charges imposed on us due to any required payments you make to us. You must pay us such additional amounts as necessary so that we receive all payments from you in full as if no such tax applied. |
| Specialized Training[1] | Out-of-pocket expenses, plus the then-current fees for the specialized training: currently:<br>Installer Training (2- day training)- $650 per installer<br>Certified Designer Program (2.5 day training) - $350 per designer | Payable within 10 days of receipt of invoice, but before attending training. | See Item 11 for more information regarding the training.<br><br>We may increase these fees in the future but as of the date of this Disclosure Document we don't anticipate any increase to be more than 30% annually. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Additional Training Fee[1] | The then-current fee, currently up to $5,000. | When you are billed | If you request training in addition to the initial training program (see Item 11), we reserve the right to charge you a training fee, plus you must pay your costs and expenses in connection with such training. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually. Therefore, you may not incur travel expenses if your training is done remotely/virtually.<br><br>We may increase the fee in the future but as of the date of this Disclosure Document we don't anticipate any increase to be more than 30% annually. |
| Key Accounts/ Management Fee[4] | Up to 5% of total Gross Sales related to Key Account work, including Gross Sales that relate to Key Accounts; Gross Sales that are the result of any lead or any agreement developed by our Business Development Department or any similar group that is part of our company or is our designee; Gross Sales for work that is dispatched from any call center operated by us or our designee; Gross Sales that are audited by us or our designee according to Key Accounts standards or Gross Sales that otherwise benefit from our Key Accounts activities or management. | When you are billed or when the fee is deducted from your payment(s) for work performed or added to the invoice | If you participate in our Key Accounts program[4], we reserve the right to require you to pay a Key Accounts / Management Fee to us or our designee. We may also sometimes refer to this fee as a "Key Accounts Management fee" or "Management fee." |

**Notes:**

1. **__Fee Payment Information__.** All fees are non-refundable and, except as otherwise provided, all fees are uniformly imposed. All fees are imposed by us and are payable to us, except the fees for (i) costs for product purchases, which are payable to Manufacturing pursuant to the Manufacturing Agreement attached as Schedule H to the Franchise Agreement, (ii) call center fees, which are imposed by and paid to our affiliate Neighborly Service Solutions SPV LLC, and (iii) any local or regional LMG fees, which are imposed by us, and may be payable to us or the LMG. You may be required to pay by automatic bank draft

all current and future fees specified in this Item 6. In particular, you should be aware that the License Fees, MAP Fees, and Software System monthly fees will be collected via automatic bank draft and you should plan accordingly. See Item 11 for information about electronic reporting of Gross Sales and payment of fees by automatic bank draft. Some banks or other financial institutions may charge a fee for electronic transfers.

Fifty percent of the License Fee and the MAP Fee attributable to a product/services sale to a customer is payable the week following the week in which that customer sale agreement is uploaded into our business system, and the remaining 50% will be paid the week following the week in which the product installation occurred. If installation is not complete within 30 days of product shipment by Manufacturing, we may collect the balance by automatic bank draft. You must report any cancelled installations to us and request a refund.

2. **Gross Sales; License Fee Rate.** Gross Sales include the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of — or in connection with — your Business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing. Any revenues arising from services provided outside of your Territory will be included in Gross Sales.

The License Fee percentage will be determined based on the annual Gross Sales of the Business during the current calendar year, as follows:

| Annual Gross Sales (in current calendar year) | License Fee Rate |
|---|---|
| $0 - $200,000 | 7% |
| $200,000.01 – $700,000 | 6% |
| $700,000.01 - $1,200,000 | 5.5% |
| $1,200,000.01 and over | 5% |

In each calendar year during the term of the Franchise Agreement, your Franchised Business will initially be subject to the 7% License Fee rate, until the Business' year-to-date Gross Sales exceed $200,000, at which time the Franchised Business will become subject to the 6% License Fee rate on Gross Sales in excess of $200,000, until the year-to-date Gross Sales exceed $700,000, at which time the Franchised Business' effective License Fee rate will be lowered to 5.5% on any Gross Sales in excess of $700,000, etc.

3. **Minimum Local Marketing Spending; Local Marketing Groups/Advertising Cooperatives.** The amount you spend on Minimum Local Marketing Spending will be in addition to any MAP Fees you must pay to us. Amounts paid to an LMG and certain other amounts of local advertising spending will count towards the Minimum Local Marketing Spending, as more particularly described in the Manuals.

If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. We reserve the right to require you to spend a specific portion of the Minimum Local Marketing Spending on approved digital marketing efforts. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Spending and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. Should your franchise agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Spending collected to the MAP Fund. Only amounts you spend on advertising in your Territory will count toward the Minimum Local Marketing Spending.

If advertising cooperatives are set up, franchisor-owned outlets will not have controlling voting power, although as franchisor, we will set the contribution rates and franchisor-owned outlets will contribute at the same rate. If local marketing groups are set up, the franchisor will set the contribution rates and franchisor-owned outlets will contribute at the same rate; the members will have no votes but they will advise the franchisor on the local marketing group's strategies and initiatives. There currently are no cooperatives.

4. **Key Accounts and Third Party Fees.** If we establish a Key Accounts program, you may participate in it, and, if you participate, you must comply with all Key Accounts standards and procedures described in the Operations Manual and/or as we may otherwise communicate to you, which participation may, in some cases, require you to use a third party billing provider that offers additional services and those services may include additional software. These third party providers charge a range of fees, normally a percentage of the Gross Sales of the invoice and/or a per invoice referral or work order dispatched fee which may be in addition to the fees stated above. A company that refers customers may also charge a fee for referrals or the use of their software. We cannot estimate the amount of these fees.

5. **Software and Related Services**. In addition to Business Management Software (currently WishPortal) and the Technology Package, we currently require that you use Microsoft SketchUp, which you must license from Trimble Navigation, and Closet Pro, which you must license from ClosetPro. You must also use the accounting, reporting and other software we from time to time specify and pay the monthly charges applicable to such software usage. Collectively, the Business Management Software (currently WishPortal), the Technology Package, Microsoft SketchUp, and ClosetPro are referred to as the "Software System".

You are also required to obtain bookkeeping services from our designated vendor Quatro Global Services. The current monthly cost is $400 per territory, payable directly to the vendor.

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

**Executive Franchise**

| TYPE OF EXPENDITURE | ACTUAL OR ESTIMATED AMOUNT (LOW) | ESTIMATED AMOUNT (HIGH) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Initial Franchise Fee[1] | $69,500 | $69,500 + $240 per 1,000 additional households over | Lump Sum | When you sign the franchise agreement | Us |

| TYPE OF EXPENDITURE | ACTUAL OR ESTIMATED AMOUNT (LOW) | ESTIMATED AMOUNT (HIGH) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| | | 250,000 up to a total of 375,000 households | | | |
| Leasehold Improvements[2] | $0 | $1,000 | As needed | Before opening | 3rd parties |
| Vehicles[3] | $0 | $1,500 | Financed by third party | Before opening and/or under lease agreement | 3rd parties |
| Furniture, Home Show Display, and Fixtures[4] | $10,000 | $30,000 | Lump Sum | Before opening | 3rd parties and us |
| Technology and Office Equipment; Supplies[5] | $2,250 | $5,000 | Lump Sum | Before opening | 3rd parties and us |
| Insurance[6] | $4,000 | $7,000 | As arranged | When arranged | 3rd parties |
| Advertising & Promotional and Local Marketing Spending for first three months[7] | $3,200 | $9,600 | As arranged | As incurred | 3rd parties |
| Training, Travel, Lodging & Food[8] | $1,000 | $3,500 | As arranged | As incurred | 3rd parties |
| Business Licenses and Permits[9] | $100 | $1,000 | As arranged | As incurred | 3rd parties |
| Professional Fees[10] | $0 | $5,000 | As arranged | As incurred | 3rd parties |
| Additional Funds - 3 Mo.[11] | $5,000 | $15,000 | As arranged | As incurred | 3rd parties and us |
| Totals[12] | $95,050 | $148,100 + any additional franchise fee | | | |

## Owner/Operator Franchise

| TYPE OF EXPENDITURE | ACTUAL OR ESTIMATED AMOUNT (LOW) | ESTIMATED AMOUNT (HIGH) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Initial Franchise Fee[1] | $35,000 | $35,000 + $0.24 per additional household over 150,000 | Lump Sum | When you sign the franchise agreement | Us |
| Leasehold Improvements[2] | $0 | $1,000 | As needed | Before opening | 3rd parties |
| Vehicles[3] | $0 | $1,500 | Financed by third party | Before opening and/or under lease agreement | 3rd parties |
| Furniture, Home Show Display, and Fixtures[4] | $10,000 | $30,000 | Lump Sum | Before opening | 3rd parties and us |
| Technology and Office Equipment; Supplies[5] | $2,250 | $5,000 | Lump Sum | Before opening | 3rd parties and us |
| Insurance[6] | $2,000 | $6,000 | As arranged | When arranged | 3rd parties |
| Advertising & Promotional and Local Marketing Spending for first three months[7] | $1,600 | $4,800 | As arranged | As incurred | 3rd parties |
| Training, Travel, Lodging & Food[8] | $1,000 | $3,500 | As arranged | As incurred | 3rd parties |
| Business Licenses and Permits[9] | $100 | $1,000 | As arranged | As incurred | 3rd parties |
| Professional Fees[10] | $350 | $5,000 | As arranged | As incurred | 3rd parties |
| Additional Funds - 3 Mo.[11] | $3,000 | $7,500 | As arranged | As incurred | 3rd parties and us |
| Totals[12] | $55,300 (Does not include real estate costs) | $100,300 + any additional franchise fee | | | |

**Notes:**

1. The initial franchise fee listed is for your first Business under each applicable model, whether a two-Territory Business with approximately 250,000 households under the Executive franchise model or a single Territory under the Owner/Operator franchise model. Under the Executive franchise

model, for each additional 125,000 houses or households, you will be required to purchase a separate additional Territory at the fees identified in Item 5. You may qualify for a discount on the initial franchise fee. You must pay the initial franchise fee in full when you sign the franchise agreement(s). We may agree to finance a portion of the initial franchise fee, depending on your credit-worthiness, the collateral that you have available and our then-current financing policies. Monthly payments depend on the amount financed. The initial franchise fee is not refundable. See Item 5 for more information about the initial franchise fee (including fees for additional territories purchased and applicable discounts), see Item 10 for more information about financing and see Item 12 for more information about Territory.

2. It is assumed that you will work from a home office. The amount listed is to make some improvements to your home office, if needed.

3. You must purchase, lease, or otherwise have a vehicle that meets our specifications as described in the Manuals. Each vehicle must have the Marks professionally applied as we specify before the vehicle is put into service. We do not sell or lease vehicles. An existing vehicle can be converted for use in the Business or you may choose to acquire a vehicle which meets our specifications. See Item 8 for more information. The estimated low cost reflects the cost of having the Marks applied to an existing vehicle which meets our standards. The estimated high cost reflects the purchase through financing or lease of a vehicle meeting our standards plus having the Marks applied. Our estimate for the high end is for the payments during the first three months of operation on a financed vehicle with no down payment on a 36-month lease for a standard vehicle meeting our standards.

4. Includes furniture for your home office, your initial home show display and the demonstration materials (Demo Kit) described in Item 5 under "Demo Kit and Stationary Package." Under the Executive Franchise model, the low end assumes that you already have a furnished home office and that your territory is within a market that already has a home show display that you can use. You are required, however, to obtain a home show display under the Executive Franchise model. Under the Owner/Operator Franchise model, you are also required to purchase a home show display, but such home show display may be a more simple version than the home show display used under the Executive Franchise model.

5. This estimate includes the computer laptop and mobile printer which you are required to have for your Business. This estimate includes the $1,000 WishPortal enrollment fee (described in Item 5). If you have computer equipment that satisfies our requirements, you may not need to purchase the computer equipment. This also includes certain stationary, forms, labels and similar materials, which you may purchase from us (see Item 5). See also Item 6.

6. You must purchase the insurance coverage described in Item 8. If you do not, we may purchase it for you and bill you for our costs. Insurance costs will vary depending on the insurer you choose, your location and other factors bearing on risk expense practices which apply to your locality. You may also incur expenses for workers' compensation insurance depending on your locality. The estimates assume that you will pay the full annual premium for your first year of operations within the first three months of operations.

7. We require you to spend annually the Minimum Local Marketing Spending. The amount you spend on Minimum Local Marketing Spending is in addition to any MAP Fees you must pay. If you open your Business during what we consider low sales months, we may allow you to delay the full expenditure of advertising amounts to months of higher sales volume. If we allow a delay, we will only do so in a writing signed by us. A portion of the Minimum Local Marketing Spending must be used on a vehicle wrap to brand an approved vehicle according to our guidelines.

8. See Items 6 and 11 for more information about training. You should allow at least the minimum amount stated above for travel, lodging, food and other miscellaneous living expenses incurred during training. Your actual costs will vary, depending on the distance to be traveled, your method of travel, your lodging and your personal circumstances. The estimate assumes the stated amount of training days indicated in Item 11, which amount may vary, for two persons. For additional persons, we will provide training on a space-available basis. However, the estimate does not include additional costs and expenses if you request training for more than two persons. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually due. Therefore, you may not incur travel expenses if your training is done remotely/virtually.

9. We do not require any prepaid deposits, permits or licenses before you begin the operation of your Business but your particular locality may require a permit or license to perform services or have other business licensing requirements. You are responsible for obtaining any permits or licenses required in your locality and you are also responsible for any and all costs incurred in connection with compliance with federal and state laws relating to the operation of the Business. You should consult your attorney and/or your local city, county and state authorities about the specific legal requirements for payment of sales tax and business licenses and related types of expenses.

10. These are estimates for fees that will be charged by your attorney to review the franchise agreement and other documents, to advise you and to incorporate a business entity on your behalf if desired. This estimate also includes fees charged by an accountant and/or financial advisor. Actual fees will depend on the specific work you request, the advisors you select and the rates for professional fees in your area.

11. We recommend that you have additional funds available during the start-up phase of your franchise. These amounts are our estimates of the amount needed to cover your expenses for a 3 month period from the date you open for business. In computing this estimate, we relied on information provided to us by our franchisees as well as on our and our predecessors' 16 years of experience in managing and developing this franchise system. We recommend you have funds available for a longer time period and 3 months should be viewed as the minimum time you should plan for. In addition, the actual amount you may need will vary depending on the size of your territory and your knowledge of the business. Your actual costs will vary according to your management skills, experience and business acumen; local economic conditions; the local market for the franchise's services; the prevailing wage rate in your market; competition; the rate of growth of your franchise, whether you extend credit terms to customers and the time of year you start your business. We recommend that you obtain independent estimates from 3rd party suppliers of the costs which would apply to your establishment and operation of a franchise or discuss the economic experience of opening and operating a franchise with our current and past franchisees. This estimate does not take into account your personal living expenses, your salary, your debt, ongoing working capital requirements, accounts receivable financing or other costs. Not included in this estimate is the cost of attending the Reunion. In some cases, you will be required to attend the Reunion within the start-up phase of your Business (See Item 6 for an estimate related to attending the Reunion). We recommend that you review these figures carefully with your business advisors.

12. All of the fees listed as payable to us are non-refundable. The refundability of payments made to 3rd party suppliers is up to each supplier. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. We have no current plans to increase any payments over which we have control.

If you are, with our approval, converting an existing business offering similar services to a Business or adding additional territory to a Business or purchasing a particularly large territory, the costs stated above may vary. For example, if you already own a business that you are converting to a Business, you may already own some of the equipment you will need so your costs may be less than if you were beginning a new business. Also, if your territory is large or you are adding a large territory your costs may be more than the typical costs described above. For example, you may need more equipment than you would need as compared with a smaller territory.

**Development Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT**

| TYPE OF EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT MADE |
|---|---|---|---|---|
| Development Fee and Initial Franchise Fees 1/ | $119,500 to<br><br>$199,500 1/ | Lump Sum 1/ | Development Fee due on signing the Development Agreement<br><br>Initial Franchise Fee due when each Franchise Agreement is signed | Us |
| Total Estimated Initial Investment for the first two Businesses (*minus* Development Fee and Initial Franchise Fees) | $47,850 to $148,700 2/ | See first table in this Item 7 | See first table in this Item 7 | See first table in this Item 7 |
| **TOTALS** | **Developer** $167,350 to $348,200 | | | |

**Notes:**

Except as otherwise described in Item 5 above, all payments are nonrefundable.

1. Development Fees vary depending on the number of Businesses that you will open, as more fully described in Item 5. The minimum number of Businesses you may be required to open is 2 and the maximum number you may be required to open is 7. The low end of the Development Fee noted above is for the opening of 2 Executive franchise Businesses; the high end of the Development Fee is for the opening of 7 Executive franchise Businesses. The estimates also include the Initial Franchise Fee. If you have signed a Development Agreement, the Initial Franchise Fee for each territory is $2,500 ($5,000 for each Executive franchise), due and payable to us upon execution of the Franchise Agreements for such Executive franchise.

2. If you sign a Development Agreement, you will incur the full cost of opening at least two Executive franchise Businesses within 365 days of the Effective Date of the Development Agreement. The total above represents the estimated initial investment for the opening of the first two Executive franchise Businesses, which is calculated based on the first table in this Item 7, except that you will

not be required to incur the technology, office equipment/supplies and the training costs twice. You must factor in the costs associated with opening additional Executive franchise Businesses. For example, if you acquire area development rights to open three Businesses and you agree with us to sign the franchise agreements for the first two Businesses when you sign the Development Agreement, then your initial investment will be comprised of the Development Fee for three Businesses, Initial Franchise Fee for two Businesses (as noted in Item 5), plus the cost of opening your first two Businesses.

**Renewal and Purchase of Operating Franchises**

If you are renewing your franchise or if you are purchasing an operating franchised business (as opposed to a new territory that has not yet been developed), the above costs will not apply except to the extent they apply in your ongoing business. You will pay a Renewal Fee of (a) the greater of (i) $5,000 or (ii) $1,750 per Territory (for Executive franchise), or (b) $5,000 (for Owner/Operator franchise), instead of an Initial Franchise Fee when you renew the franchise. Also, in the case of a resale/transfer, instead of an Initial Franchise Fee, we charge a transfer fee in the amount of the greater of (i) $7,500 or (ii) 5% of the sales price, per Business. If you choose to have legal review of your renewal franchise documents, the cost item above titled "Professional Fees" would apply but we estimate the amount to be approximately $4,000 for a renewal since your business has already been formed. The $5,000 estimated in the case of review of a franchise agreement and formation of a legal entity to be the franchisee, if needed, would apply in the case of a resale/transfer. This estimate does not include the cost of preparing and negotiating the purchase agreement with the owner of the franchised business you are purchasing, if applicable, and you must make your own estimate of those costs. If you are acquiring an operating franchise, you will pay to the selling franchisee a purchase price for the business, which purchase price you will negotiate with the selling franchisee.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must maintain the highest standards of quality and workmanship in order to provide the highest quality of service to your customers. You must use in the operation of your Business, and in the offer and sale of the services and products we approve, only those techniques, procedures, and supplies we specify in writing. You must offer all, and only such, products and services as we approve from time to time. We may change any of our requirements periodically. We will notify you of any changes to the standards or the Manuals.

Approved Supplies and Suppliers

We may furnish you from time to time lists of approved supplies and approved suppliers. We reserve the right to require that you only use approved products, inventory, supplies, uniforms, tools, equipment, signs, telephone and internet equipment and service, advertising materials, and other items (the "approved supplies") in the Business as described in the approved supplies and approved suppliers' lists, as we may amend from time to time. We also may develop and research new products or services as we determine necessary. We reserve the right to designate a primary or single source of supply for certain products and supplies, and we or our affiliates may be that single source. You must pay the then current price in effect for any purchases from us or our affiliates. You may not contract with an alternative supplier for any products and/or services for which we have designated a supplier.

You may purchase from other suppliers if you follow our supplier approval procedures, as described in the Manuals, and obtain our prior written approval. You must give us at least thirty (30) business days' prior written notice if you wish to purchase from a source other than our approved suppliers. We may require that samples be delivered to us or to a designated independent testing laboratory for testing before our approval is given. You must pay upon demand our (or the third party's) actual costs of the testing and any related costs/expenses (regardless of whether we grant an approval). We will usually notify you of our decision within 10 days after we receive the test results. Additional or different procedures may be required for approval of services, software or other special items, as described in the Manuals. We reserve the right to revoke our approval at any time upon the supplier's failure to meet our then-current criteria.

We may also require that other products, supplies, equipment, inventory or services you use in connection with the operation of your Business meet our then-current specifications (as we may from time to time modify).

Core Products

You must purchase the Core Products from our designated supplier, which currently is our affiliate Manufacturing. You must execute the Manufacturing Agreement (in the form attached as Schedule H to the Franchise Agreement) with Manufacturing which will govern the terms and conditions of your purchases of the Core Products. The Core Products include customized shelving solutions and other products such as strip mounts and accessories as we may from time to time specify. The Core Products and services are an integral part of the System and constitute valuable trade secrets of us and our affiliates. The price and terms and conditions for these purchases are contained on a price list (which may be revised, amended or replaced upon 30 days' notice) (the "Price List") under the Manufacturing Agreement. The terms and conditions for these purchases may be changed by us or our affiliates at any time on 30 days' notice. All of the individuals who guaranteed your Franchise Agreement(s) must also guarantee all of your purchases of products and equipment. If you fail to pay for any products or equipment when payment is due, we or our affiliates can require you to pay for future products and/or equipment in advance or withhold shipment of products and/or equipment in addition to requiring you to pay late fees and interest.

Software System

You must license business management software (currently WishPortal™) from our designated supplier (currently us) and pay monthly fees to us for your usage. In addition to WishPortal, we currently require that you license (a) a Technology Package from ZorWare (which currently includes two email accounts and an Online Presence and Customer Experience Management Platform) (b) Microsoft SketchUp, which you must license from Trimble Navigation, and (c) Closet Pro, which you must license from ClosetPro, which software is collectively referred to as the "Software System." We may update the Software System from time to time and require you to use different and/or additional proprietary and/or other software and you will be required to purchase/enter into software agreements/licenses for such software as we (or the third-party supplier) specify and you will be required to pay to us or the third-party supplier fees for such software. You must have your own laptop and travel printer. See Item 11.

Call Center Program

You must participate in our Call Center Program, which is currently administered by our affiliate, Neighborly Service Solutions SPV LLC ("NCS"), and pay NCS the fees described in Item 6. Your participation is subject to your agreement to NCS's Terms of Use (the current version of which is attached to this Franchise Disclosure Document as Exhibit L). Your participation in the Call Center Program may require you to use and publish a telephone number we designate and acquire, install and use designated or approved equipment and/or technology. We may modify or discontinue the Call Center Program at any time upon notice to you.

Other than with respect to the Business Management Software (currently WishPortal) software, Technology Package, the Core Products, and the Call Center Program, neither we nor our affiliates are currently an approved supplier for any products or services, but we and our affiliates may be approved suppliers for other/additional products and services in the future.

We believe the Technology Package fees, the Core Product prices and the Call Center Program fees are equal to or lower than the prevailing market price you would obtain if you engaged a third party on your own to provide comparable services or products of a comparable quality on a consistent basis. This does not mean that we offer the lowest price; however, based on our experience, vendors that provide lower pricing for a single franchisee or a small group of franchisees and/or for a limited time do not promote the same level of uniformity in long-term system-wide product quality and service that we, as the franchisor, or our affiliates are able to provide. The Technology Package fees, the Core Product prices and the Call Center Program fees include a mark-up to offset our (or our affiliate's, as applicable) costs of administering and managing the Technology Package related services, the costs of the Core Products and the costs of administering and managing the Call Center Program, respectively; such mark-up exceeds our (or our affiliate's, as applicable) direct costs of the Technology Package related services, the Core Products and the Call Center Program, respectively, and we or our affiliate (as applicable) may derive a profit from the Technology Package fees, the Core Products and the Call Center Program fees.

Accounting Software and Other Requirements

We require that you engage the services of a certified public accountant to assist you with the set-up of your books and records, in using the appropriate chart of accounts that we require and in producing monthly and annual compiled financial statements. If you request, we will provide you with information about companies we are aware of that offer these services to our franchisees. We require that you use an appropriate chart of accounts, comply with our operating procedures and specifications, including internal audit standards, and use our required software (as part of the Software System) and that your accounting must also be compatible with the required Software System. We may, upon demand, require you to provide us, within the time as we specify, with audited financial statements, using an independent certified public accountant designated by or satisfactory to us, to adopt a fiscal year consistent with ours, to cooperate with our auditors and to comply with such additional requirements as may be reasonably necessary to enable us to meet our obligations under Generally Accepted Accounting Principles and to comply with applicable accounting standards and rules. We also require that you obtain monthly bookkeeping services from our designated supplier, Quatro Global Services, and you may also obtain other services from such supplier, including sales tax, payroll, and other services.

Vehicles

You may buy any vehicle that meets our specifications. You are not required to buy your vehicles from any specified dealer, but you will receive the discount or Rebate only if your purchase qualifies under the specific program in place and only at the times specified in the program. Vehicle Rebates are applied at the time of purchase by the vehicle dealer, typically as a discount off of the vehicle purchase price. Program details and documentation are available from ProTradeNet and must be used when ordering the vehicle to receive the full benefit.

Marketing Materials

All advertising and promotional materials, signs and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we specify. Your advertising and promotion must meet our standards as described in the Manuals or otherwise by us in writing. You may prepare and use your own advertising or promotional materials provided that we have approved them in writing prior to use. See Item 6 and Item 11.

To maintain the integrity of the Marks, we may, but do not currently, require that all signs, stationary, forms, labels and similar materials used in the operation of your Business be purchased from us, our affiliates, or our designated suppliers.

Purchasing Arrangements and Rebates

We do not provide you with any material benefits based on your purchase of particular products or services, or your use of designated or approved sources. Our affiliate, ProTradeNet, negotiates and enters into purchase arrangements, which may include discounted pricing, special terms, rebates or other incentives with suppliers for the benefit of our franchisees. We may also negotiate or enter into these types of arrangements directly. ProTradeNet has and may enter into relationships with other buying groups, which may include competitors, for the purpose of improving negotiating strength and purchase volume for the entire group. We or an affiliate (including ProTradeNet) may make available to you the opportunity to participate from time to time in certain discounts, rebates, or other benefits in connection with approved suppliers (collectively, "Rebates"), if you meet certain conditions, such as supplier terms and conditions and attendance at annual meetings. All Rebates not returned to franchisees may be retained by us or our affiliate (including ProTradeNet) and used to cover administrative costs or to promote our system and brands. Although neither we nor ProTradeNet have any contractual obligation to pay you Rebates, in most instances, but subject to change and vendor relationship, ProTradeNet will retain 25% of all Rebates, pay 25% of all Rebates to us and pay 50% of all Rebates to you, the franchisee, based on qualifying purchases. The Rebates received by ProTradeNet from suppliers are generally a percentage of each supplier's annual billings to franchisees with respect to certain products or services provided by the supplier to the franchisees. In 2024, these Rebates ranged from 1% to 25% of the suppliers' annual billings to franchisees. Some suppliers may also pay additional fees for advertising, which fees range from $500 to $35,000; for marketing, which fees range from .5% to 1% of total qualified purchases by franchisees from the supplier; and for sponsorships, and tradeshow space, which fees range from $500 to $175,000, for the purpose of promoting their product or service to franchisees. All of these amounts and percentages, including the percentages of Rebates retained by ProTradeNet and paid to us and to you and all additional fees, may change in the future at our sole discretion. Rebates are typically paid on net sales for qualified purchases and ProTradeNet may or may not from time to time include purchases made by the MAP Fund in our rebate program. If MAP Fund purchases are included as qualified purchases ProTradeNet will allocate 100% of the rebates from those purchases to the MAP Fund. The agreement you are required to sign with ProTradeNet to participate is included as Exhibit I hereto, and additional terms and conditions, which may change from time to time, are included on the ProTradeNet website, www.protradenet.com. While you are required to enter into the ProTradeNet Agreement, you are not required to purchase any items under the ProTradeNet Program except as otherwise stated in this disclosure document or required by your Franchise Agreement, our Manuals or our policies and procedures. However, certain benefits, Rebates and special pricing will be available to you only if you participate on the terms required by ProTradeNet or each individual supplier.

We may derive revenue as a result of your required purchases. Amounts listed below are based on cash received and cash disbursed. Some Rebates may be received and the portion of any that are disbursed may be held until the next national meeting before being disbursed. Not all suppliers provide Rebates.

A complete listing of suppliers providing Rebates and their rates is available from ProTradeNet.

- In the year ended December 31, 2024, ProTradeNet had revenue of $3,852, from purchases by ShelfGenie franchisees. These figures were computed from ProTradeNet's internal accounting records for the year ended December 31, 2024.

- In the year ended December 31, 2024, ZorWare had revenue of $13,174 from the required purchases or payments by our franchisees for initial training and maintenance and monthly support. These figures were computed from ZorWare's internal accounting records for the year ended December 31, 2024.

- In the year ended December 31, 2024, Manufacturing had revenue of $10,897,452, as a result of purchases by ShelfGenie franchisees. These figures were computed from Manufacturing's internal accounting records for the year ended December 31, 2024.

- In the year ended December 31, 2024, Neighborly Service Solutions SPV LLC had revenue of $448,933, as a result of franchisees' payments of fees for the Call Center Program. These figures were computed from Neighborly Service Solutions' internal accounting records for the year ended December 31, 2024.

- In the year ended December 31, 2024, we had revenue of $632,297, or 13.63% of our total revenues of $4,640,092, as a result of purchases by ShelfGenie franchisees. These figures were computed from our internal accounting records for the year ended December 31, 2024.

- We or our affiliates may receive a commission from the brokerage of a capital lease or other equipment finance, should you require financial assistance from third parties.

You must comply with all terms and conditions applicable to these programs to receive the discount or Rebate. Additional information is available by contacting us. These programs may be changed or discontinued at any time. Other than the ProTradeNet program described above, we do not currently participate in any purchasing or distribution cooperatives. We or our affiliate(s) may from time to time negotiate purchase arrangements with suppliers (including price terms to the extent permitted by law) for the items and services described in this Item 8 that you may obtain only from designated sources.

Key Accounts Program

We may, but have no obligation to, offer a Key Accounts or similar program. From time to time we evaluate opportunities for Key Accounts which might be best administered through our parent, an affiliate or a third party, as we determine in our discretion. If we establish a Key Accounts program, you may participate in it subject to compliance with the standards and procedures of that program. We, Neighborly Service Solutions and/or a third party we select, may solicit Key Accounts for the franchisees of certain franchise systems affiliated with Neighborly, including us. A "Key Account" is a customer account which may be national or regional and cover multiple customer locations (within and/or outside your Territory) with whom we have entered into arrangements (i) for servicing of multiple locations of such customers and/or (ii) that we determine are designed to benefit the System as a whole by gaining otherwise unavailable business or addressing the concerns of such customers that may require specific terms or provisions of our arrangement with them, including without limitation special insurance, experience, equipment, pricing, payment terms, turnaround requirements, or approvals. A Key Account is generally, but not always, a large organization with multiple locations that need products and services provided by franchisees in our franchise system and/or the franchise systems of our affiliates around the country or in a region or other area. The agreement to provide services may be formal or informal and the account may be administered by us, an affiliate or a designee of ours. In some cases our Key Accounts program provides a central number customers may call for those services. If you elect to participate in our Key Accounts program, you must comply with the terms we specify, which may include provisions that require the payment of management fees or other fees, including sales commissions or similar payments, offering of special products or services at certain times or for certain prices (to the extent allowed by law) and special insurance, indemnity, quality control and other provisions. You may also be required to enter into additional agreements required by a Key Account or our policies and procedures. The Key Accounts administrator may collect payments from Key Account customers and distribute payments to franchisees for work provided but has no obligation, and we have no obligation, to make any payments to you for work to the extent payment in good funds by the Key Accounts customer has not been made to us or the administrator. We and/or the administrator of the Key Accounts program have the right to charge additional amounts, including commissions or other fees or charges, to third parties and/or to Key Account customers on account of work performed on Key Accounts by you or other third-party service providers.

Insurance

Before you begin operating your Business, you must purchase, and maintain at all times during the term of your franchise agreement, at your cost, insurance coverage, from a responsible carrier, with an A.M. Best rating of A-VIII or better, with the coverage amounts, types and other features as we from time to time specify, using the insurance industry form(s) acceptable to us, and such other insurance coverage as required by law and any other agreement related to the Business. We reserve the right to designate a primary or single source for all or any of the insurance coverage for the Business, and we or our affiliates may be that primary or single source. Any person or entity with an insurable interest that we designate (each, an "Additional Insured") must be named an additional insured on all required liability policies. Each insurance policy must contain a waiver of subrogation in favor of the Additional Insureds. Your insurance must apply as primary and non-contributory. Currently, our minimum insurance requirements include (i) commercial general liability insurance, with minimum liability coverage of $1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury) and $2,000,000 in the aggregate; (ii) auto liability coverage, combined single limit in the amount we specify, up to $2,000,000 but no less than $1,000,000, on each owned, non-owned or hired vehicle used in connection with the Business; (iii) workers' compensation coverage regardless of whether required by state law, but with minimum coverage as required by law (if applicable); (iv) $500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures; and (v) such other insurance as from time to time required by us, under applicable law and under other agreements applicable to your Business. With respect to Key Accounts, if the insurance amount required for any Key Account or for Key Account work in general exceeds the amount specified as the maximum amount required by us for any type of insurance, that higher amount required for the Key Account work will apply. Additional insurance requirements are described in the Manuals.

You must deliver to us at commencement and thereafter annually or at our request a proper certificate of insurance evidencing the existence of the required insurance coverage. We also may request copies of all insurance policies. We may modify the required minimum limits and types of coverage, by written notice to you. Upon such notification, you must immediately implement the modification of the policy, and provide evidence thereof, in accordance with our request. You may satisfy the insurance coverage limits through an umbrella policy that meets all our requirements. We have the right to terminate your Franchise Agreement for cause if you fail to comply with our insurance requirements.

None of our officers currently have an ownership interest in any approved supplier.

The cost of items purchased in accordance with our specifications represents approximately 25% to 55% of your total purchases in connection with the establishment of your Business and approximately 90% to 95% of your on-going purchases in connection with operation of your Business.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

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

| | OBLIGATION | SECTION IN FRANCHISE AGREEMENT or DEVELOPMENT AGREEMENT ("DA") | ITEM IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| a. | Site selection and acquisition/lease | 2, 5(A) and Schedule A<br>DA: 2 | 11 |
| b. | Pre-opening purchase/leases | 5(A) – (F); 9(C) | 5, 7, 8 & 11 |
| c. | Site development and other pre-opening requirements | 5(A) – (F); 9(C) | 7 & 11 |
| d. | Initial and ongoing training | 6 | 6, 7 & 11 |
| e. | Opening | 5(A) – (F); 9(C); 6; Schedule A | 11 |
| f. | Fees | 8; 10(C); Schedule A<br>DA: 3 | 5, 6, 7 & 11 |
| g. | Compliance with standards and policies/Operating Manual | 2(A), (B); 3; 5; 6; 8(H), (I); 9; | 11 |
| h. | Trademarks and proprietary information | 3; 5(G), 5(K), Schedule F | 13 & 14 |
| i. | Restrictions on products/services offered | 2(A); 3(A) – (C); 5(C), (D), (L), (M) and (N) | 8 & 16 |
| j. | Warranty and customer service requirements | 5(O) | 11 |
| k. | Territorial development and sales quotas | 2(A), (B); Schedule A<br>DA: 1, 2 | 12 |
| l. | Ongoing product/service purchases | 5(A) – (F) | 8 & 16 |
| m. | Maintenance/appearance/remodeling requirements | 5(A) and (B) | 11 |

| | OBLIGATION | SECTION IN FRANCHISE AGREEMENT or DEVELOPMENT AGREEMENT ("DA") | ITEM IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| n. | Insurance | 9(C) | 6 & 8 |
| o. | Advertising | 7 | 6, 11 |
| p. | Indemnification | 9(B)<br>DA: 11.2 | 6, 9, 13 & 14 |
| q. | Owner's participation/management/ staffing | 6<br>DA: 7.1 | 11 & 15 |
| r. | Records and reports | 8(H) and (I) | 6 |
| s. | Inspections and audits | 5(I); 8(J) | 6 & 11 |
| t. | Transfer | 10<br>DA: 6 | 17 |
| u. | Renewal | 4(B) and (C) | 17 |
| v. | Post-Termination obligations | 13<br>DA: 5.6 | 17 |
| w. | Non-competition covenants | 9(D); Schedule F<br>DA: 7.2 | 17 |
| x. | Dispute resolution | 11<br>DA:13 | 17 |
| y. | Other | | |
| | Guarantee of Franchisee Obligations (Note 1) | 14(F); Schedule C<br>DA: 7.6 | 14. 15 |

**Notes**:

1. If Franchisee is a corporation or other entity, all persons having a 5% or more ownership interest must personally guarantee the obligations to be performed by the Franchisee under the Franchise Agreement.

## ITEM 10

## FINANCING

We have no obligation to provide you any financing, but we may agree to finance a portion of the initial franchise fee for qualified prospective franchisees under specified terms and conditions. Our decision to finance the initial franchise fee will be based, in part, on your credit-worthiness, the collateral you have available to secure the financing and our then-current financing policies. We do not provide any financing in any transaction in which brokers are involved.

We limit the amount that we will finance – currently to an amount less than 50% of the total equity, debt and other financial support of your Business (collectively, "obligations"). You must make a written representation to us, in a form we specify, confirming the dollar amount of your obligations. The representation must remain true through execution of your franchise agreement and we may elect not to approve a transfer, including a transfer to a corporation or other entity wholly owned by you, if you do not either maintain the same investment in your Business or pay any loans payable to us and our Affiliates in full. Subject to the obligation limit, our standard financing is up to 70% of your initial franchise fee, and we may agree, in our sole discretion, to finance up to 80% of your initial franchise fee if you meet certain requirements.

You must qualify to purchase a franchise, meet our credit standards and be otherwise eligible for financing to qualify for the following interest rates. We currently charge an interest rate based on your credit score as follows:

| Credit Score | Annual Interest Rate |
|---|---|
| Under 600 | 12% |
| 600 – 649 | 11% |
| 650 – 699 | 10% |
| 700 or more | 9% |

If we agree to finance a portion of the initial franchise fee, you must sign a promissory note when you sign the Franchise Agreement. An example of our promissory note is attached as Schedule G to the franchise agreement. You must pay us the down payment when you sign the franchise agreement and pay the balance in monthly installments.

You must make note payments to us by automatic bank draft. Some banks and other financial institutions may charge a fee for electronic transfers. Monthly payments will begin approximately 2 months after you complete the SHELFGENIE Training. The length of the repayment term may be negotiable but will be up to 5 years.

We require a security interest in the Business. You must sign a security agreement, substantially in the form included in the promissory note attached as Schedule G to the franchise agreement, granting us a security interest in all your assets, including after acquired property and we will file a UCC financing statement with the appropriate governmental authority. We have the right to require additional forms of security.

You may prepay the note at any time without penalty. If you default, including if you default under the Franchise Agreement, we may declare the entire remaining amount due. If you do not pay us the entire balance, and any accrued, unpaid interest, you may be responsible for the court costs and attorneys' fees we incur in collecting the debt from you. We may terminate your franchise agreement if you do not pay us.

You must waive your rights to certain notices of a collection action in our promissory note, security agreement and guaranty but there are no waivers of defense in our promissory note, security agreement or guaranty. If you are a legal entity, your shareholders, members, partners and/or owners must personally guarantee the debt and agree to pay the entire debt and all collection costs. We have the right to require a spouse's personal guaranty.

The financing described in this Item 10 is provided by us, ShelfGenie SPV LLC.

We may sell, assign or discount any promissory note or other obligation arising out of the franchise agreement to a third party. If we sell or assign your promissory note, it will not affect our obligation to provide the services to you that are described in the franchise agreement but the third party may be immune under the law to any defenses to payment you may have against us.

We may periodically agree with third-party lenders to make financing available to our qualified franchisees and we may, in our sole discretion, refer you to a third-party lender for financing. We have no control over whether financing will be offered to you by any third-party lender. The lender is not obligated to provide financing to you or to any other franchisee that the lender finds does not meet its credit requirements and loan criteria. If we refer you to a third-party lender for financing, we may agree to take a short-term promissory note (in a form we provide to you) until your financing is arranged. You must use the proceeds from the lender to pay any promissory note to us.

We do not currently derive income from referrals or placement of financing with any third-party lender. However, we may require payment from you or other persons for the placement of financing in the future. If we charge for placing financing in the future, we expect to use the payments to offset our expenses in doing so.

We do not guarantee your obligations to third parties.

We may, in limited circumstances, agree to finance a portion of any renewal fee for qualified franchisees at a 12% interest rate under specified terms and conditions. Our decision to finance a renewal fee will be based, in part, on your credit-worthiness, the collateral you have available to secure the financing, and our then-current financing policies.

## ITEM 11

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

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

As noted in Item 1, we have entered into a management agreement with Manager for the provision of support and services to ShelfGenie franchisees. However, we remain responsible for all of the support and services required under the Franchise Agreement.

<u>Pre-Opening Assistance</u>: Before you open your Business, we or our designee will:

1. Provide you with site selection guidelines and general specifications and standards, including any specific requirements if you intend to operate the Business from your residence (Franchise Agreement, Section 5A).

2. Provide you with the list of approved supplies (which will include written specifications for certain items of equipment, signs, fixtures, opening inventory and supplies in some instances and approved suppliers in other instances). We do not deliver or install any items (Franchise Agreement, Section 5D).

3. Provide you with either a written or an electronic copy of the Manuals (or electronic access to the Manual) that detail the specifications and procedures incidental to the operation of the Business (Franchise Agreement, Section 5G).

4. Provide the training programs described below (Franchise Agreement, Sections 6B and C).

5. Provide you with opening support for your Business and any additional support we determine necessary (Franchise Agreement, Sections 6B and C).

Ongoing Assistance. During the operation of your Business, we or our designee will:

1. Maintain the Marketing, Advertising and Promotion Fund (the "MAP Fund") (Franchise Agreement, Section 7A).

2. Provide updates to the lists of approved supplies and approved suppliers and continue to research and develop new products and services (Franchise Agreement, Section 5D).

3. Make periodic visits to your Business as we reasonably determine to be necessary to provide consultation and guidance (Franchise Agreement, Section 5I).

4. Provide refresher training courses, and regional meetings and conventions as we determine necessary and require you to attend. We may charge you a fee to attend (and for your employees to attend) regional meetings or conventions that we deem necessary. In this event, you must pay all expenses for you and your employees, including training materials, travel and living expenses (Franchise Agreement, Section 6C and E). For more information on the Reunion, see Item 6. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually. Therefore, you may not incur travel expenses if your training is done remotely/virtually.

5. Provide ongoing communication and support and updates to the Manuals (Franchise Agreement, Section 5G).

In addition, based on examples from SHELFGENIE businesses, we may, from time to time, make suggestions to you with regard to your pricing policies. In addition, we have the right to negotiate Key Account arrangements, including pricing, which will bind all SHELFGENIE businesses providing services to such Key Accounts. Although you generally have the right to establish prices for the products and services you sell, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law. We may offer preferred customer plans that offer customers discount prices under certain terms and conditions. You are not required to offer these plans to customers but, if you do elect to participate in our preferred customer plans, you must offer the discount prices set by the plans in accordance with the terms of the plan. (Franchise Agreement, Sections 5M and 5N)

Development Agreement. The Development Agreement does not require us to provide any pre-opening or ongoing services to you.

We are not required to provide any other service or assistance to you during your operations.

Marketing

MAP Fund and Local Advertising

We collect a MAP Fee from you for the MAP Fund equal to 2% of Gross Sales, as provided in Item 6. (Franchise Agreement, Section 8.C)

We have established the MAP Fund and we have designated the Manager (i.e., Neighborly Company ) to administer the MAP Fund. The MAP Fund is not a trust or escrow account, and neither we nor the Manager have any fiduciary obligations with respect to the MAP Fund. While we cannot guarantee results or proportional distribution, we make best efforts to apply the MAP Fund for brand and system success. If all of the MAP Fees are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the MAP Fund for use in the following years. The Manager may use the MAP Fund for various purposes related to the ShelfGenie franchise system, including, but not limited to, (1) broadcast, print or digital advertising; (2) the creation, development and production of advertising and promotional materials (*i.e*., print ads, digital, radio, film and television commercials, video, digital ads, direct mail pieces, and other print advertising); (3) any marketing or related research and development; (4) advertising and marketing expenses, including product research and development, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies; (5) the development, licensing and/or use of any tools and platforms in connection with marketing, advertising and promotional activities; and (6) expenses, administrative costs and overhead we or the Manager may incur in activities related to maintaining, administering, directing, and conducting the MAP Fund and its programs, including compensation to employees or any other individual or entity providing services to the MAP Fund. (Franchise Agreement 7.A)

The Manager determines the use of the monies in the MAP Fund. The Manager is not required to spend any particular amount on marketing, advertising or promotion in the area in which your Business is located. The Manager and the MAP Fund may collaborate with the advertising funds of certain franchise systems affiliated with us. There can be no assurance that the MAP Fund's participation in these collaborations and joint efforts will benefit the franchised businesses using the Marks proportionately or equivalently to the benefits received by the other franchised businesses or the other franchised systems affiliated with us that also participate. The Manager oversees the advertising programs and uses the MAP Fund to create marketing materials and conduct national, regional or local advertising. We will contribute to the MAP Fund amounts equal to your required percentage for each similarly situated company-owned and affiliate-owned ShelfGenie businesses. From time to time we may contribute to the MAP Fund some amounts paid to us by outside suppliers. The Manager will prepare an annual unaudited accounting of the MAP Fund and will make it available for your review upon your written request. The Manager has its own in-house marketing and advertising production capabilities, but also may use an outside national, regional, or local agency. Neither we nor the Manager will use any of the advertising funds for the solicitation of franchise sales, but any marketing materials the Manager produces may designate "Franchises Available."

We reserve the right to cause the MAP Fund to be incorporated or operated through another entity separate from us or the Manager at such time as we may deem appropriate, and any such successor entity will have all our rights and duties with respect to the MAP Fund. We or the Manager may use collection agents and institute legal proceedings at the MAP Fund's expense to collect MAP Fund contributions. We may also forgive, waive, settle, and compromise all claims by or against the MAP Fund. If we terminate the MAP Fund, we will refund to you your pro-rata portion of any amounts remaining in the MAP Fund, based on your contributions to the MAP Fund. (Franchise Agreement, Section 7.A)

During the fiscal year ended December 31, 2024, the MAP Fund contributions were primarily allocated toward the following uses:

| Type of Expense | Percent of Expenses |
|---|---|
| Production | 54% |
| Administrative Expenses | 1% |
| Digital & Other Media Placement | 41% |
| Public Relations | 4% |
| Other | 0% |
| **Total** | 100% |

The MAP Fund is administered in part by an Advisory Council consisting of our President; our Vice President of Operations; a member of our Marketing department; and certain franchisees elected by their peers. The Advisory Council serves in an advisory capacity and its decisions are subject to our approval. We have the right to create, change or dissolve the Advisory Council. Other than the advisory input from the Advisory Council, we or the Manager will direct all activities that the MAP Fund finances, with sole control over the creative concepts, graphics, materials, communication media, and endorsements used and their geographic, market, and media placement and allocation.

In addition to your payments of the MAP Fee, we require you to spend, beginning in month four from the effective date of your Franchise Agreement, the Minimum Local Marketing Spending (i.e., $3,000 for 1st Territory, $1,750 for each of Territory #2, #3, and #4, and $1,500 for Territory #5 and each subsequent Territory).

If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. We reserve the right to require you to spend a specific portion of the Minimum Local Marketing Spending on approved digital marketing efforts. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Spending and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. See Items 5 and 6 for more information. All of your local marketing and promotion (including through social media) must be in media that we approve, conducted in a dignified manner and conform to the standards and requirements that we specify, including compliance with all Mark usage and branding standards. Specifically, you must submit all advertising materials to us at least fourteen (14) days prior to use. If we do not respond within 14 days after you submit the proposed advertising materials to us, the advertising materials will be deemed unapproved. Should your franchise agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Spending collected to the MAP Fund. (Franchise Agreement, Section 7.B)

In addition, we and/or our franchisees may engage in other digital media services, which may be implemented System-wide, regionally, territorially, or on a franchisee-market-specific basis. These other digital media services, referred to as "Managed Digital Services," all in accordance with our standards and requirements. may include digital advertising (such as campaign management, large ad network coverage, and re-targeting), website custom campaign landing page creation, custom e-mail campaigns, social media campaigns, and full campaign management. If you engage in, utilize, or implement Managed Digital Services, you must pay the fees and costs associated with the Managed Digital Services, which are currently set by our designated third party service provided, however, in the future may be charged by us, our affiliate, or a third-party vendor.

We reserve the right to require advertising or marketing cooperatives and/or local marketing groups ("LMG") to be formed, changed, dissolved or merged, based on specific criteria determined by us for designated marketing areas. We typically determine the local marketing areas based on a combination of designated market area and core-based statistical area data. We have the right to establish how LMGs operate and to administer the LMGs. If an LMG is established in your market, you will be designated to be a member of the LMG. We will determine the amount of member contribution, which will be a percentage of Gross Sales and will not to exceed 3% of Gross Sales. Other franchisees that will be members of the same LMG will contribute on the same basis as you. We may require that some or all of your LMG contribution be paid to us or our affiliate, and we reserve the right to use your LMG contribution on any promotional, marketing and advertising initiatives, including digital and other marketing and brand awareness programs. As of the issuance date of this Franchise Disclosure Document, we may require that a portion of your LMG contribution (currently, 2% of your Gross Sales) be paid for use towards the Neighborly marketing and brand awareness initiatives, which may include service professional recruitment marketing. Your contribution to the LMG will count towards any required Minimum Local Marketing Spending but any required Minimum Local Marketing Spending will not represent a limit on your LMG contributions. Each company-owned or affiliate-owned ShelfGenie® business located within the LMG's market will be a member and will contribute to the LMG on the same terms as franchisees. The LMG will not be required to operate from written governing documents although we may establish written operating guidelines and rules for the LMG. The LMG will not be required to prepare annual or periodic financial statements. All promotional and advertising materials proposed to be used by the LMG must be approved by us prior to use. As of the date of this disclosure document, the LMGs we plan to establish will be local marketing groups rather than advertising cooperatives. (Franchise Agreement, Section 7.D)

Call Center Program

We require you to participate in our Call Center Program currently administered by our affiliate Neighborly Service Solutions SPV LLC, pursuant to which you will receive, for a payment of corresponding fees (see Item 6; currently $349.99 - $449.99/month plus $25 per booked appointment), certain call center services, including call routing and scheduling services. You will be required to agree to NCS's Terms of Use (the current version of which is included as exhibit L). See also Item 6 and Item 8. (Franchise Agreement, Section 5.E)

Computer System

You must purchase a computer system that meets our standards and requirements (the "Computer System"). You must license the Software System and pay license and other fees for use of same, as discussed below and in Items 5 and 6. Additionally, you may be required to license additional software from us, an affiliate, or a third party and you also may be required to pay an additional software licensing or user fee in connection with your use of such software. You will be liable for all damages and problems caused by your use of any software or the Computer System. We will have full and complete access to the information and data entered and produced by the Computer System and can use them in any way we deem appropriate. You must maintain a dedicated email account for the Business, separate from any personal or other email account. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software that we may from time to time require and that may be referenced in the Manuals. Except as provided in Exhibit J (WishPortal Software License Agreement), we have no contractual obligation to maintain, repair, update, or upgrade the Computer System. You must make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including all data protection or security laws as well as payment card industry compliance. (Franchise Agreement, Section 5.E)

You must use the following hardware and software in the operation of the Business:

Hardware

The current cost of hardware for the Computer System is between $1,500 and $3,000 for a laptop computer and mobile printer, although the cost may increase in the future. You must use a computer with adequate memory, speed and storage to run the software we require you to use (described below). We will periodically assist you in determining the appropriate hardware and operating systems needed to support the required software but we are not obligated to provide or assist you in obtaining computer hardware. You may acquire your computer hardware from any source. You may use any type of computer that meets our requirements and will run the required software. You may be required to update, replace, upgrade or modify the Computer System at your own expense, as we require. There are no contractual limitations on the frequency or cost of these updates.

Currently, for office use, we recommend a PC with a 3.0GHz or higher 10 Core processor; 16 GB RAM; minimum 120 GB SSD hard drive; high speed Internet access capability, 1080P color monitor; 2 monitors; keyboard; mouse; and a laser or ink jet printer.

Currently, you must bring a laptop computer to training with at least a Quad Core 3.0 GHz processor or the equivalent; 8 GB RAM; 120 GB SSD hard drive; 1080P color monitor; and WI-FI 5 capable.

You must pay for all maintenance of your Computer System, internet access, and local area networks, at your own expense. We currently do not require you to sign any hardware maintenance or support contracts with us or any third party suppliers. We do not guarantee, warranty, maintain or support any computer hardware in any manner. You should determine for yourself whether or not any third party supplier from whom you purchase any component of your Computer System is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your Computer System, and determine the additional cost for the services, although we estimate that the cost of an annual service and support agreement would be approximately $300 to $500 per year, but you will need to contact a vendor to determine the scope of the services they offer and the actual cost of those services.

Software System

You must license our business management software (currently WishPortal) from our designated supplier (currently us), and accept terms and conditions for same in the form prescribed by us or such designated supplier (currently the WishPortal Software License Agreement attached as Exhibit J). The current license fees for WishPortal are as follows: initial one-time enrollment fee of $1,000, plus ongoing software license fees of $300 per month. In addition to WishPortal, we currently require that you license from us a Technology Package (currently two email addresses (currently $11/month) and an Online Presence and Customer Experience Management Platform (currently $125/month)), and license from third-party vendors the following additional software: Microsoft SketchUp, which you must license from Trimble Navigation (currently fees are: $349/year per license; licensed pursuant to terms and conditions at https://www.sketchup.com/license/f/sketchup), and Closet Pro, which you must license from ClosetPro (currently fees are: $60/month). You will be provided access to the Software System in an online environment. The Software System provides inventory tracking and management, customer and prospect tracking, scheduling, dispatching, point of sale invoicing interfaced with general ledger software, customer service history, sales analysis, reporting functions and our confidential operations set-up and menu pricing guide.

Currently, you must participate in an electronic system of reporting Gross Sales from the operation of your franchise through our Software System.

We will have independent access to information or data in the Software System including data you input into the Business Management Software system or develop on such system in or with respect to accounts related to your Business, including, but not limited to customer and prospect data, transaction data, sales, inventory, scheduled meetings for sales, measuring or installation, home show schedules, and other operational and financial data about your franchised business(es) (the "data"). Such access may be in individual or aggregated form and may take place with or without notice to you. There are no contractual limitations on our right to access the information. We retain all rights to the information stored on and accessed through our Business Management Software, including all customer contact information.

You may not at any time substitute any other software for the software we require.

You must also purchase or obtain separately an operating system that will provide access to the Internet and run the Software System.

We currently estimate the cost for the ancillary software you must purchase separately (in addition to the Software System) to be approximately $350 to $750 per Business, but this may vary based on whether some of the software is purchased together with your computer hardware. Our computer hardware and software requirements, including the Software System, will periodically change and you will be required to update your systems and you may incur additional or higher fees and costs in connection with any such changes or updates. There are no contractual limitations on your obligations to upgrade your Computer System and pay for those upgrades or changes. We will advise you of any required upgrades, updates or changes.

We may periodically develop other proprietary software and other systems, products and upgrades that we may require you to use. We may charge you a license fee for any new software.

Other than the Computer System requirements described above, you do not have to buy or use an electronic cash register.

We will make available to you an optional third-party web-based job applicant tracking system ("Paradox ATS"), which will allow you to create and manage local job postings online, track job applicants, and manage your recruiting efforts. Your use of the Paradox ATS will be subject to Paradox, Inc.'s terms of use. You will pay us or our affiliate an annual fee (currently $750) to access Paradox ATS. We may increase the fee in the future but as of the date of this Disclosure Document we don't anticipate an increase of more than 30% annually in addition to any direct price increases from the vendor, Paradox, Inc. You may opt out of using Paradox at any time. Your access to this third-party applicant tracking system in no way shifts any employee or employment related responsibility from you to us. You are, and will remain, the sole employer of your employees at all times, and you are solely responsible for all employment decisions and actions related to your employees.

Internet Service Provider

You must have a primary and we recommend a secondary or "back-up" source of internet access. Your primary internet access must be high speed business class internet service with a minimum of 1 megabit per second (Mbps) of available bandwidth per named Software System user. We may modify these requirements in the future. You may use any independent Internet service providers ("ISP") of your choice as long as each allows you to perform all necessary functions. (Franchise Agreement, Section 5.E)

System Website, Intranet and Electronic Communications and Data

We own the domain name www.shelfgenie.com and use it as our primary website for information about franchised businesses. You must provide information to us promoting your Business to post on the website. You may not separately register any domain name or any social media account containing any of the Marks or establish a website or social media account for the Business without our prior written consent. We reserve the right to pre-approve, establish rules, procedures, and policies relating to any website or social media account you create for the operation of your Business. Our system standards will apply to website advertising. At our option, we may, in the future, establish one or more additional websites to advertise, market, promote and operate ShelfGenie businesses and the franchise opportunity, and provide you certain additional website-related services such as a listing for your location, or a web page, and we may charge you a fee for such services (see Item 6). (Franchise Agreement, Section 5.K) We make no warranties and disclaim any express or implied warranty relating to any software, data, Intranet, website or other related items provided or recommended by us. If we provide you with any software or require the use of any software, Intranet, website or other related items we will not be liable for any costs or expenses, including any special, indirect, or other damages (including lost profits), even if we have been advised of the possibility of damages and even if the software did not function properly or had design problems that may have contributed to any loss.

You must comply with all policies and procedures as described in our Manuals, and execute any required agreements for use of our Intranet or any electronic communication, or data storage/retrieval system, website or software, as we periodically require, including policies that require you to identify yourself in all electronic communications as an independently owned business. We may periodically modify these rules and policies at our discretion. We are not obligated to provide you with an internet or intranet email account or system but we do currently use an on-line system for the communication of information and Internet/electronic mail access. We may discontinue the current system of communication and Internet/electronic mail at any time and you may be required to maintain an account we designate with a provider of our selection and pay the required fees. See Item 6. We are not obligated to monitor or create/maintain any backup of email and information/data related to email. There are no contractual limitations on our right to access, information and data on the electronic communication and Internet/electronic mail systems. You agree you have no right of privacy with respect to such communications and data and we may access these email communications and data. Any access to, monitoring or copies of, data related to electronic communications and emails will be solely for our benefit.

We may use all data provided by you to us for any and all purposes for which we may solely determine, including financial information and assessments or similar data, and may share and disclose the data to/with our affiliates, their franchisees and our franchisees, and all prospective franchisees, without restriction and without compensation, subject to compliance with applicable laws. We will disclose such financial information and data to any other third party only after your name has been omitted unless you consent or as required by judicial process or a governmental investigation, in each case subject to compliance with applicable laws. (Franchise Agreement, Section 5E).

Site Selection

You select the site for the Business with site selection guidelines we provide. You must verify to us that your site complies with our site selection guidelines. We do not select your site. You may operate the Business from your home if your home is located within your Territory and if local zoning permits; however, you have the option to lease office space. We will approve your site so long as it meets our site selection guidelines. The factors we consider in approving your site are whether the site is located within your Territory and whether it meets zoning requirements. We will attempt to approve or disapprove your selected site within 10 business days after you submit the location (together with evidence of its compliance with our site selection guidelines) to us for approval. There are no consequences if you and we can't agree upon the location, except that the franchised business cannot be operational. We do not generally own the premises for a franchised business and lease them to a franchisee. You must begin operating your Business within 6 months from the date you sign a Franchise Agreement, although you may not commence operations of your Business until you successfully complete our training program and have otherwise complied with your pre-opening obligations. (Franchise Agreement, Section 5.A)

If you sign a Development Agreement, we will determine the boundaries of each Territory for each Business that you must open at the time you sign the Development Agreement. The Territories will be determined in accordance with our standards then in effect and are collectively referred to as the Development Area.

Manuals

The "Manuals" include the Operations Manual and other manuals that we may create in the future.

We will provide an electronic access to or loan you copies of our Manuals, which contain mandatory and suggested specifications, standards and procedures. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques, and management systems described in our Manuals or other written materials relating to the Business. The Manuals will contain both mandatory standards and recommended standards. You must treat the Manuals, and other written materials created for or approved for use in the operation of the Business, and the information contained in them, as confidential. The Manuals will remain solely our property. We may, from time to time, revise the contents of the Manuals and you must comply with each new or changed standard. We will supplement and revise the Manuals through our business system (i.e., WishPortal). The Manuals have a combined total of 292 pages. (Franchise Agreement, Section 5.G)

The table of contents from our Manuals is as follows:

| **Topic** | **No. of Pages** |
|---|---|
| 01. Who We Are | 12 |
| 02. Franchisor to Franchise Owner Relationship | 7 |
| 03. Services Provided by Franchisor to Franchise Owner | 7 |
| 04. Franchisee Responsibilities | 6 |
| 05. Paying Other Fees | 8 |
| 06. Visits From the Corporate Office | 2 |
| 07. Pre-Opening and Post-Opening Procedures | 37 |
| 08. Building and Managing Your Team | 76 |
| 09. Marketing | 17 |
| 10. Sales Procedures | 62 |
| 11. WishPortal | 2 |
| 12. Office Procedures | 40 |
| 13. Installation Procedures | 16 |
| Total Pages | 292 |

Training

The training requirements may vary depending on your experience and other factors specific to the Business. We or our affiliate will provide the following SHELFGENIE Training for up to 2 individuals (the "Trainees") per Business, one of whom must be the manager. The Trainees must attend the same training sessions on the same day. You must complete the SHELFGENIE Training to our satisfaction within 90 days of our signing the Franchise Agreement and before you may open your SHELFGENIE Business.

SHELFGENIE Training begins with 8 hours of remote training done online through ShelfGenie University. This online training must be completed prior to attending in-person training which will most likely take place at SHELFGENIE's corporate headquarters (although the training may be conducted virtually). We, however, reserve the right to designate an alternate location for training. The SHELFGENIE Training lasts for up to 6 days. At this time, we do not have a fixed (i.e. monthly or bi-monthly) training schedule. The training program is typically held 6 times per year or whenever minimum class sizes are achieved.

We will provide, at our expense, instructors, facilities and training materials in connection with the SHELFGENIE Training. You will be responsible for all expenses of your trainees in attending the SHELFGENIE Training, including all travel, lodging, meal and wage expenses for your trainees and workers' compensation insurance for your trainees. Attendance by any additional employees or agents is subject to our prior written approval.

Unless we determine, in our discretion, that you are able to train successor managers, each successor manager must attend and successfully complete the SHELFGENIE Training. You must bear the cost of any successor managers attending the SHELFGENIE Training, which may include reasonable training fees, in addition to the costs of travel, lodging, meal and wage expenses, and workers' compensation insurance.

In addition, if you hire an installer, such person must separately complete our Installer Training, which is a 2-day training course conducted at our training facility (currently in Waco, TX). We charge you a $650 fee per trainee for this training, and you are responsible for all costs and expenses for the trainee (including all travel, lodging, meal and wage expenses and workers' compensation insurance). Each of your installers must satisfactorily complete this training before performing any work for your customers. In addition, if you hire a designer, you must train each designer and each such designer must then satisfactorily complete our Certified Designer Program within 120 days of their date of hire. The Certified Designer Program is a 2.5 day training program that is conducted either at our training facility (currently in Waco, TX) or at your location, at your election. You must pay us a fee of $350 per trainee for us to provide the Certified Designer Program, and you are responsible for all costs and expenses for the trainee (including all travel, lodging, meal and wage expenses and workers' compensation insurance), and if the training is conducted at your location, you will also be required to reimburse us for our training personnel's travel, lodging and meal expenses.

Any training provided by us or our affiliate to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training. (Franchise Agreement, Section 6)

The training schedule and activities of the training programs are described below:

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---|---|---|---|
| History/Philosophy/Core Values of SHELFGENIE/Expectations | 1 | 0 | Waco or Irving, TX |
| Use of WishPortal | 9 | 0 | Waco or Irving, TX |
| Marketing and Advertising | 6 | 0 | Waco or Irving, TX |
| Management Procedures/Business System | 10 | 0 | Waco or Irving, TX |
| Franchise Reporting Requirements | 1 | 0 | Waco or Irving, TX |
| Accounting/Record Keeping | 1 | 0 | Waco or Irving, TX |
| Customer Service Procedures | 1 | 0 | Waco or Irving, TX |
| Sales Procedures | 16 | 0 | Waco or Irving, TX |
| Product Knowledge | 2 | 0 | Waco or Irving, TX |
| Installation Procedures | 24 | 0 | Waco or Irving, TX |
| Summary/Test/Survey | 1 | 0 | Waco or Irving, TX |
| Installer Training Program (installers only) | 16 | 0 | Waco or Irving, TX |
| Certified Designer Program (designers only) | 20 | 0 | Waco or Irving, TX or your location |

**Note A:** Some subjects may be intermingled and time periods and subject matter are subject to change.

At our option, we may provide additional training programs or seminars or advanced management training at locations designated by us, which you, your employees and/or your manager may be required to attend. These additional training programs will not be required for more than 5 days each year. You will be responsible for all costs and expenses associated with these additional training programs, including our then prevailing standard training fees and all travel, meal, lodging and wage expenses and workers' compensation insurance for your attendees.

At your request, we will furnish additional guidance and assistance to deal with unusual or unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses established or incurred by us or our designees.

Under the WishPortal Software License Agreement attached to this disclosure document as Exhibit J, we may provide you with training on the use of our WishPortal software. We reserve the right to charge reasonable fees for any WishPortal software training we provide to you.

Our training program is lead by our President, who has over 25 years of experience in franchising, less than 1 year of that with us. See Item 2 for additional information about the experience of our President. Our President has responsibility for our training staff, consisting of assistants, sales and marketing staff, franchise service personnel and officers and personnel from our affiliate companies. The training staff generally has at least 5 years of experience training franchisees for us and Predecessor and at least 5 years of experience in the industry. Generally, the instructors will conduct the training specified using lectures, presentations, our manuals and other supplemental material. However, we may substitute, add or modify at various times during the year, the subjects covered, instructional materials, hours of classroom and/or hands-on training, and instructors for classroom and hands-on training.

We may require you to attend, at your expense, up to two national business meetings or annual conventions per year for up to three (3) days per meeting or conference, as more particularly set forth in the Operations Manual (see Item 6 for more detail). We may also require you to attend and complete a "refresher" training course or advanced training course if we determine that you are not current on all aspects of the System or are otherwise in need of training.

Opening of Franchise

Our franchisees typically complete SHELFGENIE Training within 90 days after we sign the franchise agreement(s) and open for business within 60 days of completing the SHELFGENIE Training. The franchise agreement requires you to open within 30 days after the scheduled opening date identified on Schedule A to your Franchise Agreement(s), and the scheduled opening date is typically set to be 150 days after execution of the Franchise Agreement(s). The factors that affect how quickly you can open your Business include the training schedule, your ability to obtain necessary financing, any local requirements for permits or licenses and your ability to complete our recommended pre-training agenda. (Franchise Agreement, Section 5.A)

## ITEM 12

## TERRITORY

You will receive the right to operate a ShelfGenie business within a designated territory, as specified in your Franchise Agreement, that will provide you limited territory protection (the "Territory"). The Franchise Agreement does not grant you any territorial rights beyond the Territory.

Your Territory will be determined by us using statistical information from databases that are current as of the date we assign the Territory to you, including information from the United States Census Bureau, based on number of houses or households. The size of your Territory will depend on the density of the population in your area; provided that we may adjust the size of your territory upon renewal if we determine that your territory is too large. We divide the two different categories of Territory granted as follows:

Executive Franchise

The Executive franchise model is our standard franchise offer. Under the Executive franchise model, you must purchase at least two contiguous territories, with each territory having approximately 125,000 households, and each territory being granted under a separate Franchise Agreement. We may agree to grant you more than two territories, under additional Franchise Agreements, on a case-by-case basis depending on whether you meet our qualifications. Each additional Territory granted under the Executive franchise model includes approximately 125,000 houses or households, with each franchised business under the Executive franchise model having a total territory size of approximately 250,000 to 375,000 houses or households. The Territories under the Executive franchise model are typically granted in more populated areas. If you are granted an Executive franchise, you will sign our standard form of Franchise Agreement with the Executive franchise form of Data Sheet (included as Schedule A to the Franchise Agreement) for each Territory of approximately 125,000 houses or households. Therefore, if you are granted an Executive franchise, you will simultaneously enter into at least two Franchise Agreements.

Owner/Operator Franchise

The Owner/Operator franchise model is tailored for more sparsely populated areas. Each Territory under the Owner/Operator franchise model consists of approximately between 75,000 to 150,000 houses or households, and up to 200,000 houses or households. Typically, although not always, areas adjacent to Territories under the Owner/Operator franchise model do not contain a sufficient number of houses and households to form additional Territories. The Owner/Operator franchise will only be available in markets in which the minimum territory size required for the Executive franchise model is not available. If you are granted an Owner/Operator franchise, you will sign our standard form of Franchise Agreement with the Owner/Operator form of Data Sheet (included as Schedule A to the Franchise Agreement).

The Territory under both models will be identified in ZIP Codes shown (together with a map) on Schedule A to the Franchise Agreement when finalized. You will maintain rights to your Territory even if the population in your Territory increases.

If you wish to relocate from your Franchise Location to a new business site, we will authorize you to do so; provided (1) you are not in default of the Franchise Agreement, any other agreements with us, or the lease for the former Franchise Location, (2) you are current on your financial obligations to us and our affiliates and to all your third-party creditors, (3) you open for business at the new location on the same day you close your former Franchise Location, and (4) the new business site is within your Territory. You may operate from your home if your home is located within your territory and if local zoning permits it or from any existing business premises.

In the limited instance that Google (or another designated vendor we use for search engine optimization purposes to drive online customer marketing) requires a secondary physical location in your Territory (in addition to your Franchise Location) in order to align with the marketing areas identified by Google/the vendor, we and you will agree on how you can establish and operate the secondary location in a manner that meets Google/the vendor's requirements as well as our applicable System standards for a secondary location; provided that this requirement will not apply during the first year of operation of your Business.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we, our affiliates or third parties control, operate or franchise. However, provided you are, and have been for the preceding 6 months) in full compliance with your Franchise Agreement and each other agreement between you and us or any of our affiliates, we will not operate or grant a franchise for the operation of another ShelfGenie franchise with rights to market within your Territory during the term of your Franchise Agreement.

We and our affiliates reserve all other rights not specifically granted to you, including the right, while your Franchise Agreement is in effect, to sell or allow others to sell: any products or services anywhere using different trademarks; the same or similar products and services, competitive with those you will provide, anywhere using different channels of distribution; different products and services anywhere using the Marks; or the same products and services using the same trademarks anywhere outside your Territory. In addition, we may advertise, solicit and enter into Key Accounts, which are national, regional or other accounts we believe will benefit the system as further described in the Franchise Agreement, the Manuals and Item 8, and Key Accounts may involve marketing in your Territory. In addition to allowing others to offer products and services in your Territory generally, in the specific case when a Key Account is involved we may also designate or authorize a corporate employee, another franchisee or any other third party to perform or assist you in performing services within your Territory if you refuse or, in our judgment, are not qualified, interested, able or available to perform services for any customer in the Territory, including any Key Account customer; if you request assistance; or if a customer, orally or in writing, specifically requests services in the territory from a different franchisee or any other third party. If you agree to participate in or service Key Accounts, you must do so on the terms we specify, which terms may include, but may not be limited to, the provision of certain insurance, equipment, products and services, and the offer of services at prices not to exceed the maximum prices specified as well as payment by you of any applicable sales or broker commissions. If we allow others to provide services in your Territory, you will not be entitled to any compensation for the sales or services performed. Subject to the rights granted to you in your Franchise Agreement, we may provide in the Manuals for other programs in which we offer and sell, and/or authorize others to offer and sell, using the Marks or other marks, goods and services in your Territory that are identical or similar to and/or competitive with those provided at your Business. We may also acquire businesses or be acquired by a business offering similar products and services anywhere.

You cannot advertise for or attempt to solicit customers for any products or services, including using Internet, telemarketing or other direct marketing, outside your Territory. If we permit you to advertise, solicit, service or sell in areas outside the Territory that are not serviced by another franchisee (each, a "Territory Available for Sale" or "TAFS"), you must comply with all of the conditions and other requirements that we may from time to time specify (in the Manuals or otherwise in writing) with respect to such activities, including payment of a license fee different from the standard as noted in Item 6. If we permit you to operate in a TAFS, you must execute the Territory Available For Sale Amendment (attached to the Franchise Agreement as Schedule I). At any time upon our demand or upon your actual notice that a TAFS has been purchased by another franchisee, you agree to immediately cease all activities in such TAFS and to comply with our procedures for the transition of customer accounts for such TAFS.

You may only provide products/services to customers outside your Territory in accordance with our policies and procedures (including the TAFS program described above and the Preferred Lead Program described below) and only with our prior written consent. We may identify in the Manuals or otherwise in writing the conditions under which we would grant our consent to your servicing or selling outside of your Territory and our consent may be conditioned upon whether you have obtained a required level or the highest level of quality or service as determined by a rating system we designate, which may change from time to time. Under our Preferred Lead Program, you may provide services within a specified area outside your Territory (such area, "designated area"), if such services are provided to your existing customer that has locations inside your Territory and within the designated area and the franchisee who owns the territory in which the designated area is located also participates in the Preferred Lead Program. Additional terms and conditions of the Preferred Lead Program are described in the Manuals. You must meet the qualifications described in the Manuals before you may participate in the Preferred Lead Program.

Our Manuals may also set specific rules for engaging in, and what may constitute, marketing within your Territory and other related matters, including what telephone area codes and exchanges may be used within the Territory (depending on the areas covered by those area codes/exchanges); which publications or media you may advertise in (depending on whether the circulation of the publication/media is wholly or mostly within your Territory); participation in promotional events, tradeshows, continuing education programs, chambers of commerce and industry association meetings; the post office box or mailing address that may be displayed on advertising; which phone numbers may be displayed on your vehicles; how, when and from which customers or accounts you may solicit work (depending on their location and the location and/or duration of the work); requirements for referral of work; enforcement, administration and interpretations of provisions of marketing/territory rules and procedures; and other matters; and we may update and change these rules from time to time.

We do not otherwise limit or restrict your solicitation of customers in your Territory.

Neither we nor any other party are required to pay you as a result of us exercising in your Territory any of our rights described in this Item.

Beginning with the second full calendar year of operations, your Business must achieve (a) in each calendar year, annual Gross Sales per territory that are in the top 90% of the annual Gross Sales per territory for the ShelfGenie franchise system for that calendar year (the "Gross Sales MPS") and (b) a Net Promoter Score (or another customer satisfaction survey score we designate) ("NPS") that is not more than 10 points below the average NPS for the ShelfGenie franchise system for each applicable measurement period we set (the "Customer Satisfaction MPS" and collectively with the Gross Sales MPS, the "Minimum Performance Standards"). If you operate multiple ShelfGenie territories, the Minimum Performance Standards will apply separately to each territory. We can make changes to the Minimum Performance Standards upon 6 months' prior written notice in accordance with our reasonable business judgement and so long as such revised Minimum Performance Standards are applied to all similarly situated ShelfGenie franchised businesses.

If you do not meet the Minimum Performance Standards for any applicable calendar year or measurement period, we will meet with you to identify the reasons for the substandard performance and establish a performance improvement plan ("PIP") for the Business to take specific actions with the goal to improve the overall performance of the Business, including its annual Gross Sales per territory and/or NPS. Your failure to implement or comply with the PIP over the three to six month period we designate will be a default under your Franchise Agreement, subject to a 30-day cure period. During the cure period, you will have the opportunity to advise us of your intent to sell your Business to a third party, in which case we will give you an additional 90 days (from the date of your notice of intent to sell) to transfer the Business in accordance with the transfer requirements of the Franchise Agreement. Failure to timely cure the default or transfer the Business will give us the right to either reduce the size of your Territory or terminate your Franchise Agreement.

Although you do not have a right to do so, we may permit you to establish another Shelf Genie Business, if you meet our then-current Expansion Criteria. We have the absolute right to determine whether an existing franchisee meets our Expansion Criteria, which we may modify from time to time. As of the date of this Disclosure Document, the criteria we consider are, among other factors: a franchisee's compliance with the System, operational success (including your existing Franchised Business(es) meeting or exceeding certain performance thresholds), leadership ability and team development, financial stability and ability to expand and potential limits on the number of Businesses any franchisee owns.

We do not generally grant any right of first refusal to obtain additional territory. You may, if qualified, including under our then-current Expansion Criteria, also acquire additional territory during the term of the franchise agreement by entering into another franchise agreement or, at our option, an amendment to your existing franchise agreement, for the additional territory.

If we approve you to purchase additional territory, we may require that you sign a general release releasing us from all claims you may have except claims that under state law may not be released.

If you do not qualify for renewal of your Franchise Agreement, we may, in some cases, but are not required to, offer to enter into a franchise agreement with you for a smaller territory and you would then have the option to accept that territory on the terms offered.

Development Agreement

Under a Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we, our affiliates or third parties control, operate or franchise. However, provided you are in full compliance with your Development Agreement, we will not operate or grant a franchise for the operation of another ShelfGenie® franchise with rights to market within your Development Area during the term of your Development Agreement. If you sign a Development Agreement, we will agree on a Development Area and a Development Schedule. The Development Schedule will identify the number of Executive franchise ShelfGenie® franchises to be developed and the minimum development rate. When you sign the Development Agreement, we will determine the boundaries of the Territories for each of your Businesses at that time in accordance with our standards then in effect. When you sign the Development Agreement, you must at the same time also sign the two Franchise Agreements for the first Executive franchise Business to be developed. The first Business must be operational within 180 days of the date of the Franchise Agreement.

We and our affiliates reserve all rights not expressly granted to you, including, but not limited to, the right to: (i) establish, operate or allow others to establish and operate businesses offering similar or dissimilar products and services through similar and dissimilar channels of distribution anywhere, under the Marks (but if inside the Development Area then only pursuant to programs included in our Operations Manual) or other trademarks; (ii) offer, sell or allow others to offer and sell similar and/or competitive products or services, under the Marks or other trademarks, anywhere, through dissimilar channels of distribution; (iii) establish, operate or allow others to establish or operate businesses offering dissimilar products and services, anywhere, under the Marks and on terms we deem appropriate; (iv) establish, operate, or allow others to establish and operate ShelfGenie® businesses located anywhere outside the Development Area, regardless of proximity to, or impact on sales at, your businesses; (v) manage Key Accounts in any area, including in the Development Area, or if you are unable or not qualified to perform services to a customer in the Development Area or you request assistance or the customer specifically requests a different franchisee or another third party, we may authorize another franchisee (or our corporate employee or any other third party) to perform services inside the Development Area, without compensation to you; (vi) acquire competing businesses and franchise, license or create similar arrangements with respect to these businesses once acquired, wherever located or operating (including in the Development Area), and (vii) be acquired by a business providing similar products or services to the Businesses even if such business operates, franchises or licenses a business that competes with you in the Development Area.

Continuation of your territorial rights does not depend on your achievement of certain sales volume, market penetration or other similar contingency. We may not alter your Development Area without your prior written consent.

If you fail to satisfy the Development Schedule, we may terminate your future development rights within the Development Area. However, termination of your Development Agreement will not terminate the Franchise Agreements that you have already signed.

We do not grant you any options, first rights of refusal or other similar rights to (i) acquire any additional development areas, or (ii) acquire any additional franchises.

We do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell. However, certain of our affiliates described in Item 1, and other portfolio companies that currently are or in the future may be owned by private equity funds managed by our affiliates, may operate and/or franchise businesses that sell similar goods or services to those that our franchisees sell. Item 1 describes our current affiliated franchise programs that offer franchises, their principal business addresses, the goods and services they sell, whether their businesses are franchised and/or company-owned, and their trademarks. As noted in Item 1, all of these affiliated franchise brands (with the exception of Mosquito Joe, PDS, and any KKR portfolio companies) have the same principal business address as us, and they generally do not maintain physically separate offices and training facilities from our offices and training facilities (except for Rainbow International, which maintains some separate training space) although each affiliated brand has its own separate meeting space. Most of the affiliated franchisors and the affiliated franchise brands are not direct competitors of our franchise network given the products or services they sell, although some are to a limited extent, as described in Item 1. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers in your territory. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.

## ITEM 13

## TRADEMARKS

We grant you the right to operate a franchise under the name SHELFGENIE®. You may use our other current or future trade names, trademarks, service marks, symbols, emblems, logos and indicia of origin designated by us ("Marks") to identify your franchise.

We own the following Marks that are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

| Trademark | Registration Number | Registration Date |
|---|---|---|
| SHELFGENIE<br><br>(standard character) | 3,546,185 | December 16, 2008 |
| SHELFGENIE<br><br>(standard character) | 4,537,493 | May 27, 2014 |
| SHELFGENIE EVERYTHING WITHIN REACH<br><br>(standard character) | 4,787,239 | August 4, 2015 |
| EVERYTHING WITHIN REACH<br><br>(standard character) | 4,823,802 | September 29, 2015 |

As noted in Item 1, we became the owner of the above listed Marks in March 2021.

Our Parent, Neighborly Assetco LLC, owns the following Marks, which are registered on the Principal Register of the USPTO, and we license from Parent the right to use and to allow our franchisees to use these Marks under a Trademark License Agreement (the "License Agreement"). The License Agreement grants us a worldwide, non-exclusive, nontransferable license to use and to license others to use the Marks. Parent may terminate the License Agreement due to our material breach, ownership change or for any reason upon 90 days' notice. Upon any termination of the License Agreement, we will be required to cease all use of these Marks and we will require you to do the same.

| Trademark | Registration Number | Registration Date |
|---|---|---|
| NEIGHBORLY | 5,365,894 | December 26, 2017 |
| NEIGHBORLY (Stylized) | 5,365,895 | December 26, 2017 |
| (HOUSE LOGO) | 5,347,941 | November 28, 2017 |
| YOUR HUB FOR HOME SERVICES | 7,281,370 | January 16, 2024 |

Required affidavits and renewals for the registrations for these principal trademarks have been filed when due.

In addition to the Federal rights that apply to use of the registered Marks above, we claim common law rights, based on our use of the Marks, to all of our Marks. There may be areas, however, in which a third party has prior common law rights to the use of one of our Marks. If you propose to operate a franchise in one of those areas, we may attempt to obtain exclusive use of that Mark, or, in the alternative, we may designate and grant you permission to utilize a different proprietary mark. There may be other instances in which we may elect to use, or require you to use, a different proprietary mark in a market, region or systemwide. In any instance in which we require you to use a different proprietary mark, you must, at your expense, comply with our designation and use, or change your use to the designated mark. You must modify or discontinue the use of a Mark, at your expense, if we direct. If we direct, you must adopt or use one or more additional or substituted Marks.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above. Except for the License Agreement noted above, no agreements limit our right to use or license the use of our Marks.

We do not have actual knowledge of any infringing uses that could materially affect your use of our Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate but are not obligated to protect your rights to use the Marks. We have the right to control the defense of any claim using attorneys we choose and you must cooperate in that defense. You may participate in the defense and settlement at your own expense but our decisions will be final and binding. We will indemnify you or reimburse you for your liability and reasonable costs if there is a challenge to your authorized use of our Marks provided you have notified us immediately after you learned of the challenge and cooperate with us in defending the challenge as required.

You must follow our rules when you use the Marks and you may only use the Marks for the operation of your Business in your Territory. You must execute any documents we require to protect the Marks or to maintain their continued validity and enforceability. You may not directly or indirectly contest the validity of our Marks, our (or Parent's, as applicable) ownership of the Marks or our right to use or license our Marks, trade secrets, confidential information or business techniques that are part of our business. You cannot use the Marks as part of a corporate or other legal name and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations.

You must modify or discontinue the use of a Mark, at your expense, if we direct. If we direct, you must adopt or use one or more additional or substituted Marks.

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent, but you can use the proprietary information in our Manuals and software, which are described in Item 11. We have not filed an application for a copyright registration in these items, but we claim a common-law copyright in our Manuals and software and we treat the information in these items as confidential and proprietary. Item 11 describes limitations on the use of the Manuals and software by you and your employees. You must treat these items and the information as confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action to protect or defend use of proprietary information but will respond as we think appropriate and will control any action we decide to bring or defend. We are not required to participate in your defense or indemnify you for use of copyrighted material or patents. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state and there are no agreements that limit our rights to use our copyrights or to allow others to use them.

Confidential information includes all information, data, knowledge, materials, techniques and know-how designated or treated by us as confidential and includes any and all Manuals, computer software or programs, training materials, operational videos, marketing programs, franchise rosters, franchisee lists, customer and prospective customer lists and data, and any other materials designated or treated by us as confidential. You may not, at any time during or after the term of the Franchise Agreement, disclose, copy or use any confidential information except as we specifically authorize.

If we ask, you must have your personnel who receive or will have access to confidential information sign covenants not to divulge the confidential information or use it for their own benefit. If you are a corporation or other business entity, your shareholders, members and/or owners must also abide by these covenants and sign a Guaranty (attached to the Franchise Agreement as Schedule C). If you are an individual, we may require your spouse to sign and abide by a confidentiality agreement. If we ask, your employees with access to your password and log-in name for our Intranet must sign a confidentiality agreement agreeing to not disclose this information.

If you develop any new product, service offering, concept, invention, business venture, technique, process or improvement in the operation or promotion of your Business, you must promptly notify us and provide us with all necessary information free of charge. You acknowledge that we own any such information and you agree to assign ownership of same to us, and you acknowledge that we may provide the information to other franchisees for use in their franchises.

There currently are no effective adverse determinations of the USPTO, United States Copyright Office or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation, involving the copyright materials that are relevant to their use by our franchisees.

## ITEM 15

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

If you are an individual, you must directly perform or supervise the operation of the Business unless we consent otherwise. You must obtain and maintain an immigration status that will allow you to live and work in the United States for the initial term of the Franchise Agreement and for the length of any renewal term of the Franchise Agreement. If you do not have or maintain the required status, the Franchise Agreement will immediately expire by its terms with no further notice or opportunity to cure and we will have no liability to you, and no refund of any fees will be made. However, you will remain bound by all post-termination obligations in the Franchise Agreement, including all obligations regarding non-competition, de-identification, confidentiality, and indemnity.

If we agree that you need not personally perform or supervise operation of the Business, an individual who has successfully completed our training program ("manager") must directly supervise the Business, and that individual must be a bona fide manager, as determined by us. If we ask, the manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14.

If you are a corporation or other legal entity, direct, on-site supervision must be done by a designated owner who has successfully completed our training program unless we consent otherwise ("principal owner"). If we ask, the principal owner must sign a written statement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17. If we agree that a principal owner need not personally perform or supervise the operation of the Business, a manager must directly supervise the Business. The manager need not have an ownership interest in the Business. If you are a corporation or other legal entity, your principal shareholders, members and/or owners must sign a Guaranty agreeing to pay and perform all obligations under the Franchise Agreement (attached to the Franchise Agreement as Schedule C). If you obtain financing from us as provided in Item 10, we have the right to require a spouse's personal guaranty.

While you own the Business, you cannot have an interest or relationship with any competitors. If you own an existing business when you sign the Franchise Agreement, we may (in our sole discretion) allow you to exclude such business from the Business by executing the Excluded Services Addendum attached as Schedule J to the Franchise Agreement. If such existing business is rolled into the Business, you will execute and become bound by the Roll-In Addendum (attached as Schedule H to the Franchise Agreement).

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only the goods and services that conform to our standards and specifications. You must offer the goods and/or services that we designate as required for all franchisees and you may elect to offer other products and/or services only if we approve them in advance. You must sell and install the Core Products (sold and distributed by Manufacturing) to residential and commercial customers and provide associated products and related services that we may from time to time designate. We may change the authorized services and/or products that we require you and all franchisees to offer by adding additional services and/or products or deleting products and/or services, or both, and there are no limits on our right to make changes. If we make any changes, we will notify you. We have no plans to make significant changes in the future.

You may additionally elect to offer and sell designated shelving, drawer, storage and organization systems for closets and garages if you meet our qualifications for such work, which qualifications may include being in operation for at least 12 months, maintaining at least 95% of the system-average revenue per appointment for the prior six month period, team composition requirements, financial requirements, and minimum spending requirements, as described from time to time in the Manuals.

You must honor our warranty policies for installations, repairs and replacements as described in the Manuals. This policy states that we handle warranty claims on a case-by-case basis with some basic guidelines and, as a result, you will be obligated to perform warranty work, at no charge, on certain services, including some services that another franchisee originally performed.

You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals for the Business. To ensure that the highest degree of quality and service is maintained, you must operate in conformity with the methods, standards and specifications in the Manuals and as we may otherwise require in writing periodically. You must not deviate from our standards and specifications without our prior written consent.

We do not limit or restrict your solicitation of customers in your Territory, although we own all customer information and may use the customer information as we deem appropriate (subject to applicable law), including, without limitation, sharing it with our affiliates for cross-marketing, customer loyalty programs or other purposes. For example, "Your Hub for Home Services" is Neighborly's current cross-branding initiative where we intend to increase cross utilization of Neighborly brands by consumers and drive consumer awareness via getneighborly.com and other marketing programs.

Development Agreement

The Development Agreement does not contain provisions restricting the products or services you may offer. However, with respect to each Business developed under the Development Agreement, you will be subject to the restrictions on products and services contained in our then-current Franchise Agreement. The restrictions in our current Franchise Agreement are described above.

## ITEM 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

## THE FRANCHISE RELATIONSHIP

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

| **Provision** | **Section in Franchise Agreement (unless otherwise specified)** | **Summary** |
|---|---|---|
| a. Length of the franchise term | 4(A) | Initial term is 5 years. |
| b. Renewal or extension of the term | 4(B), (C) | Your Franchise Agreement can be renewed for one additional 5-year term by executing the then-current form of franchise agreement and meeting the other requirements for renewal; if you continue to operate after expiration of the initial or a renewal term, we may, at our sole election, treat the Franchise Agreement as expired or as continued on a month-to month basis until both parties agree to enter into our then-current form of franchise agreement for a renewal term or until one party provides the other with written notice of termination, in which case the interim period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the interim period as if the Franchise Agreement had not expired, except that the License Fee during the interim period will be increased to 10% of Gross Sales for all types of products/services and without any reductions.<br><br>Once you have renewed your Franchise Agreement, you have no automatic further right of renewal and the provisions about renewal described in this section do not apply. At that point you may enter into a new franchise agreement on the then current terms if you and we agree to a new agreement. |
| c. Requirements to renew or extend | 4(B), (C) | Requirements for renewal are as follows: you cannot be in default of current Franchise Agreement or any related agreement, have satisfied all monetary and other material obligations on a timely basis during the term, are in good standing and have received no more than 2 written notices of default during the term of your Franchise Agreement; you |

| Provision | Section in Franchise Agreement (unless otherwise specified) | Summary |
|---|---|---|
| | | have not failed to meet the Minimum Performance Standards for any 2 calendar years (or 2 measurement periods, as applicable) during the term of the Franchise Agreement; you must give us written notice at least 180 days (but not more than 240 days) before the end of the expiring term; you and your guarantors must sign a general release; you must pay us a renewal fee (the greater of $5,000 or $1,750 per Territory for Executive franchise; and $5,000 for Owner/Operator franchise); you must complete our then-current training requirements, you must sign the then-current version of our franchise agreement, which may have terms, conditions and fees that could be materially different as compared with your original franchise agreement; and if you are renewing your Executive franchise, you must simultaneously renew all of the Franchise Agreements previously simultaneously executed for adjacent Territories that constitute the applicable Business. |
| d. Termination by you | 12(C) | You may terminate the Franchise Agreement as a result of our breach of a material provision of the Franchise Agreement, provided that you give us written notice of the breach and we fail to cure the breach within 30 days after our receipt of your written notice. If we fail to cure the breach, the termination will become effective 60 days after our receipt of your written notice of breach.<br><br>You may also terminate for any reasons allowed under the law. |
| e. Termination by us without Cause | None | We cannot terminate your Franchise Agreement without cause. |
| f. Termination by us with Cause | 12(B) | We can terminate your Franchise Agreement only if you default. If you were granted an Executive franchise, your default under one Franchise Agreement executed under such Executive franchise constitutes a default under all other Franchise Agreements simultaneously executed for adjacent territories that constitute the Business under such Executive franchise. |

| Provision | Section in Franchise Agreement (unless otherwise specified) | Summary |
|---|---|---|
| g. "Cause" defined – curable defaults | 12(B)(1) | You have 10 days (subject to local state law) to cure if you fail to pay amounts due or fail to submit required reports.<br><br>You have 30 days to cure all other defaults of the Franchise Agreement except for the non-curable defaults described below. |
| h. "Cause" defined – non-curable defaults | 12(B)(2) | You made material misrepresentations to us in the application for the franchise or other reports or information provided to us; you voluntarily abandon performance of the Franchise Agreement (including by failing to operate the Business for seven or more consecutive days); state or local authority close the Business for safety reasons; you register any domain name containing our Marks or use Confidential Information in unauthorized manner; you or your guarantor become insolvent or make an assignment for the benefit of creditors or other similar arrangements; you or your guarantor are convicted of (or plead no contest to) any misdemeanor bringing the Marks into disrepute or impairing your reputation or goodwill of the Marks or of the Business; you or your guarantor are convicted of (or plead no contest to) any felony; you intentionally understate or underreport Gross Sales, License Fees, or MAP Fees; any understatement or 3% variance on a subsequent audit within a 2-year period; any transfer or assignment without our consent as provided in the Franchise Agreement; or any default by you that is the second default of any type within any 12-month consecutive period even if the default(s) were cured. |
| i. Your obligations on termination/non-renewal | 13 | Your obligations include complete de-identification of the Business (including all vehicles) and immediate discontinuation of advertising or any other use of the Marks or any other promotional materials furnished by us; return to us all copies of the Manuals, software, customer lists and ongoing customer contracts; assignment to us of all right in the telephone numbers, websites, social media accounts and domain names for the Business and cancelation or assignment, at our option, of any assumed name rights or equivalent registrations; |

| Provision | Section in Franchise Agreement (unless otherwise specified) | Summary |
|---|---|---|
| | | assignment to us, upon our demand, of your remaining interest in any lease for the Business; and payment of any amounts due to us or to third parties for amounts guaranteed by us; compliance with non-competition covenants (see r., below). |
| j. Assignment of contract by us | 10(G) | We may assign your Franchise Agreement to any 3rd party without prior notice to you and without your consent. |
| k. "Transfer" by you – defined | 10(A) | Includes any sale, lease, pledge, management agreement, contract for deed, option agreement, bequest, gift, any arrangement in which you turn over all or part of the operation of the Business to someone who shares in the losses or profits of the Business other than an employee; any 20% or more change in the direct or indirect ownership of the franchisee entity; or any change in the general partner of a franchisee that is a partnership entity. |
| l. Franchisor approval of transfer by Franchisee | 10(B) | We have the right to approve all transfers but will not unreasonably withhold approval. |
| m. Conditions for Franchisor approval of transfer | 10(B) – (D) | You are not in default; you have paid in full all amounts owed to us, our affiliates, or your suppliers, or upon which we have contingent liability; you have provided all required reports; the new franchisee qualifies; training for new franchisee is arranged; you, owners and guarantors sign release; transfer fee paid; current franchise agreement signed by new franchisee; new franchisee agrees to be bound by all customer obligations of Franchisee, including all warranty work and service plans obligations (also see r, below). If you wish to transfer a Franchise Agreement under an Executive franchise, you must simultaneously transfer, to the same buyer, all other Franchise Agreements previously simultaneously executed for adjacent Territories constituting the Business under the Executive franchise. |
| n. Franchisor's right of first refusal to acquire the Business | 10(F) | We may buy your franchise at the same price and on the same terms as those of a third-party offer. |

| Provision | Section in Franchise Agreement (unless otherwise specified) | Summary |
|---|---|---|
| o. Franchisor's option to purchase the Business | None | N/A |
| p. Death or disability of Franchisee | 10(E)(1) | Your personal representative must, within 120 days, tender the right of first refusal, apply for our consent to the transfer, and satisfy the transfer conditions. |
| q. Non-competition covenants during the term of the Franchise Agreement | 9(D) | You (including your guarantors and owners, if you are an entity, or your spouse, children, parents, or siblings, if you are an individual) cannot be involved in a Competitive Business.<br>A "Competitive Business" is any business that offers or sells any product or service or component thereof that (i) composes a part of our System, (ii) is the same as or similar to any product or service then-offered by our franchisees or (iii) otherwise competes directly or indirectly with our System. |
| r. Non-competition covenants after the Franchise Agreement is terminated or expires | 9(D) | For 2 years, no Competitive Business in your Territory, within a 25-mile radius of the outer boundary of your Territory, or inside the territory of another SHELFGENIE business. |
| s. Modification of the Franchise Agreement | 14(B) | No modification of the Franchise Agreement except by written agreement of both parties. |
| t. Integration/merger clause | 14(B) | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this disclosure document. |
| u. Dispute resolution by arbitration or mediation | 11 | Most disputes must be initially mediated. If a dispute is not resolved through the mediation process described in the Franchise Agreement, most disputes must be settled by litigation, subject to state law. Only if a court invalidates a jury waiver or a class action waiver will the dispute be resolved through arbitration, subject to state law. |
| v. Choice of venue | 14(H) | Unless state law supersedes this provision, venue for mediation, arbitration, and litigation is in McLennan County, Texas. |
| w. Choice of law | 14(G)(1) | Texas law applies unless state law supersedes this provision. |

**This table lists certain important provisions of the development agreement and related agreements. You should read these provisions in the agreements in EXHIBIT G to this disclosure document.**

| Provision | Section in Development Agreement ("DA") (unless otherwise specified | Summary |
|---|---|---|
| a. Term of the franchise | Section 4 | The DA expires on the date upon which Developer has opened and has in operation all of the Businesses set forth in the Development Schedule. |
| b. Renewal or extension of the term | None | None |
| c. Requirements for you to renew or extend | None | None |
| d. Termination by you | None | Not Applicable |
| e. Termination by us without cause | None | Not Applicable |
| f. Termination by us with cause | Section 6 | We may terminate if you default under the DA or any Franchise Agreement. |
| g. "Cause" defined - defaults which can be cured | Section 6 | 120 days to cure a development schedule default; 30 days to satisfy a final judgment, to dismiss a suit to foreclose any lien or mortgage against the premises or any equipment of the Business or to remedy other defaults that are curable. |
| h. "Cause" defined - defaults which cannot be cured | Section 6 | Bankruptcy or insolvency, execution against Developer's business or property; real or personal property is sold after levy. |
| i. Your obligations on termination/non-renewal | Section 8 | Compliance with post-termination covenant not to compete. |
| j. Assignment of contract by us | Section 7 | No restriction on our right to assign. |
| k. "Transfer" by you – definition | Section 7 | Transfer of rights or obligations under the DA or the assets or ownership of Developer. |

| Provision | Section in Development Agreement ("DA") (unless otherwise specified | Summary |
|---|---|---|
| l. Our approval of transfer by you | Section 7 | You may not transfer your rights or obligations under the DA without our approval. |
| m. Conditions for our approval of transfer | Section 7 | You may not transfer your development rights under the DA separate and independent from Franchise Agreements for Businesses in the Development Area, although you are not required to transfer all of your Franchise Agreements as part of the transfer of development rights. You must pay a transfer fee and we must agree on which Businesses will be included in the transfer. |
| n. Our right of first refusal to acquire your business | Section 7 | Not Applicable |
| o. Our option to purchase your business | None | Not Applicable |
| p. Your death or disability | None | None. |
| q. Non-competition covenants during the term of the franchise | Section 8 | You will not have any interest in any other competing business without our prior written consent. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 8 | No competition for a period of 2 years following a permitted transfer or expiration or termination of the Development Agreement within the Development Area or a 15-mile radius of the territories of any other ShelfGenie® business. |
| s. Modification of the agreement | Section 13 | No modifications except by written agreement signed by both parties. |
| t. Integration/ merger clause | Section 13 | Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside the |

| Provision | Section in Development Agreement (“DA”) (unless otherwise specified | Summary |
|---|---|---|
| | | disclosure document and development agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | None | Most disputes must be initially mediated. If a dispute is not resolved through the mediation process, most disputes must be settled by litigation, subject to state law. Only if a court invalidates a jury waiver or a class action waiver will the dispute be resolved through arbitration, subject to state law. |
| v. Choice of venue | Section 16 | Unless state law supersedes this provision, venue for mediation, arbitration, and litigation is in McLennan County, Texas. |
| w. Choice of law | Section 16 | Texas law applies unless state law supersedes this provision. |

SEE THE ATTACHED STATE ADDENDA (EXHIBIT M) FOR ADDITIONAL DISCLOSURES.

## ITEM 18

## PUBLIC FIGURES

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

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2024, there were a total of 261 ShelfGenie franchised businesses. Such total of 261 franchised businesses consisted of 4 franchised businesses with approximately 250,000 household territories and 257 franchised businesses with approximately 125,000 household territories. For purposes of consistency, we have reported the number of businesses for purposes of this Item 19 such that each of the 4 franchised businesses (with 250,000 household-territories) were treated as two businesses (each business with a 125,000 household-territory), resulting in a total of 265 franchised businesses each with a territory of approximately 125,000 households. Of these 265 businesses, 254 businesses (the "Reporting Businesses") were open during the reporting period of January 1, 2024 through December 31, 2024 (the "Reporting Period"). Excluded from this Item 19 are four franchisees (operating a total of 11 franchised businesses) who did not have at least one franchised business open for the entire Reporting Period.

Businesses that closed during the Reporting Period are excluded from the data reported in this Item 19. Twenty-two ShelfGenie franchised businesses closed during 2024. Of the 22 businesses that closed, one business closed after being open for less than 12 months.

The following tables present information regarding the (a) average and median Gross Sales per Order for the Reporting Period, (b) systemwide percentage of Appointments Resulting in a Closed Order for the Reporting Period, and (c) the actual gross sales, cost of goods sold, sales per territory, gross margin, and annual rebate amount for each franchisee (by market) for the Reporting Period.

The following tables also include the number of SHELFGENIE businesses (i.e., 125,000-household territories) owned by those franchisees included in the data for each applicable chart; however, the average and median Gross Sales per Order amounts and the systemwide Percentage of Appointments Resulting in a Closed Order include Gross Sales, orders and appointments from adjacent territories operated by the franchisees where the franchisee does not own the territory but has the right to offer and provide services in the additional territory under an "Out of Area" Amendment to its Franchise Agreement (k/n/a Territory Available for Sale Amendment). Not all franchisees operate in additional territories under a Territory Available for Sale Amendment; however, those that do, report Gross Sales per order and appointment information to us, which is included in the financial disclosures in this Item 19.

We obtained the data included in these tables from information provided to us by ShelfGenie franchisees through our software program for the Reporting Period. Franchisees are not required to use generally accepted accounting principles when reporting these figures.

| **AVERAGE AND MEDIAN GROSS SALES PER ORDER FOR SYSTEM DURING 2024 REPORTING PERIOD** | | | | |
|---|---|---|---|---|
| Group | Number of Reporting Franchisees in the Group | Number of SHELFGENIE Businesses (i.e., 125,000-household territories) owned by the Franchisees in the Group | High and Low and Average (Avg) and Median (Med) Gross Sales per Order (not including Excluded Orders) | Number and Percentage of Orders for the System that achieved or surpassed the Average Gross Sales per Order (not including Excluded Orders)/ Number and percent of franchisees that achieved the Average or greater |
| All SHELFGENIE Franchisees operating under the System for all of 2024 that had orders that were not Excluded Orders | 50 | 254 | High: $7,052<br>Avg: $5,140<br>Med: $5,041<br>Low: $3,506 | 3,510 orders (51%)<br>22 Franchisees (44%) |

| AVERAGE AND MEDIAN GROSS SALES PER ORDER FOR SYSTEM DURING 2024 REPORTING PERIOD | | | | |
|---|---|---|---|---|
| Group | Number of Reporting Franchisees in the Group | Number of SHELFGENIE Businesses (i.e., 125,000-household territories) owned by the Franchisees in the Group | High and Low and Average (Avg) and Median (Med) Gross Sales per Order (not including Excluded Orders) | Number and Percentage of Orders for the System that achieved or surpassed the Average Gross Sales per Order (not including Excluded Orders)/ Number and percent of franchisees that achieved the Average or greater |
| | | | | Number and % of Franchisees in the Quintile that Achieved or Surpassed that Quintile's Average Order |
| 1st Quintile | 10 | 72 | High: $7,052<br>Avg: $6,072<br>Median: $6,062<br>Low: $5,628 | (4) (40%) |
| 2nd Quintile | 10 | 42 | High: $5,518<br>Avg: $5,405<br>Median: $5,415<br>Low $5,242 | (6) (60%) |
| 3rd Quintile | 10 | 45 | High: $5,236<br>Avg: $5,058<br>Median: $5,041<br>Low: $4,897 | (4) (40%) |
| 4th Quintile | 10 | 58 | High: $4,873<br>Avg: $4,556<br>Median: $4,552<br>Low: $4,296 | (5) (50%) |
| 5th Quintile | 10 | 37 | High: $4,210<br>Avg: $3,947<br>Median: $3,998<br>Low: $3,506 | (7) (70%) |

Notes for chart above:

1. "Franchisee" refers to an individual or entity that is our franchisee that operated at least one SHELFGENIE Business for the Reporting Period. As shown by the list of our current franchisees in Exhibit F-1 of this Disclosure Document, several of our Franchisees own and operate multiple SHELFGENIE Businesses which are typically for territories that share common borders in the same region. If a franchisee operates multiple SHELFGENIE Businesses in the same metropolitan area (each a "Market"), such franchisee is counted in the definition of Franchisees only once for such Market, and if a franchisee operates SHELFGENIE Businesses in multiple Markets, such franchisee is counted in the definition of Franchisee once for each such Market. Included in the column "Number of SHELFGENIE Businesses owned by the Franchisees in the Group", are the total number of SHELFGENIE Businesses (i.e., 125,000 household-territories) that were owned and operated by the applicable Franchisees in that

group during the Reporting Period. The Chart reflects Franchisees that were open for full 12 months throughout the Reporting Period. However, for some Franchisees with multiple Businesses/territories, some of the multiple businesses or territories may not have been open for the entire Reporting Period.

2. "Average Gross Sales per Order" was calculated by dividing the total amount of System Gross Sales (in dollars) reported by Franchisees by the total number of orders for the System during the Reporting Period. In calculating the Average Gross Sales per Order for the System, we excluded all Excluded Orders (as defined in Note 4 below). Average Gross Sales per Order for the System does not include any sales taxes that were collected or paid in connection with the orders.

3. The "Number and Percentage of Orders for the System that Achieved or Surpassed the Average Order" was the absolute number of orders and the percentage of orders for which the Gross Sales volume was equal to or greater than the system-wide Average Gross Sales per Order.

4. "Excluded Orders" refers to orders that were for friends or family, charitable events and employees involving a discount of 80% or more off the franchisee's suggested retail price and were not a true representation of an actual customer order. An order having a discount of 80% or more off the Franchisee's suggested retail price indicates or suggests (a) the order was a reorder of products, (b) the order was for personal or display usage, and/or (c) the order was not an arms-length sales transaction.

5. "Quintile" refers to the relative performance of the Franchisees in the sample. Each quintile represents approximately 20% of the sample. The 1st Quintile refers to the top 20% performing Franchisees operating SHELFGENIE Businesses (based on Average Gross Sales per Order for all of the SHELFGENIE Businesses owned and operated by the reporting Franchisees), the 2nd Quintile refers to the next highest 20% performing Franchisees operating SHELFGENIE Businesses, and so on. We have provided the Quintile information to show you the performance of the Franchisees on a Gross Sales per Order basis, not each of their SHELFGENIE Businesses. Therefore, a Franchisee's placement in a quintile does not mean that all of their SHELFGENIE Businesses met or surpassed the Average Order for that Quintile. The Quintile measures, and reflects, the Average Gross Sales per Order (by dollar) for each Franchisee in the sample, and then groups them based on performance. Each Franchisee in the sample reported the total number of orders in the reporting year, along with the total Gross Sales for those orders. Each franchisee has its own Average Gross Sales per Order (in dollars). Then those Average Gross Sales per Order figures for the Franchisees in the Quintile (ten Franchisees per Quintile for the Reporting Period) are added together and divided by the number of Franchisees to arrive at an Average Gross Sales per Order (in dollars) for the Quintile. The tables reflect the Average Gross Sales per Order, by Quintile, as well as the number / percentage of Franchisees in the Quintile that achieved or surpassed that Quintile's Average Gross Sales per Order.

6. The orders included in the Reporting Period are for sales orders placed during the Reporting Period.

7. For repeat customers, each order for a project placed by a customer is treated as a separate order.

8. The information is based on data reported by Franchisees for their SHELFGENIE Businesses.

| PERCENTAGE OF CUSTOMER APPOINTMENTS THAT RESULTED IN A CLOSED CUSTOMER ORDER DURING 2024 REPORTING PERIOD | | | | | |
|---|---|---|---|---|---|
| Group | Number of SHELFGENIE Territories (consisting of approximately 125,000 households each) / Total Number of Reporting Franchisees | Total Number of Appointments for the System (not including Excluded Orders) | Total Number of Closed Orders for the System Resulting from Appointments (not including Excluded Orders) | Percentage of Appointments Resulting in a Closed Order (not including Excluded Orders) | Number and Percent of Reporting Franchisees that Achieved or Exceeded the Stated Percentage of Closed Appointments |
| All Reporting Franchisees for all of 2024 that had orders that were not Excluded Orders | 254 / 50 | 13,040 | 6,992 | 53% | 28 / 56% |

Notes for chart above:

1. "Reporting Franchisee" refers to an individual or entity that is our franchisee that operated at least one SHELFGENIE Business for the entire applicable year. As shown by the list of our current franchisees in Exhibit F-1 of this Disclosure Document, several of our Franchisees own and operate multiple SHELFGENIE Businesses which are typically for territories that share common borders in the same region. If a franchisee operates multiple SHELFGENIE Businesses in the same metropolitan area (each a "Market"), such franchisee is counted in the definition of Reporting Franchisees only once for such Market, and if a franchisee operates SHELFGENIE Businesses in multiple Markets, such franchisee is counted in the definition of Reporting Franchisee once for each such Market. The chart reflects Franchisees that were open for the entire Reporting Period. However, for some Franchisees with multiple Businesses/ territories, some of the multiple businesses or territories may not have been open for the entire Reporting Period. A SHELFGENIE Business did not have to be in operation by the applicable Franchisee for the entire Reporting Period to be included in the chart.

2. The "Percentage of Appointments Resulting in a Closed Order" was calculated by dividing the total number of Closed Orders for the System during the Reporting Period by the total number of Appointments for the System during the Reporting Period (whether or not the Appointment was booked by the call center) and multiplying the result by 100. In calculating the Percentage of Appointments Resulting in a Closed Order, we did not include Excluded Orders.

3. An "Appointment" is viewed as an initial meeting at a customer's home or business where the work will be performed. A "Closed Order" is an order where a Franchisee reported a sale to a customer. A Closed Order may involve more than one meeting with the same customer to close the sale.

4. In the event of a new order by a customer, the new order is treated as an additional Closed Order with an additional Appointment.

5. The information is based on data reported by Franchisees for their SHELFGENIE Businesses.

6. We do not have access to data related to any referral appointments or self-generated appointments ("Referral Leads") that do not result in a Closed Order. We do not require franchisees to track Referral Leads or provide to us information on Referral Leads that do not result in Closed Orders.

7. The information in the above chart for the Reporting Period is based on data from 50 Reporting Franchisees that had at least one SHELFGENIE Business open and operating for the entire Reporting Period (operating a total of 254 franchise territories of 125,000 households each). A SHELFGENIE Business did not have to be in operation by the applicable Franchisee for the entire Reporting Period to be included in the chart.

**2024 FRANCHISEE GROSS SALES, COST OF GOODS SOLD, GROSS MARGIN, AND ANNUAL REBATE AMOUNT**

Included in the chart below is data for the Reporting Period for 50 Franchisees who owned and operated a total of 254 SHELFGENIE Businesses during the Reporting Period. If a franchisee operates multiple SHELFGENIE Businesses in the same metropolitan area (each a "Market"), such franchisee is counted in the definition of Franchisees only once for such Market, and if a franchisee operates SHELFGENIE Businesses in multiple Markets, such franchisee is counted in the definition of Franchisee once for each such Market.

| Franchisee (Identified based on its Market(s)) | # of Territories | Year 1st Territory Opened | Gross Sales | Gross Sales Per Territory | Cost of Goods Sold (COGS) | Gross Margin | Annual Rebate |
|---|---|---|---|---|---|---|---|
| Fort Myers/Naples | 3 | 2016 | $1,655,622 | $551,874 | $450,721 | 72.8% | $0 |
| Wilmington/Myrtle Beach | 2 | 2018 | $1,006,400 | $503,200 | $287,765 | 71.4% | $5,548 |
| Raleigh | 7 | 2023 | $2,186,120 | $312,303 | $585,198 | 73.2% | $42,583 |
| San Antonio | 3 | 2009 | $931,770 | $310,590 | $252,675 | 72.9% | $9,088 |
| Midsouth/Memphis | 2 | 2020 | $566,706 | $283,353 | $153,786 | 72.9% | $0 |
| Savannah | 2 | 2019 | $557,318 | $278,659 | $135,837 | 75.6% | $0 |
| Omaha | 2 | 2014 | $529,788 | $264,894 | $130,982 | 75.3% | $0 |
| Seattle | 14 | 2010 | $3,664,083 | $261,720 | $879,760 | 76.0% | $83,376 |
| West Palm Beach | 7 | 2011 | $1,682,928 | $240,418 | $473,911 | 71.8% | $0 |
| Indianapolis | 4 | 2018 | $896,924 | $224,231 | $257,884 | 71.2% | $0 |
| West Phoenix | 2 | 2023 | $443,210 | $221,605 | $143,972 | 67.5% | $2,445 |
| Columbus | 4 | 2011 | $791,025 | $197,756 | $225,708 | 71.5% | $2,256 |
| Charleston | 2 | 2019 | $394,776 | $197,388 | $98,488 | 75.1% | $0 |
| North Florida | 1 | 2020 | $192,160 | $192,160 | $62,950 | 67.2% | $0 |
| Treasure Valley | 2 | 2019 | $377,625 | $188,813 | $98,803 | 73.8% | $0 |

| Franchisee (Identified based on its Market(s)) | # of Territories | Year 1st Territory Opened | Gross Sales | Gross Sales Per Territory | Cost of Goods Sold (COGS) | Gross Margin | Annual Rebate |
|---|---|---|---|---|---|---|---|
| Jacksonville | 7 | 2019 | $1,285,029 | $183,576 | $305,033 | 76.3% | $0 |
| Sarasota/Greater Tampa | 9 | 2011 | $1,599,487 | $177,721 | $376,483 | 76.5% | $15,832 |
| Richmond | 8 | 2019 | $1,399,614 | $174,952 | $377,323 | 73.0% | $10,750 |
| Idaho Falls | 1 | 2023 | $164,832 | $164,832 | $50,903 | 69.1% | $0 |
| Greenville | 3 | 2022 | $491,712 | $163,904 | $129,584 | 73.6% | $0 |
| East Tennessee | 4 | 2017 | $575,868 | $143,967 | $173,972 | 69.8% | $0 |
| Cincinnati | 8 | 2020 | $1,026,744 | $128,343 | $301,599 | 70.6% | $10,372 |
| Frederick and Leesburg | 2 | 2023 | $244,868 | $122,434 | $71,314 | 70.9% | $0 |
| Winston/Salem | 2 | 2021 | $233,740 | $116,870 | $55,160 | 76.4% | $0 |
| Atlanta | 10 | 2010 | $1,156,834 | $115,683 | $325,555 | 71.9% | $8,213 |
| Portland | 6 | 2012 | $685,304 | $114,217 | $184,845 | 73.0% | $2,614 |
| Baltimore West | 5 | 2021 | $533,301 | $106,660 | $151,257 | 71.6% | $0 |
| Mesa | 3 | 2023 | $310,612 | $103,537 | $77,384 | 75.1% | $0 |
| Orlando | 6 | 2021 | $599,313 | $99,886 | $143,764 | 76.0% | $0 |
| Norwalk | 8 | 2009 | $769,692 | $96,212 | $187,953 | 75.6% | $2,448 |
| Kansas City | 5 | 2014 | $475,009 | $95,002 | $119,503 | 74.8% | $0 |
| Metro DC | 5 | 2020 | $468,999 | $93,800 | $131,154 | 72.0% | $0 |
| Quad Cities and Iowa City | 3 | 2022 | $268,730 | $89,577 | $64,896 | 75.9% | $0 |
| Cleveland | 8 | 2019 | $678,382 | $84,798 | $160,935 | 76.3% | $2,525 |
| Farmington Hills | 4 | 2023 | $333,735 | $83,434 | $83,393 | 75.0% | $0 |
| Milwaukee | 6 | 2018 | $488,157 | $81,360 | $114,525 | 76.5% | $0 |
| San Marcos | 4 | 2023 | $324,170 | $81,043 | $95,122 | 70.7% | $0 |
| Annapolis | 3 | 2021 | $238,896 | $79,632 | $70,479 | 70.5% | $0 |
| Austin | 6 | 2018 | $477,312 | $79,552 | $139,435 | 70.8% | $0 |
| Nashville/Huntsville | 6 | 2009 | $469,751 | $78,292 | $145,305 | 69.1% | $0 |
| Charlotte | 6 | 2022 | $458,062 | $76,344 | $130,366 | 71.5% | $0 |
| Chicago West | 4 | 2022 | $303,474 | $75,869 | $74,708 | 75.4% | $0 |
| Chicago North | 8 | 2015 | $596,088 | $74,511 | $144,149 | 75.8% | $0 |
| Massachusetts | 12 | 2010 | $861,883 | $71,824 | $207,776 | 75.9% | $2,040 |
| Philly | 4 | 2018 | $258,177 | $64,544 | $64,642 | 75.0% | $0 |

| Franchisee (Identified based on its Market(s)) | # of Territories | Year 1st Territory Opened | Gross Sales | Gross Sales Per Territory | Cost of Goods Sold (COGS) | Gross Margin | Annual Rebate |
|---|---|---|---|---|---|---|---|
| Dallas | 6 | 2020 | $384,540 | $64,090 | $122,218 | 68.2% | $0 |
| Houston | 16 | 2018 | $973,284 | $60,830 | $245,397 | 74.8% | $2,207 |
| Boulder - Denver North | 3 | 2023 | $174,468 | $58,156 | $47,352 | 72.9% | $0 |
| Detroit Northeast | 4 | 2020 | $172,860 | $43,215 | $44,822 | 74.1% | $0 |
| West Brooklyn | 2 | 2022 | $28,048 | $14,024 | $8,675 | 69.1% | $0 |

<u>Notes for the above chart</u>:

1. Cost of Goods Sold ("COGS") means the cost of the Core Products (e.g., shelving, cabinets, etc.) sold by the franchisee to the customer as well as freight costs. COGS does not include (i) miscellaneous items like clips, spacers and other supplies that may be necessary to install the Core Products, (ii) insurance, shipping or freight on boxed (non-palletized) orders, and delivery charges for the Core Products, and (iii) any sales tax, use tax or other taxes that may be due in connection with franchisee purchases of Core Products.

2. COGS does not include any additional manufacturing rebates that Manufacturing may have offered during the Reporting Period.

3. The term "Gross Sales" includes the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of or in connection with a SHELFGENIE business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing. Gross Sales also exclude sales from any Excluded Services (as defined in a mutually executed Excluded Services Addendum).

4. "Gross Sales Per Territory" were calculated by taking the total Gross Sales number for the applicable Market (as defined in the above table) and dividing the number by the number of territories included in the Market.

5. "Gross Margin" is the proportion, expressed as a percentage, that each Franchisee's total Gross Sales, as defined in Note 3 above, excluding COGS, represents in relation to each Franchisee's total Gross Sales before deducting COGS.

6. The Rebate amounts included in the above chart are rebates that Franchisees received during the Reporting Period from Manufacturing based on purchases the Franchisees made from Manufacturing. Rebates begin only after a Franchisee meets a minimum quarterly purchase threshold, imposed per franchised business.

7. Each territory for purposes of the above table includes approximately 125,000 houses or households. The table is broken up by Market (defined above) (or portion thereof if multiple Franchisees operate within a single Market), such that there may be some Franchisees represented more than once if they operate in multiple separate Markets.

* * *

**Some have sold 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 outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Anthony Wayne Ditzler, 1010 North University Parks Drive, Waco, Texas 76707, (PH) (205) 623-4398, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1**
**Systemwide Outlet Summary**
**For Years 2022 to 2024**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2022 | 227 | 227 | 0 |
| | 2023 | 227 | 255 | +28 |
| | 2024 | 255 | 261 | 6 |
| Company-Owned** | 2022 | 16 | 13 | -3 |
| | 2023 | 13 | 16 | +3 |
| | 2024 | 16 | 20 | 4 |
| Total Outlets | 2022 | 243 | 240 | -3 |
| | 2023 | 240 | 271 | +31 |
| | 2024 | 271 | 281 | 10 |

*In 2019, we reduced the standard territory size that we granted to franchisees under each Franchise Agreement from 250,000 households to 125,000 households (for the Executive franchise model) or 75,000 households (for the Owner/Operator franchise model). Therefore, franchisees renewing their franchise in 2022 - 2024 may have executed multiple renewal franchise agreements in lieu of their expired franchise agreement even though their total territory size did not change as a result of the renewal. The franchised outlet counts in Table 1 and Table 3 were not adjusted for these situations where a renewing franchisee retained the same overall territory size but executed more renewal franchise agreements upon renewal. Therefore, in this Item 20, the franchised outlets may differ in size of their territory, ranging from a territory size of 125,000 households to a territory size of 250,000 households for the Executive franchise model, or a territory size of 75,000 households for the Owner/Operator franchise model.

**Company-owned outlets are owned by one of our affiliates and have not signed franchise agreements. Starting in fiscal year 2014, company-owned outlets began to pay License Fees and MAP Fees.

**TABLE NO. 2**
**Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For years 2022 to 2024**

| State | Year | Number of Transfers |
|---|---|---|
| Florida | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| Georgia | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| Massachusetts | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 12 |
| Maryland | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |
| New York | 2022 | 1 |
| | 2023 | 0 |
| | 2024 | 0 |
| North Carolina | 2022 | 6 |
| | 2023 | 5 |
| | 2024 | 0 |
| Pennsylvania | 2022 | 0 |
| | 2023 | 2 |
| | 2024 | 0 |
| Texas | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 3 |
| Washington | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 12 |
| **Total** | **2022** | **7** |
| | **2023** | **8** |
| | **2024** | **29** |

**TABLE NO. 3**
**Status of Franchised Outlets**
**For years 2022 to 2024**

| State | Year | Outlets at Start of Year | Outlets Opened [1] | Termina - tions[2] | Non-Renewals | Reacquired by Franchisor[3] | Ceased Opera-tions-Other Reasons[4] | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Arizona | 2022 | 11 | 0 | 8 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 5 | 3 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| California | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Colorado | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 3 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| Connecticut | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| Florida | 2022 | 34 | 0 | 0 | 0 | 0 | 0 | 34 |
| | 2023 | 34 | 1 | 0 | 0 | 0 | 0 | 35 |
| | 2024 | 35 | 0 | 5 | 0 | 0 | 0 | 30 |
| Georgia | 2022 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2023 | 13 | 1 | 0 | 0 | 0 | 0 | 14 |
| | 2024 | 14 | 1 | 3 | 0 | 0 | 0 | 12 |
| Idaho | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Illinois | 2022 | 12 | 5 | 0 | 0 | 4 | 0 | 13 |
| | 2023 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2024 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| Indiana | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 0 | 3 | 0 | 0 | 0 | 4 |

| State | Year | Outlets at Start of Year | Outlets Opened [1] | Termina-tions [2] | Non-Renewals | Reacquired by Franchisor [3] | Ceased Opera-tions-Other Reasons [4] | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Iowa | 2022 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 2 | 0 | 0 | 0 | 2 |
| Kansas | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Kentucky | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 5 | 0 | 0 | 0 | 0 | 5 |
| Maryland | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| Massachusetts | 2022 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2023 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2024 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| Michigan | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 4 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Minnesota | 2022 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2023 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 8 | 0 | 0 | 0 | 0 |
| Missouri | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Nebraska | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Jersey | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 2022 | 5 | 1 | 1 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |

| State | Year | Outlets at Start of Year | Outlets Opened[1] | Termina-tions[2] | Non-Renewals | Reacquired by Franchisor[3] | Ceased Opera-tions-Other Reasons[4] | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| North Carolina | 2022 | 14 | 0 | 0 | 0 | 0 | 0 | 14 |
| | 2023 | 14 | 2 | 0 | 0 | 0 | 0 | 16 |
| | 2024 | 16 | 1 | 0 | 0 | 0 | 1[A] | 16 |
| Ohio | 2022 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| | 2023 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| | 2024 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| Oklahoma | 2022 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 2 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oregon | 2022 | 3 | 3 | 0 | 0 | 0 | 0 | 6 |
| | 2023 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2024 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Pennsylvania | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 2 | 1 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| South Carolina | 2022 | 2 | 3 | 0 | 0 | 0 | 0 | 5 |
| | 2023 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 4[A] | 0 | 0 | 0 | 0 | 9 |
| Tennessee | 2022 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2023 | 8 | 2 | 0 | 0 | 0 | 0 | 10 |
| | 2024 | 10 | 0 | 0 | 0 | 0 | 0 | 10 |
| Texas | 2022 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| | 2023 | 19 | 15 | 2 | 1 | 0 | 0 | 31 |
| | 2024 | 31 | 0 | 0 | 0 | 0 | 0 | 31 |
| Utah | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 3 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia | 2022 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2023 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2024 | 13 | 1 | 0 | 0 | 0 | 0 | 14 |
| Washington | 2022 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2023 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2024 | 12 | 2 | 0 | 0 | 0 | 0 | 14 |

| State | Year | Outlets at Start of Year | Outlets Opened [1] | Termina - tions[2] | Non-Renewals | Reacquired by Franchisor[3] | Ceased Opera-tions-Other Reasons[4] | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Wisconsin | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 3 | 0 | 0 | 0 | 0 | 6 |
| | 2024 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Wyoming | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Totals** | **2022** | **227** | **14** | **9** | **1** | **4** | **0** | **227** |
| | **2023** | **227** | **44** | **15** | **1** | **0** | **0** | **255** |
| | **2024** | **255** | **28** | **21** | **0** | **0** | **1** | **261** |

[A] In 2024, one franchised unit was relocated from North Carolina to South Carolina.

[1] "Outlets opened" does not include outlets for which a franchise agreement was signed but the outlet was not open as of the end of our last fiscal year.

[2] "Termination" means the Franchisor's termination of a franchise agreement prior to the end of its term and without paying any money or other compensation to the franchisee. Mutual terminations, where both the Franchisor and franchisee agree to end the franchise relationship, are also included in terminations listed above.

[3] For purposes of these tables, a "reacquisition" means Franchisor's acquisition of a franchised outlet during its term in exchange for a payment of money or other compensation. Franchisor's purchase of a territory or a portion of a territory not including an operating outlet is not included in the "reacquisitions" listed above.

[4] "Ceased operations – other reasons" includes abandonment of the franchise outlet after an existing outlet was opened. If no outlet was opened and there was no termination of the franchise agreement, the "abandonment" would not be included in the "ceased operations" column. Also included in "Ceased operations – other reasons" are outlets where the franchise agreement was terminated and the territory was added to an existing franchise outlet or a franchisee in another state.

**TABLE NO. 4**
**Status of Company-Owned Outlets**
**For years 2022 to 2024**

| State | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Alabama | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 2 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 1 | 0 | 0 | 0 | 4 |
| Georgia | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 3 | 0 | 0 | 0 | 3 |
| Illinois | 2022 | 8 | 0 | 4 | 0 | 4 | 8 |
| | 2023 | 8 | 4 | 0 | 5 | 0 | 7 |
| | 2024 | 7 | 0 | 0 | 0 | 0 | 7 |
| Pennsylvania | 2022 | 3 | 0 | 0 | 3 | 0 | 0 |
| | 2023 | 0 | 2 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 1 | 0 | 1 |
| Utah | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 5 | 0 | 0 | 0 | 5 |
| | 2024 | 5 | 0 | 0 | 0 | 0 | 5 |
| **Totals** | **2022** | **16** | **0** | **4** | **3** | **4** | **13** |
| | **2023** | **13** | **11** | **0** | **7** | **0** | **17** |
| | **2024** | **17** | **4** | **0** | **1** | **0** | **20** |

**TABLE NO. 5**
**Projected Openings**
**As of December 31, 2024**

| State | Franchise Agreement Signed But Outlet Not Opened | Projected New Franchised Outlet In The Next Fiscal Year | Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| California | 0 | 1 | 1 |
| Massachusetts | 0 | 1 | 1 |
| New Jersey | 0 | 1 | 1 |
| Oklahoma | 0 | 1 | 1 |

| State | Franchise Agreement Signed But Outlet Not Opened | Projected New Franchised Outlet In The Next Fiscal Year | Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| Pennsylvania | 0 | 1 | 1 |
| Texas | 0 | 1 | 1 |
| Utah | 4 | 1 | 5 |
| Washington | 0 | 1 | 1 |
| **TOTAL** | **4** | **8** | **12** |

Exhibit E-1 contains the names of current franchisees and the addresses and telephone numbers of their outlets as of December 31, 2024.

Exhibit E-2 contains the names, address and telephone number of current franchisees that have not opened as of December 31, 2024.

Exhibit F contains the name, city and state and the current business telephone number (or, if unknown the last known home telephone number) of franchisees who had an outlet terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed fiscal year or who have not communicated with us in the 10 weeks prior to the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During our last three fiscal years some current or former franchisees signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Our Advisory Council was created by Predecessor and is sponsored by us and has our business address, email address and phone number listed on the cover page of this disclosure document. There are no other trademark-specific franchisee organizations associated with the franchise that have asked to be included in this disclosure document.

## ITEM 21

## FINANCIAL STATEMENTS

Included as Exhibit C are the following audited combined financial statements of Neighborly Assetco LLC, our direct parent: (a) audited combined financial statements as of and for the year ended December 31, 2022, (b) audited combined financial statements as of and for the year ended December 31, 2023, and (c) audited combined financial statements as of and for the year ended December 31, 2024.

Neighborly Assetco LLC guarantees our performance under the Franchise Agreement. A copy of the Parent guaranty is included in Exhibit D.

As reflected in Item 1, Manager (i.e., Neighborly Company) will be providing required support and services to franchisees under a management agreement with us. Attached in Exhibit C are the audited consolidated financial statements of Manager (a) as of and for the year ended December 31, 2024, (b) as of and for the year ended December 31, 2023, and (c) as of and for the year ended December 31, 2022. These financial statements are being provided for disclosure purposes only. Manager is not a party to the Franchise Agreement we sign with franchisees nor does it guarantee our obligations under the Franchise Agreement we sign with franchisees.

## ITEM 22

## CONTRACTS

| | | |
|---|---|---|
| EXHIBIT A - | Franchise Agreement and Schedules: | |
| | Schedule A. | Data Sheet |
| | Schedule B. | ACH Form |
| | Schedule C. | Personal Guarantee |
| | Schedule D. | Acknowledgement Addendum |
| | Schedule E. | Telephone Number and Internet Agreement |
| | Schedule F. | Confidentiality Agreement |
| | Schedule G. | Promissory Note and Security Agreement |
| | Schedule H. | Manufacturing Agreement |
| | Schedule I. | Territory Available For Sale Amendment to Franchise Agreement |
| | Schedule J. | Excluded Services Addendum |
| | Schedule K. | State Addendum |

| | |
|---|---|
| EXHIBIT G | Development Agreement and Schedules:<br>Schedule A: Development Area<br>Schedule B: Development Schedule<br>Schedule C: Personal Guarantee |
| EXHIBIT H | Renewal Addendum |
| EXHIBIT I | General Release [sample] |
| EXHIBIT J | ProTradeNet Agreement |
| EXHIBIT K | WishPortal Software License Agreement |
| EXHIBIT L | Assignment and Consent Agreement |
| EXHIBIT M | Call Center Program Agreement |
| EXHIBIT N | State Addenda and Riders to Franchise Agreement |

## ITEM 23

## RECEIPTS

**Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.**

## EXHIBIT A

## SHELFGENIE SPV LLC
## FRANCHISE AGREEMENT

RECEIPT FOR FRANCHISE AGREEMENT

The undersigned hereby acknowledges and agrees that on the date below, they received a FRANCHISE AGREEMENT for a SHELFGENIE® franchised business including all applicable exhibits with all information completed in a form ready to execute.

______________________________ ______________________________
Date Signature

______________________________ ______________________________
Date Signature

# SHELFGENIE® FRANCHISE AGREEMENT

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SHELFGENIE® FRANCHISE AGREEMENT

## FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made as of the Effective Date by and between ShelfGenie SPV LLC, a Delaware limited liability company with its principal business located at 1010 North University Parks Drive, Waco, Texas 76707 ("we", "us" or "Franchisor"), and the person or entity (the "Franchisee" or "you") identified as Franchisee on the Data Sheet attached as Schedule A (together with addenda attached thereto, the "Data Sheet"). If the Franchisee is a corporation, partnership, limited liability company or other legal entity, the provisions of this Agreement also apply to its owners.

## RECITALS

A. We have developed a system for establishing and operating businesses identified by the Marks (as defined below) and engaged in design, sale and installation of customized solutions for new and existing cabinets, pantries and other structures for residential and commercial customers, pursuant to certain standards and specifications (each, a "SHELFGENIE Business").

B. We own the SHELFGENIE service mark and other marks, as well as other Intellectual Property (as defined below) used in connection with the operation of a SHELFGENIE Business.

C. You desire to develop and operate a SHELFGENIE Business, and we have agreed to grant you a franchise to operate a SHELFGENIE Business subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the promises and consideration below, you and we agree as follows:

## DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions (other terms are defined in the body of this Agreement):

A. "Business" means the SHELFGENIE Business you develop and operate pursuant to this Agreement.

B. "Confidential Information" means any proprietary and non-public information, data, Intellectual Property, materials and know-how relating to the development or operation of SHELFGENIE Businesses, whether contained in the Operations Manual or otherwise, including, but not limited to: (1) training programs and materials; (2) databases of customers and potential customers, including Customer Information; (3) sales and marketing programs and techniques for SHELFGENIE Businesses; (4) knowledge of operating systems of SHELFGENIE Businesses; and (5) computer systems, technology and software programs.

C. "Customer" means any person or entity (1) included on any marketing or customer lists you develop or use, including any such lists provided by us to you; (2) who has purchased or purchases products or services from you during the term (even if you have solicited the person and/or established a relationship independent of us and without our assistance) or whom you have solicited to purchase any products or services; (3) for whom you provide products or services on our behalf or at our direction; and (4) if any of the foregoing is an entity, all employees of such entity.

D. "Customer Information" means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any Customer, including any personal information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular individual or household.

E. "Effective Date" means the date designated as Effective Date on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement.

F. "Executive Franchise Business" means the Business operated under this Agreement and the business operated under any other franchise agreement executed by you and us simultaneously herewith for adjacent territories under an Executive franchise grant, as determined by us.

G. "Franchise Location" is the premises that are located within the Territory, that meet our site selection guidelines and criteria and from which you will operate your Business.

H. "Gross Sales" include the total revenues and receipts from whatever source (whether in the form of cash, credit, agreement to pay, barter, trade or other consideration) that arise, directly or indirectly, from the operation of or in connection with your Business whether under any of the Marks or otherwise. Gross Sales exclude sales taxes collected from Customers and paid to the appropriate taxing authority and any other bona fide refunds, rebates or discounts that we authorize in writing. Gross Sales also exclude sales from any Excluded Services (as defined in a mutually executed Excluded Services Addendum (attached as Schedule J hereto)).

I. "Intellectual Property" means patents, rights to inventions, copyright and related rights, the Marks, business names, domain names, social media accounts identifiers (and all related content and programming, and related security codes and passwords), rights in goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, confidential information (including know-how), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection that subsist or will subsist now or in the future in any part of the world relating to the SHELFGENIE Business and the System, owned by us and acquired by us from time to time.

J. "Internet" means all communications between computers and television, telephone, facsimile and any other communication or communication capable devices and another such device or machine, including the World Wide Web, proprietary online services, social media platforms, blogs, E-mail, news groups and electronic bulletin boards and forums.

K. "Key Accounts" means national, regional or other customers of ShelfGenie Businesses located within and/or outside the Territory with whom we have entered or plan to enter into contracts, programs or other arrangements (i) for servicing of multiple locations of such customers and/or (ii) that we determine are designed to benefit the System as a whole by gaining otherwise unavailable business or addressing the concerns of such customers that may require specific terms or provisions of our arrangement with them, including without limitation special insurance, experience, equipment, pricing, payment terms, turnaround requirements, or approvals.

L. "Marks" means the "SHELFGENIE" service mark and logo, the "neighborly" service mark and logo, and such other trade names, trademarks, service marks, trade dress, logos, social media indicators, social media handles, and commercial symbols as we may from time to time expressly authorize or direct you, in writing, to use in connection with the operation of the Business.

M. "Operations Manual" means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for operating SHELFGENIE Businesses, all of which we may change from time to time. The term "Operations Manual" includes all means of communicating such information, regardless of format.

N. "Principal Owner" means any person or entity who, now or hereafter, directly or indirectly, owns a 5% or greater interest in the franchisee when the franchisee is a corporation, limited liability company, partnership, or other entity. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 5% interest in the franchisee, we have the right to designate that person or entity as a Principal Owner for all purposes under this Agreement. In addition, if the franchisee is a partnership entity, then each person or entity who, now or hereafter is or becomes a general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one Principal Owner. Your Principal Owner(s) are identified in the Data Sheet in Schedule A to this Agreement. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

O. "System" means our operating systems, marketing systems, business techniques, and methods, processes, policies and procedures for offering, selling and performing services and products and accessories customized and built around homeowners' and business owners' needs for moving shelving, drawers storage, and organization systems for cabinets, closets, garages, or other structures, along with items of trade dress, sales, leadership and management training for the development and operation of ShelfGenie Businesses, including all training materials; all as the same may exist today or as the same may change from time to time, as specified in the Operations Manual or as otherwise reasonably directed by us from time to time.

P. "Territory" means, individually, each area/territory of approximately 125,000 households identified as a Territory on the Data Sheet, and, collectively, all of the areas/territories identified under the definition of Territory in the Data Sheet. For avoidance of doubt, each area/territory of approximately 125,000 households separately identified within the definition of Territory on the Data Sheet shall be considered a separate Territory hereunder. If the Territory is not designated at the time you and we sign this Agreement, we will notify you of the Territory within 30 days of the Effective Date. To the extent any portion of the Territory includes an area designated as an Indian Reserve, a governmental territory or other territory that may have separate or additional laws, regulations or other requirements for performing work in such territory, you are granted such territory only to the extent and for so long as you are qualified under such separate or additional requirements to perform work in such territory; knowledge of and compliance with such requirements being your sole responsibility.

## GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Rights Granted. Subject to the terms and conditions of this Agreement, we hereby grant you the right and license to engage in and conduct, in the Territory, during the term of this Agreement, a SHELFGENIE Business identified by the Marks.

You hereby accept said license and undertake the obligation to operate your Business faithfully, honestly and diligently, using the System and in compliance with this Agreement and our standards and requirements. You may not subfranchise, sublicense, assign or transfer your rights under this Agreement, except as specifically provided in this Agreement. You undertake the obligation to develop and service Customers throughout the Territory.

B. Rights to Territory. During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Territory without your written permission, subject to your compliance with the Minimum Performance Standards set forth in Section 5.R, or (ii) subject to our reservation of rights set forth in Section 2C, establish either a company- or affiliate-owned or franchised SHELFGENIE Business geographically located within the Territory.

You may not advertise or solicit customers, perform services or sell products related to the Business outside the Territory without our prior written consent, which consent we may give, condition or withdraw as we deem appropriate. If you receive a request for services or products from outside the Territory, you must refer that request to the franchisee, if any, that owns the applicable territory, or seek our written permission to process such a request.

If we permit you to advertise, solicit, service or sell in areas outside the Territory that are not serviced by another franchisee (each, a “Territory Available for Sale” or “TAFS”), you must enter into the Territory Available for Sale Amendment attached as Schedule I to this Agreement and comply with all of the conditions and other requirements that we may from time to time specify (in the Outside Assigned Territory Amendment, the Operations Manual or otherwise in writing) with respect to such activities. At any time upon our demand or upon your actual notice that a TAFS has been purchased by another franchisee, you agree to immediately cease all activities in such TAFS and to comply with our procedures for the transition of Customer accounts for such TAFS.

C. Our Reservation of Rights. Except as expressly limited by Section 2.B, we and our affiliates may engage in any activity whatsoever on any terms and conditions we deem advisable whenever and wherever we or they desire. We and our affiliates retain all rights whatsoever not expressly granted herein, including, but not limited to:

(i) the right to establish and operate, and to grant to others the right to establish and operate similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory (A) under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate or (B) under the Marks, but if inside the Territory, then only pursuant to programs set forth in the Operations Manual;

(ii) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those provided at the Franchise Location hereunder, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including internet or similar electronic media) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(iii) the right to establish and operate, and to grant to others the right to establish and operate businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(iv) the right to establish and operate, and to grant others the right to establish and operate a SHELFGENIE Business located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of their proximity to the Franchise Location or their actual or threatened impact on sales at the Franchise Location;

(v) (a) the right, directly or through an authorized third party (including, another franchisee), to advertise, solicit, enter into contracts with and service Key Accounts in any area, including in the Territory, upon such terms as we negotiate from time to time; or (b) further, if (i) you refuse or, in our sole judgment, are not qualified, interested or available to perform services or otherwise cannot or do not perform services for any customer located within the Territory, including a Key Account, (ii) you request assistance in the performance of services to a customer, or (iii) a customer, orally or in writing, specifically requests services within the Territory from a different franchisee or another third party, we have the right to authorize another franchisee (or designate or authorize a corporate employee or any other third party) to perform services for or sell products to the applicable customers inside the Territory. You agree that you will not be entitled to any compensation for sales or services performed inside the Territory by someone other than you as contemplated under this paragraph;

(vi) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Business, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

(vii) the right to be acquired (in whole or in part and regardless of the form of transaction), by a business providing products and services similar to those provided at the Business, or by another business, even if such business operates, franchises and/or licenses a business(es) that competes with you in the Territory.

## TRADEMARK STANDARDS AND REQUIREMENTS

3. We hereby grant you the right to use the Marks in connection with the operation of the Business hereunder, subject to the following terms and conditions:

A. Mark Ownership. The Marks are our and/or our affiliates' valuable property, and we and/or our affiliate(s) are the sole and exclusive owner of all right, title and interest in and to the Marks and all past, present or future goodwill of the Business and of the business conducted that is associated with or attributable to the Marks. Your use of the Marks will inure to our benefit.

You may not, during or after the term of this Agreement, engage, directly or indirectly, in any conduct that would infringe upon, harm, contest or otherwise interfere with our or our affiliates' rights in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media. You agree that you will not grant or attempt to grant a security interest in, or otherwise encumber, the Marks or record any such security interest or encumbrance against any application or registration regarding the Marks in the United States Patent and Trademark Office or elsewhere.

B. Use of Marks. You may not use, or permit the use of, any trademarks, trade names, logos, service marks or any other names or marks in connection with the Business except those we authorize or direct in writing. You may use the Marks only in the form and manner we prescribe in writing and only in connection with the products and services that we specify and that meet our standards and requirements with respect to quality, production, installation and sale. You must strictly comply with all trademark, trade name and service mark notice marking requirements and other brand usage guidelines that we may provide from time to time.

C. Business Identification. You must use the name SHELFGENIE and the city, county or region we designate for you as the trade name of the Business (e.g., ShelfGenie of Virginia Beach), and you must obtain and maintain corresponding fictitious or assumed name registration as required under applicable laws in the jurisdiction in which your Business is located and provide us with evidence of the same prior to opening for business. You may not use the words "SHELFGENIE" or any other Mark as part of the name of your corporation, partnership, limited liability company or other business entity. You may not use any other mark or words to identify the Business without our prior written consent. You may not change your legal entity name, trade name, or fictitious or assumed name without our prior written consent. You may use the Marks on various materials associated with the Business, such as business cards, stationery and checks; provided that you (i) accurately depict the Marks on the materials as we direct, (ii) use the Marks in accordance with all of our trademark usage and branding standards, (iii) include a statement on the materials indicating that the Business is independently owned and operated by you, (iv) do not use the Marks in connection with any other trademarks, trade names, logos, service marks or any other names or marks unless we specifically approve in writing prior to such use, and (v) make available to us, upon our request, a copy of any materials depicting the Marks. You must put Customers on notice (by language in your contracts) identifying you as a SHELFGENIE franchisee in a format we deem acceptable, including an acknowledgment that you independently own and operate the Business.

D. Litigation. If any person or entity improperly uses or infringes the Marks or challenges your use or our use or ownership of or the validity of the Marks, we will control all litigation and other proceedings and we have the right to determine whether suit or other proceeding will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you become aware or any challenge or claim arising out of your use of any Mark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses incurred in connection with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement, in which case you must pay us for our costs and expenses including our attorney's fees.

Provided that you are using the Marks in compliance with the terms of this Agreement, we will defend, at our own expense, any action against you brought by a third party alleging that any of the Marks infringes any U.S. trademark of a third party, and we will pay those costs and damages finally awarded against you in any such action that are specifically attributable to such claim or those costs and damages agreed to in a monetary settlement of such action. The foregoing obligations are conditioned on you: (i) notifying us promptly in writing of such action; (ii) giving us sole control of the defense thereof and any related settlement negotiations; and (iii) cooperating and, at our request and expense, assisting in such defense.

E. Changes. Unless we direct you so in writing, you may not make any changes or substitutions to the Marks. We reserve the right to change the Marks at any time and you must comply with any such changes within the time frames we specify.

F. Creative Works. All ideas, business ventures, concepts, inventions, techniques, or materials concerning a SHELFGENIE Business, whether or not protectable Intellectual Property and whether created by or for you or one of your owners or employees, must be promptly disclosed to us and will be deemed to be solely and exclusively our property, part of the System, and "works made-for-hire," as the phrase is defined in the Copyright Act of 1976 (17 U.S.C. 101 et seq.), for us. To the extent any item does not qualify as a "work made-for-hire" for us, by operation of law or otherwise, you agree to assign and hereby irrevocably assign, for no additional consideration, ownership of that item, and all related rights to that item, to us, our successors and assigns, including without limitation, the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world and agree to take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item. Notwithstanding anything to the contrary, neither the expiration nor the termination of this Agreement shall affect our ownership of the items herein or alter any of our rights or privileges hereunder.

## TERM AND RENEWAL

4. The following provisions control with respect to the term and renewal of this Agreement:

A. Term. The initial term of this Agreement commences on the Effective Date and expires on the 5-year anniversary of the Effective Date, unless terminated earlier as provided herein.

B. Renewal Term and Conditions of Renewal. You may renew your license for one renewal term of 5 years; provided that: (i) you have given us written notice of your request to renew at least 180 days but not more than 240 days prior to the end of the expiring term; (ii) you sign our then-current form of franchise agreement (modified to reflect that the agreement relates to the grant of a renewal), the terms of which may differ from this Agreement, including higher fees; (iii) you are not in default of this Agreement or any other agreement pertaining to the franchise granted, have satisfied all monetary and other material obligations on a timely basis during the term, are in good standing, have received no more than 2 written notices of default during the term of this Agreement, and have not failed to meet the Minimum Performance Standards for any two calendar years (or two measurement periods, as applicable) during the term; (iv) you comply with our then-current training requirements; (v) you and your guarantors execute a general release of claims in a form we prescribe; (vi) you pay a renewal fee in the amount set forth in the Data Sheet and (vii) if the Business operated under this Agreement is part of an Executive Franchise Business, you must simultaneously renew all other Franchise Agreements previously simultaneously executed for adjacent territories that constitute the applicable Executive Franchise Business.

C. Interim Period. If this Agreement expires without you properly exercising your renewal right and you continue to accept the benefits of this Agreement thereafter, then, at our option, we may treat this Agreement either as (i) expired as of the date of expiration, with you then illegally operating a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Period") until both parties agree to enter into our then-current form of franchise agreement for a renewal term or until one party provides the other with written notice of termination, in which case the Interim Period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, except that the License Fee during the Interim Period will be increased to 10% of Gross Sales for all types of products/services and without any reductions. All obligations and restrictions imposed on you upon expiration of this Agreement shall take effect upon termination of the Interim Period.

## OPERATIONS STANDARDS AND REQUIREMENTS

5. You must implement and abide by our requirements and standards directed to enhancing substantial System uniformity. The following provisions control with respect to operation of your Business:

A. Franchise Location. You are responsible for finding and purchasing or leasing a site that meets our site selection guidelines and standards and is located in the Territory. We will approve your site as long as it meets our site selection guidelines and we will attempt to provide our approval or disapproval within 10 business days after you submit the location information (together with evidence of compliance with our site selection guidelines) to us. In addition, your Franchise Location must meet the following conditions:

(i) You must begin operating your Business within 30 days of the scheduled opening date (the "Scheduled Opening Date") set forth in the Data Sheet, although you may not commence operations of your Business until you have satisfactorily completed our training program and complied with your other pre-opening obligations. We are not responsible or liable for any of your pre-opening obligations, losses or expenses, including those you might incur for your failure to comply with these obligations or your failure to open by a particular date. We have no responsibility for any lease; it is your sole responsibility to evaluate, negotiate and enter into a lease or a purchase agreement for the Franchise Location premises. However, you may not enter into a lease or a purchase agreement for the Franchise Location until you have received our prior approval.

(ii) You must construct and equip your Franchise Location in accordance with our current approved specifications and standards as set forth in the Operations Manual, including any specific requirements if you intend to operate your Business from your residence. You must maintain and periodically refresh the building, equipment, vehicles, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) used in the operation of your Business in accordance with our requirements established periodically and any periodic evaluations of the premises by our representatives.

From time to time as we require, you must effect items of modernization and/or replacement of the premises, trade dress, vehicles, equipment and grounds as may be necessary for your Business to conform to the standards for similarly situated new SHELFGENIE Businesses.

Each Transfer of any interest in this Agreement or your Business under Section 10 and each renewal under Section 4 are expressly conditioned upon your compliance with our then-current modernization or replacement requirements.

(iii) If you need to relocate your Franchise Location for reasons other than your breach of your lease, we will grant you authority to relocate to another site within the Territory that meets our site selection guidelines and standards; provided that you are not in default under this Agreement or any other agreement with us and you are current on all of your financial obligations to us, our affiliates and third parties. You still must continue to operate the Business at all times during any such relocation.

(iv) In the limited instance that Google (or another designated vendor we use for search engine optimization purposes to drive online customer marketing) requires a secondary physical location in your Territory (in addition to your Franchise Location) in order to align with the marketing areas identified by Google/the vendor, we and you will agree on how you can establish and operate the secondary location in a manner that meets Google/the vendor's requirements as well as our applicable System standards for a secondary location; provided that this requirement will not apply during the first year of operation of the Business.

B. Vehicle Acquisition and Maintenance. You must acquire and maintain, at your sole expense, one or more vehicles as specified by us for use in the Business. Each vehicle shall be equipped, outfitted, insured and maintained in accordance with our specifications and standards. You must maintain the interior, exterior and mechanical parts of all required vehicles in good repair and condition and regularly service and maintain the vehicles to keep them clean and in good working order.

C. Authorized Services and Products. You can only offer and sell authorized services and products from your Business and you must refrain from selling any other services or products. You must use in the operation of your Business and in the offer and sale of authorized services and products of your Business only those techniques, procedures and supplies we specify in writing. You acknowledge and agree that we may change any of our requirements periodically and you agree to conform to any such changes. All Customer service materials, techniques, and promotional items of all descriptions and types must meet our standards of uniformity and quality.

D. Approved Supplies and Suppliers. We reserve the right to require that you only use approved products, services, inventory, equipment, signs, advertising materials, and other items (collectively "approved products and supplies") in the Business. We may introduce new products and supplies and change previously approved products and supplies from time to time and you agree to promptly comply with our new or changed requirements. Although we do not do so for every item, we have the right to approve the supplier of approved products and supplies. You acknowledge and agree that certain approved products and supplies may only be available from one approved supplier source, and we or our affiliates may be that source. You will pay the then-current price in effect for any approved products and supplies you purchase from us or our affiliates. All products, materials, services and other items and supplies used in the operation of the Business must conform to the specifications and standards we establish from time to time. We may furnish to you from time to time lists of approved products and supplies and/or approved suppliers, which lists we may amend from time to time. We or our affiliate may make available to you the opportunity to participate from time to time in certain discounts, rebates or other benefits in connection with your purchases from approved suppliers.

You agree to enter into a manufacturing agreement with G-O Manufacturing LLC, an affiliate of ours, or such other party as may be specified by us, for the manufacture of all moving shelving system products you sell, in the form specified by us from time to time. The current form of manufacturing agreement is attached as Schedule H, although we may from time to time provide a new or updated form agreement that you will be required to sign.

You further acknowledge (i) that the products offered under the Marks and the System are (a) manufactured and developed by and, in some cases, exclusively for, us and/or our affiliates and (b) unique and their design, measurement, manufacturing, and installation processes constitute trade secrets essential to the success of the System; and (ii) that you have entered into this Agreement in order to, among other things, obtain the right to offer and sell the products offered under the Marks and the System.

WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

E. Computer System; Call Center Program.

(i) You must purchase a computer system (including all future updates, supplements and modifications) and other technology that meets our standards and requirements (the "Computer System"). The Computer System will be used to develop a database of Customers and prospective customers and other related Customer Information, schedule appointments, generate proposals, maintain communications over the Internet, and produce your accounting records. You agree that, without our prior written consent, you may not input, provide or otherwise use any Confidential Information in connection with any Computer System that leverages artificial intelligence or machine learning models, including but not limited to any publicly-available generative AI tools (*e.g.,* ChatGPT). The foregoing restriction includes inputting, providing or otherwise using any Confidential Information to train, develop or modify any such models.

(ii) You may be required to license software from us, our affiliate, or a third party and you also may be required to sign software license agreements and pay an additional software licensing or user fee(s) in connection with your use of the software. All right, title and interest in and to the software will remain with the licensor of the software. You will be liable for all damages (under this Agreement, any other software license agreement you execute and under applicable law) and problems caused by your use of any software on the Computer System. You acknowledge and agree that we will have full and complete access to the information and data entered into or produced by the Computer System, including, without limitation, email communications and related data, and we can use the same in any way we deem appropriate, including in connection with the development, training or modification of artificial intelligence / machine learning models, subject to applicable law. You must have Internet access with a form of high speed connection as we may require and you must maintain a dedicated email account for the Business, separate from any personal or other email account. You must purchase any upgrades, updates, enhancements and/or replacements to the Computer System and/or related hardware, software or other technology as we may from time to time require. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System , including all data protection, privacy and security laws as well as payment card industry (PCI) compliance.

(iii) As to any malfunctioning of the Computer System or any website as further described in Section 5.K, neither we nor any affiliate will be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that such damages are possible as a result of any breach or malfunction.

(iv) In addition, you are required to participate in our call center program that processes customer requests for services, schedules estimates, refers services requests to franchisees and otherwise handles customer inquiries ("Call Center Program") and pay us or our designee a call center fee as specified in Section 8. We reserve the right to designate a third-party vendor to administer the Call Center Program.

F. Customer Information. You agree that we own all Customer Information and may use the Customer Information as we deem appropriate (subject to applicable law), including disclosing it to vendors, developing, training or modifying artificial intelligence / machine learning models, or sharing it with our affiliates for cross-marketing or other purposes. You may only use Customer Information for the purpose of operating the Business to the extent permitted under this Agreement, including the Operations Manual, during the term hereof and subject to such restrictions as we may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, you agree to comply with applicable law in connection with your collection, storage, disclosures and your use and our use of such Customer Information, including, complying with all laws and regulations relating to data protection, privacy and security, including data breach response requirements ("Privacy Laws"), as well as data privacy and security policies, procedures and other requirements we may periodically establish. Some laws require you to obtain consent to collect, store, disclose, and use (collectively "process") personal information. You are responsible for obtaining appropriate Customer consent, as well as all necessary rights in the Customer Information, to ensure you and we may process Customer Information as outlined in this Agreement, including but not limited to as set forth in Section 5(E). You must notify us immediately of any suspected data breach at or in connection with the Business. You must fully cooperate with us and our counsel in determining the most effective way to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You are responsible for any financial losses you incur or remedial actions that you must take as a result of breach of security or unauthorized access to Customer Information in your control or possession.

If any federal or state Privacy Law, including the California Consumer Privacy Act, as revised by the California Consumer Privacy Rights Act, Cal. Civ. Code § 1798.100, et seq. (collectively, "CCPA"), and any related regulations, applies to the operation of the Business, whenever and to the extent you operate as a "Service Provider" or "Contractor" under the CCPA, a "Contractor" under the CPRA, a data processor, or in a similar capacity under any federal or state Privacy Law, you represent and warrant that:

(1) Except for the purpose of operating the Business in accordance with this Agreement, including the Operations Manual, you will not retain, use, combine or disclose any Customer Information;

(2) You will not sell, share, make available or otherwise disclose any Customer Information to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising, targeted advertising, or profiling, as those terms are defined under applicable Privacy Laws;

(3) You will not retain, use, or disclose Customer Information outside of the direct business relationship between you and us;

(4) You will delete any Customer Information upon our request unless you can prove that such request is subject to an exception under applicable law; and

(5) If you receive a Customer Information data request (e.g., a request to delete Customer Information) directly from a consumer (e.g., a California resident under the CCPA, or a resident of another jurisdiction under other applicable Privacy Law), you shall inform us of that request within one business day and cooperate with us to ensure that the consumer receives an appropriate and timely acknowledgement and response.

(6) You will implement reasonable security procedures and practices appropriate to the Customer Information you collect, retain, use or disclose, in order to protect it from unauthorized or illegal access, including following minimum requirements that may be set forth in the Operations Manual.

(7) You will cooperate with us to the extent necessary to assist us with conducting required data protection assessments or other similar assessments under applicable Privacy Laws, responding to Customer Information data requests, responding to requests or inquiries from government authorities, or if we seek to ensure that you have collected, retained, used, or disclosed Customer Information consistent with Privacy Laws and this Agreement, including but not limited to providing us with requested compliance documents, or allowing us or our designee to assess, audit, or test your privacy and security controls at least annually.

(8) You will cooperate with us to stop or remediate any unauthorized use of Customer Information, including verifying that you no longer retain or process personal information that a consumer has asked you or us to delete under applicable Privacy Laws.

(9) You will notify us immediately if you determine you cannot meet your obligations under Privacy Laws or this Agreement regarding your collection, retention, use, or disclosure of Customer Information.

You certify that you understand the restrictions in Paragraphs (1) – (9) of this section and will comply with them. You also acknowledge and agree that we may modify these restrictions from time to time by written notice to you, by issuing updates to our standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and you agree to comply with the same. You also agree to execute any addenda that we may determine are required to conform this Agreement to new or changed Privacy Laws.

To the extent that you engage another person to collect, use, sell, share, store, disclose, analyze, delete, modify, or to otherwise perform any processing of Customer Information for the purpose of operating the Business (a "Subprocessor"), you will notify us of such engagement, which shall be governed by a written contract that includes the same restrictions as in Paragraphs

(1) – (9) of this section and imposes reasonable confidentiality obligations and privacy and security controls on the Subprocessor.

G. Operating Procedures; Operations Manual. We will loan you a copy of our Operations Manual. We will make it available to you online or in such other manner and format as we approve. You acknowledge that the Operations Manual is at all times our Intellectual Property and owned exclusively by us. You must, at all times, treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information secret and confidential. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques and management systems described in the Operations Manual or other written materials relating to the Business provided from time to time by us. We will revise the Operations Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions and in the best interest of the SHELFGENIE Businesses and the System. We will notify you of any such updates or revisions and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manual is kept current and up to date, and in the event of any dispute as to the contents of said Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling.

The Operations Manual will contain both mandatory standards and recommended standards. Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Operations Manual or other written materials. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and the Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

H. Confidential Information. You may not, during the term of this Agreement or thereafter, communicate, divulge or use any Confidential Information for the benefit of any other person or entity, except that you may communicate Confidential Information to such employees as must have access to it in order to operate the Business. All Confidential Information, including, without limitation, methods, procedures, suggested pricing, specifications, processes, materials, techniques, Customer Information and other data, may not be used for any purpose other than operating the Business hereunder. In the interest of protecting our System, we may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your owners (if franchisee is an entity), your spouse, your manager and other key employees. You must provide executed copies of these agreements to us upon our request. A copy of the current Confidentiality Agreement form to be used with your owners (if franchisee is an entity) or your spouse is included as Schedule F. Notwithstanding anything to the contrary herein, as between you and us, you agree that all Confidential Information, including all Intellectual Property rights therein, belong to us.

I. Evaluations. We and our authorized representative have the right to visit and inspect your Business at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain your compliance with the provisions of this Agreement, and to inspect and evaluate your services, supplies or products and other aspects of your Business. Any failure of an inspection is a default under this Agreement. Further, if we determine that any condition in the Business presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Business until the situation is remedied to our satisfaction. Any evaluation or inspection we conduct is not intended to exercise control over your day-to-day operation of your Business or to assume any responsibility for your obligations under this Agreement.

J. Compliance with Laws; Licenses and Permits. You must, at your expense and at all times, maintain and conduct your Business operations in compliance with all applicable federal, state and local laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Business, including but not limited to obtaining and maintaining required authorizations from federal and state transportation authorities and public utility commissions. Without limiting the foregoing, if you or any of your Principal Owners is not a U.S. national, you represent that you and/or such Principal Owner(s) have an immigration status that allows you and/or such Principal Owner(s) to live and work in the United States, and you hereby promise that you and/or such Principal Owner(s) will maintain such status during the term of this Agreement.

You acknowledge that you are an independent business and responsible for control and management of your Business, including, but not limited to, the hiring and discharging of your employees, tax withholdings, and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring or discharging of employees, tax withholdings or setting or paying of wages or related matters.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your Business or names us as a party.

K. Participation in Internet Websites or Other Online Communications. We may require you, at your expense, to participate in our SHELFGENIE website on the Internet, our intranet or extranet system or other online communications as we may from time to time prescribe. We have the right to determine the content and use of our website and intranet or extranet system and establish the rules under which franchisees may or must participate. We will post your Business contact information on our website. You may not separately register any domain name containing any of the Marks or operate a website or social media account for your Business. We reserve the right to pre-approve, establish rules, procedures and policies relating to any website and social media account that you create or use for the operation of your Business. We may immediately terminate this Agreement if you register any domain name or social media account containing any of the Marks. We retain all rights relating to our website, intranet system and social media accounts and may alter or terminate our website, extranet system or intranet system, or any social media accounts. Your general conduct on our website, social media accounts, intranet or extranet system or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website, social media accounts, extranet system or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our website, social media accounts, and intranet or extranet system, or otherwise use the Marks or System on the Internet or other online communications, will terminate when this Agreement expires or terminates. You acknowledge and agree that you do not have any right to use the Marks or other Intellectual Property of the System on any website or any social media platform except as expressly approved by us in writing.

Unless we direct otherwise, simultaneously herewith, you agree to execute the Telephone Number and Internet Agreement (attached hereto as Schedule E), pursuant to which you assign to us ownership of all Telephone Listings and Internet Listings (each term as defined in Schedule E).

L. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to any express limitations set forth in this Agreement.

M. Suggested Pricing Policies. Based on examples from SHELFGENIE Businesses, we may, from time to time, make suggestions to you with regard to your pricing policies. In addition, we have the right to negotiate Key Account arrangements, including pricing which will bind all SHELFGENIE Businesses providing services to such Key Accounts. Although you generally have the right to establish prices for the products and services you sell, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law. You must also honor the national discount programs we may specify from time to time.

N. Key Accounts. We reserve the right to establish and administer a Key Accounts program. If such a program is established, you may participate in it. If you elect to participate, you must comply with all Key Accounts standards and procedures set forth in the Operations Manual and/or as we may otherwise communicate to you, as well as the specific terms of our arrangement with each applicable Key Account, which terms may include, without limitation, the provision of certain insurance and other products and services, special pricing, payment terms, turnaround on services, etc.

O. Customer Service; Service Warranties. You must honor our warranty policies for services you provide to Customers, as described in the Operations Manual. You are solely responsible for the quality and results of the services and products you sell and provide to Customers, maintaining a continuing responsibility with respect to such services and products beyond the termination or expiration of this Agreement. You must render and must cause each of your employees to render prompt, competent and courteous service to Customers and you shall offer and honor such service warranties as we direct.

You must respond to any dissatisfied Customers within 24 hours after the complaint is received or as otherwise set forth in the Operations Manual. If you are unable to equitably resolve the Customer's complaint within 3 days after the initial contact, you must contact us for assistance in handling the complaint. In no event shall our assistance be construed to make us liable to you or to a Customer in connection with such complaint. You are solely responsible for satisfactorily and timely resolving all warranty claims, Customer disputes, and online Customer reviews. Should you fail to do so, you must reimburse the cost of any such services to us or any third party that we authorize to perform the services or you must reimburse us for any refund or other payment we may make to a Customer (as applicable). We may at any time contact Customers concerning the quality of services you provide, the level of Customer satisfaction, or other aspects of the Business that we deem relevant, and we may institute and use a "secret shopper" system.

P. Ethical Business Conduct. You agree to adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct and good faith in all business dealings with Customers, vendors, your employees, our corporate employees, and all other SHELFGENIE franchisees. You must not engage in deceptive, misleading or unethical practices or conduct that may have a negative impact on the reputation and goodwill associated with the Marks.

Q. Crisis Situations. In the interest of protecting the SHELFGENIE brand, Marks and the System, we have the sole and absolute right to determine a response, including what steps will be taken and what communications will be made, in instances of a Crisis, and you agree to comply with and implement our directions in response to a Crisis. "Crisis" means an event or development that negatively impacts the SHELFGENIE brand or System in such a way that we determine may cause substantial harm or injury to the Marks, System, the Intellectual Property associated with the System or the reputation or image of the SHELFGENIE brand.

R. Minimum Performance Standards. Beginning with the second full calendar year of operating the Business, the Business must achieve (a) in each calendar year, annual Gross Sales per territory that are in the top 90% of the annual Gross Sales per territory for the SHELFGENIE franchise system for that calendar year (the "Gross Sales MPS") and (b) a Net Promoter Score (or another customer satisfaction survey score we designate) ("NPS") that is not more than 10 points below the average NPS for the SHELFGENIE franchise system for each applicable measurement period we set (the "Customer Satisfaction MPS" and collectively with the Gross Sales MPS, the "Minimum Performance Standards"). If you operate multiple SHELFGENIE territories, the Minimum Performance Standards will apply separately to each territory. You agree we can make changes to the Minimum Performance Standards upon 6 months' prior written notice in accordance with our Reasonable Business Judgement (as defined in Section 14.G.3) and so long as such revised Minimum Performance Standards are applied to all similarly situated SHELFGENIE franchised businesses.

If you do not meet the Gross Sales MPS (i.e., the Business' annual Gross Sales per territory are in the bottom 10% of the SHELFGENIE franchised businesses for that calendar year) for any applicable calendar year or the Customer Satisfaction MPS for any applicable measurement period, we will meet with you to identify the reasons for the substandard performance and establish a performance improvement plan ("PIP") for the Business to take specific actions with the goal to improve the overall performance of the Business, including its annual Gross Sales per territory and/or NPS. Your failure to implement or comply with the PIP over the six to twelve month period we designate will be a default under this Agreement, subject to a 30-day cure period. During the cure period, you will have the opportunity to advise us of your intent to sell the Business to a third party, in which case we will give you an additional 90 days (from the date of your notice of intent to sell) to transfer the Business in accordance with the transfer requirements of Section 10 of this Agreement. Failure to timely cure the default or transfer the Business as provided herein will give us the right to either reduce the size of your Territory or terminate this Agreement.

## PERSONNEL AND SUPERVISION STANDARDS

6. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision of the Business; Guarantors. You, or your Principal Owner(s) (as identified on the Data Sheet) if you are a business entity, must devote full-time attention to your Business, which at all times must be under your, or your Principal Owner(s)'s direct and active supervision and management. If you are a business entity, (i) all your owners must sign a Confidentiality Agreement; (ii) you must designate one or more Principal Owners; and (iii) all persons and entities that, as of the date of this Agreement hold, or during the term of this Agreement become holders of, 5% or more of your ownership interests must personally guarantee your performance hereunder to us by executing the personal guarantee attached hereto as Schedule C. If two (2) or more persons are the Franchisee or guarantors, their obligations and liability to us shall be joint and several.

B. Training. You must comply with all of the training requirements we prescribe for the Business. You, or your Principal Owner if you are a legal entity, must attend our initial training program and complete it to our satisfaction; attendance of our initial training program by additional trainees is subject to our approval. If you hire an installer and/or a designer, they will be required to complete specialized training and you will be required to pay the then-current training fee for such training (the current training fee is set forth in the Data Sheet). You must also pay all costs and expenses, including hotel and transportation costs, the trainees incur in attending the training programs. If it becomes necessary to re-train a certain individual, we reserve the right to charge you a training fee. The training requirements may vary depending on your experience and other factors specific to the Business. If you are given notice of default that relates, in whole or in part, to your failure to meet any operational standards, we may require that, as a condition of curing the default, you and your manager, at your expense, comply with the additional training requirements we prescribe. Under no circumstances may you permit management of the Business' operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.

C. Ongoing Training. We may require you and other key employees of the Business to attend ongoing training at our training facility or other locations we designate. If you request training in addition to the initial training program identified above, we reserve the right to charge you a training fee, plus you must pay your costs and expenses in connection with such training. Any training provided by us to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

D. Staffing. You must employ a sufficient number of competent and trained employees to ensure efficient service to Customers. It is your responsibility to make sure that no employee or subcontractor enters a Customer's home if such person has not passed the required background checks. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from you to us.

E. Attendance at Annual Convention and Meetings. We may require you to attend, at your expense, up to two national business meetings or annual conventions per year for up to three (3) days per meeting or conference, as more particularly set forth in the Operations Manual. We reserve the right to charge you a fee to attend any such franchise conventions, meetings, programs or other trainings, and we may collect such a fee from you whether you attend or not. If you do not attend or participate in such national business meetings or annual conventions, you will be charged $2,000. If you are not able to attend a meeting or convention, you must give us prior notice and must have a substitute person acceptable to us attend such meeting or convention. Nothing in this Agreement is intended to require us to hold any annual conventions or other meetings.

## MARKETING

7. You agree to actively promote your Business, to abide by all of our marketing and advertising requirements and to comply with the following provisions:

A. MAP Fund. We have established and manage a Marketing, Advertising and Promotion Fund for SHELFGENIE Businesses (the "MAP Fund"). All MAP Fees (as defined in Section 8.C) you pay to us hereunder will be placed in the MAP Fund. On behalf of our company and affiliate-owned SHELFGENIE Businesses, we will pay the same MAP Fee as similarly situated franchised SHELFGENIE Businesses. The MAP Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to it. We have the right to make disbursements from the MAP Fund for expenses incurred in connection with the cost of formulating, developing, implementing and administering marketing, advertising, public relations, and promotional campaigns. The disbursements may include payments to us for the expense of administering the MAP Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the administration and operation of the MAP Fund or otherwise providing services with respect to the MAP Fund. We have the right to determine the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each SHELFGENIE Business or in each advertising market. We, as the administrator of the MAP Fund, may collaborate with the administrators of advertising funds of certain other franchise systems affiliated with us. You acknowledge that there can be no assurance that the MAP Fund's participation in these collaborations and joint efforts will benefit SHELFGENIE Businesses proportionately or equivalently to the benefits received by any other franchised businesses of the other participating affiliated franchise systems.

The MAP Fund will be accounted for separately and will not be used to defray any of our general operating expenses, except for such expenses, administrative costs, and overhead relating to MAP Fund business, including compensation of employees and others providing services to the MAP Fund and other expenses that we incur in activities related to maintaining, administering, directing and conducting the MAP Fund programs, including, without limitation, conducting market research and public relations activities; preparing advertising promotion and marketing materials; and collecting and accounting for MAP Fund contributions and expenses. If requested, we will provide you an annual unaudited statement of the financial condition of the MAP Fund.

We assume no direct or indirect liability or obligation to you with respect to collecting amounts due to the MAP Fund or related to our maintenance, direction or administration of the MAP Fund, including with respect to the efficiency or effectiveness, if any, of the MAP Fund in enhancing the Marks, brand or System or advancing the business interests of a franchisee or franchisees in general.

We have the right, but not the obligation, to cause the MAP Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and any such successor entity shall have all our rights and duties under this Section 7.A. We may use collection agents and institute legal proceedings at the MAP Fund's expense to collect MAP Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the MAP Fund. If we terminate the MAP Fund, we will refund to you your pro-rata portion of any amounts remaining in the MAP Fund, based on your contributions to the MAP Fund.

B. Required Local Expenditures. You must use your best efforts to promote and advertise the Business and participate in any local marketing and promotional programs we establish from time to time. In addition to the payment of the MAP Fee, you must spend each month the minimum amounts set forth in the Data Sheet on approved local marketing and promotion per each Territory granted hereunder (the "Minimum Local Marketing Amounts"). Upon our request, you must provide us with itemized documentation and proof of such expenditures. If you fail to make the required expenditures, we have the right to collect the deficiency and spend it as provided below in this paragraph. We reserve the right to require you to use one or more designated vendors in connection with your local marketing and promotional activities. In addition, we reserve the right to collect (on a monthly or quarterly basis, as we may from time to time designate) the Minimum Local Marketing Amounts and in return provide to you local promotional, marketing and advertising materials and related services to promote the Business in the Territory. Should this Agreement terminate prior to our providing such local promotional, marketing and advertising materials and related services in the Territory, we reserve the right to contribute the Minimum Local Marketing Amounts collected to the MAP Fund.

C. Approved Materials. You must use only such marketing materials (including any print, radio, television, electronic, on-line or other media forms that may become available in the future) as we furnish, approve in writing or make available, and the materials must be used only in the manner we prescribe and in compliance with all trademark usage and branding standards. Furthermore, any promotional activities you conduct for the Business are subject to our approval. You must submit all advertising and promotional materials to us for approval prior to your use. If we do not respond within 14 days of your submission, the materials will be deemed not approved. We will not unreasonably withhold approval of any materials or media and activities; provided that they are current, in good condition, in good taste and accurately depict the Marks. Notwithstanding our approval, it is solely your responsibility to conduct your promotional activities in accordance with all applicable laws.

D. Local Marketing Groups. We have the right to designate local advertising markets and advertising cooperatives and/or local marketing groups for such markets (collectively, each such cooperative or group, a "LMG"), and if designated, you must participate in the LMG and its programs in your designated local advertising market. If established, you must contribute to the LMG the amount we designate, but such contribution amount shall not exceed 2% of your Gross Sales. We may require that some or all of your LMG contribution be paid to us or our affiliate, and we reserve the right to use your LMG contribution on any promotional, marketing and advertising initiatives, including digital and other marketing and brand awareness programs. As of the date of this Agreement, we may require that a portion of your LMG contribution (currently, 2% of your Gross Sales) be paid for use towards the Neighborly marketing and brand awareness initiatives, which may include service professional recruitment marketing. If established, each SHELFGENIE Business, including those operated by us or our affiliates within a designated local advertising area, will be a member of the LMG. You must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. Your contribution to the LMG will count towards the Minimum Local Marketing Amounts, but the Minimum Local Marketing Amounts do not represent a limit on your LMG contribution. We have the right to establish how the LMGs operate and we have the right to require LMGs to be formed, changed, dissolved or merged.

FEES, REPORTING AND AUDIT RIGHTS

8. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. Upon signing of this Agreement, you must pay to us an initial franchise fee as set forth in the Data Sheet (the "Initial Franchise Fee"), which is earned upon receipt and is non-refundable. Any financing of the Initial Franchise Fee is only available if we offer you financing under the terms of the Promissory Note and Security Agreement included as Schedule G.

B. License Fees. From and after the Effective Date, you must pay to us, weekly in the manner specified in Section 8.E, a fee (the "License Fee") in the amount equal to the greater of (i) the applicable percentage of Gross Sales set forth on the Data Sheet or (ii) the Minimum License Fee (if any) set forth on the Data Sheet. The License Fee calculation may differ based on the type of service or product from which the Gross Sales are generated, as specified on the Data Sheet. The Minimum License Fee shall be calculated in the manner set forth on the Data Sheet.

C. MAP Fees. You must pay to us each week, in the manner specified in Section 8.E, a MAP Fund fee (the "MAP Fees") in an amount equal to the applicable percentage of Gross Sales set forth in the Data Sheet. The MAP Fee calculation may differ based on the type of service or product from which the Gross Sales were generated.

D. Call Center Fees. You must pay to us or our designee each month, in the manner specified in Section 8.E, a call center fee (the "Call Center Fee") in the amount set forth in the Data Sheet.

E. Manner of Payment; Electronic Transfer of Funds. All payments of the License Fees and MAP Fees are due to us by the day of the week we specify for the prior week's Gross Sales, together with a weekly report of Gross Sales. We currently require that all reports and all payments of the License Fees and MAP Fees be submitted to us by Monday of each week. All payments of the Call Center Fees must be submitted to us as provided in the Data Sheet. We may modify the day of the week (or month, as applicable) on which you are required to provide reports or make payments of License Fees, MAP Fees, and Call Center Fees by prior written notice to you. You must sign an electronic ACH Form, attached as Schedule B, to authorize and direct your bank or financial institution to allow us or our affiliate to initiate a transfer of funds electronically directly to our or our affiliate's account and to charge to your account all amounts due to us or any affiliate. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

F. Late Payments. A late payment fee of $10.00 per day (the "Late Payment Fee") plus interest at the highest applicable legal rate for open account business credit in the state of your domicile, not to exceed 12.0% per annum, will accrue on all late payments from the due date until all sums are paid. If a check is returned or an ACH draft is refused by your financial institution due to insufficient funds in your account, you must pay us an insufficient funds fee of $50. In addition, if you fail to timely provide any Gross Sales report to us, in addition to any other rights available to us, we may withdraw the Minimum License Fee from your account, and once the applicable Gross Sales report becomes available to us, you will be required to immediately pay us any additional amounts owed as shown in the calculation of the License Fees and MAP Fees in such Gross Sales report. You acknowledge and agree that this Section 8.F does not constitute our agreement to accept payments or reports after they are due or a commitment by us to extend credit to you or to otherwise finance your operation of the Business. Further, you acknowledge and agree that your failure to pay all amounts and provide all reports when due will constitute grounds for termination of this Agreement, notwithstanding the provisions of this Section 8.F. You will not, on grounds of the alleged nonperformance by us of any of our obligations under this Agreement, withhold payment of any License Fees, MAP Fees or any other amounts due to us and you will not, on such grounds, discontinue providing services to Customers in accordance with this Agreement.

G. Application of Fees. Notwithstanding any designation by you, we have the right to apply any payments received from you to any past due indebtedness to us or any affiliate in such amounts and in such order as we determine.

H. Financial Planning and Management. You must compile and keep books and records that accurately reflect the operations and condition of your Business, including detailed daily sales, cost of sales, and other relevant records and information, maintained in an electronic media format and using the methods of bookkeeping and accounting as we periodically may prescribe. You must also retain check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, state, federal, personal and other income tax records and returns covering or related to the Business, payroll records, cash disbursement journals and general ledgers. You must submit to us such reports, statement of profit and loss, balance sheet, tax returns, books and records as we may require, including those identified in Section 8.I below, all on the forms and according to reporting formats, methodologies and time schedules that we establish from time to time. You must preserve the books, records and reports for the longer of (i) five years from creation or (ii) such period as required under applicable laws. You must allow us electronic and manual access to any and all records relating to your Business.

I. Reports. Simultaneously with each payment of License Fees and MAP Fees hereunder, you must submit to us a report of the corresponding Gross Sales and gross receipts of the Business (separately identifying Gross Sales for each Territory), and a computation of the corresponding License Fees and MAP Fees with respect to the preceding week. Gross Sales must be entered into the software and reported for the week in which they are earned; you may not postpone the reporting of any Gross Sales for any reason. In addition, within 15 days after the end of each month, you must submit to us the following information for the preceding month for the Business, separately reporting for each Territory: (i) copies of your most recent balance sheet and statement of profit and loss, including a summary of your costs for labor, rent and other material cost items; and (ii) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year for the Business, providing separate statements for each Territory. All reports shall be provided in the form and content as we periodically prescribe. You must certify in writing all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees. You further agree and acknowledge that, subject to compliance with applicable law, we may use any information, data or other materials related to your Business for any reason that we deem appropriate and you shall provide the same to us promptly upon our request. Without limiting the foregoing, we may disclose the Business' financial information and operating performance ratings, assessments or similar data to our other franchisees, our affiliates and their franchisees, and prospective franchisees through the use of newsletters, bulletins, award ceremonies, and otherwise as we deem necessary or advisable.

J. Audits. We or our authorized representative have the right at all times (i) during the business day to enter the premises where the books and records of the Business are kept and to evaluate, copy and audit such books and records, including, but not limited to any and all financial statements, reports, state, federal, personal income tax records or other income tax records covering or related to the Business, sales tax records, payroll records, databases, and other related records,

(ii) to remotely access and evaluate, copy and audit your electronic records located on the Computer System, and (iii) to evaluate remotely or on the Business premises your compliance with your obligations regarding Customer Information. In addition, if, in our reasonable business judgment, we believe that you have failed to comply with your reporting and/or record keeping obligations hereunder, we have the right to also access and evaluate, copy and audit books and records related to any other business in which you have an ownership or management interest. We also have the right to request information from you and your suppliers, vendors, and Customers. You must fully cooperate with us in connection with our exercise of our audit rights. If you fail to timely make available to us requested documents in connection with an audit, we may charge you $500 per missing document (up to $2,500 per audit), and if we must reschedule an audit due to your failure to cooperate, you must reimburse us for the cost of the audit (including, without limitation, professional fees, travel, and room and board expenses directly related thereto, collectively "Audit Cost"). If any evaluation or audit reveals an understatement of 3% or more of your Gross Sales or you do not provide any requested information within 30 days from the date of our initial request, you must pay for the Audit Cost, in addition to the amount owed (if any) plus interest and late fees as provided in Section 8.F. In addition to any other rights we may have in such an event, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary and you must reimburse us for the Audit Cost of any such further audits and evaluations conducted within two years thereafter. Furthermore, if you intentionally understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales of 3% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. To verify the information that you supply, we have the right to reconstruct your Gross Sales through any reasonable method of analyzing and reconstructing Gross Sales, and you agree to accept any such reconstruction of Gross Sales unless you provide evidence in a form satisfactory to us of your Gross Sales within a period of 14 days from the date of notice of understatement or variance. If you dispute any audit findings, you must do so in writing and in accordance with the Operations Manual within 30 days of the notice of understatement or variance, or you will waive the right to challenge the audit findings. For avoidance of doubt, no provision of this Section 8.J shall be deemed to supersede or waive the 10-day cure period for failure-to-pay defaults set forth in Section 12.B.1.

<u>YOUR OTHER OBLIGATIONS; NONCOMPETITION COVENANTS</u>

9. You agree to comply with the following terms and conditions:

A. <u>Payment of Debts</u>. You agree to (i) pay promptly when due all payments, obligations, assessments and taxes due and payable to us and our affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your Business; (ii) promptly discharge and remove all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Business; and (iii) timely pay all accounts and discharge other indebtedness of every kind incurred by you in the conduct of the Business. If you default in making any such payment, we are authorized, but not required, to pay and discharge the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

You also will pay all federal, state and local taxes, other than taxes assessed on our income, that may be imposed on us as the result of our receipt or accrual of the Initial Franchise Fee, the License Fees, the MAP Fees, or other fees referenced in this Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you shall pay us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

B. Indemnification. You waive any and all Claims (as defined below) against us for damages to property or injuries to persons arising in any way out of this Agreement, your servicing of Customers under this Agreement or any other contracts, your actions or omissions, or the operation of your Business. Except to the extent otherwise provided in Section 3.D, you agree, at your sole expense, to defend, fully protect, indemnify and hold harmless, us, our affiliates, our parent companies, our sister companies and our owners, directors, officers, members, managers, employees, attorneys, successors and assigns (collectively, "Franchisor Parties"), as well as our customers and the owners of each and every property you service, from any and all Claims. "Claims" as used herein means any and all claims, demands, damages, assessments, violations, interest, causes of action, lawsuits, liens, and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Business (regardless of cause or any concurrent, superseding or contributing fault, liability or negligence of us, our affiliates, our parent companies, and our customers and the owners of any property you service), your actions or omissions, or any breach by you or your failure to comply with any of the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you agree to reimburse us for our costs and attorneys' fees immediately upon our request.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, you will at your sole expense, defend, fully protect, indemnify and hold harmless, Franchisor Parties, from any and all Claims arising in any manner, directly or indirectly, out of or in connection with or incidental to the actions or omissions of your employees or independent contractors or allegations that we are joint employer of your employees.

C. Insurance. Before you begin operating your Business you must purchase, and maintain at all times during the term of this Agreement, at your sole cost, insurance coverage, from a responsible carrier, with an A.M. Best rating of A-VIII or better, with the coverage amounts, types and other features as we from time to time specify, using the insurance industry form(s) acceptable to us, and such other insurance coverage as required by law and any other agreement related to the Business. We reserve the right to designate a primary or single source for all or any of the insurance coverage for the Business, and we or our affiliates may be that primary or single source. Any person or entity with an insurable interest that we designate (each, an "Additional Insured") must be named an additional insured on all required liability policies. Each insurance policy must contain a waiver of subrogation in favor of the Additional Insureds. Your insurance must apply as primary and non-contributory. Currently, our minimum insurance requirements include (i) commercial general liability insurance, with minimum liability coverage of $1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury) and $2,000,000 in the aggregate; (ii) auto liability coverage, combined single limit in the amount we specify, up to $2,000,000 but no less than $1,000,000, on each owned, non-owned or hired vehicle used in connection with the Business; (iii) workers' compensation coverage regardless of whether required by state law, but with minimum coverage as required by law (if applicable); (iv) $500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures; and (v) such other insurance as from time to time required by us, under applicable law and under other agreements applicable to your Business. With respect to Key Accounts, if the insurance amount required for any Key Account or for Key Account work in general exceeds the amount specified as the amount required by us for any type of insurance, that higher amount required for the Key Account work will apply. Additional insurance requirements are set forth in the Operations Manual.

The commercial general liability policy must name Franchisor and any and all parents, subsidiaries, directors, officers, employees, and agents as their interest may appear as Additional Insureds. The policy must also include a waiver of subrogation against all parties named as Additional Insureds. The auto liability policy must name Franchisor and any and all parents, subsidiaries, directors, officers, employees, and agents as their interest may appear as Additional Insureds. The policy must also include a waiver of subrogation against all parties named as Additional Insureds. The workers' compensation policy must include a waiver of subrogation against Franchisor and any and all parents, affiliates, subsidiaries, directors, officers, employees, and agents.

Additional Insured status for Franchisor and any and all parents, subsidiaries, directors, officers, agents, employees or any other party required to be named as additional insureds under this Agreement will extend to the full limits of liability maintained by you even if those limits of liability are in excess of those required in this Agreement. Your insurance will be primary and any insurance carried by Franchisor is strictly excess and secondary and will not contribute with your insurance. The requirements of this Agreement as to insurance limits and acceptability of insurers and insurance to be maintained by you are not intended to and will not in any manner limit or qualify the liabilities and obligations assumed by you under this Agreement.

You must deliver to us at least 5 days prior to commencement and thereafter annually or at our request a proper certificate of insurance, insurance policy endorsements and other evidence of compliance - showing the existence of the insurance coverage and your compliance with this Section. Your certificate of insurance will provide proof of the following: (i) Franchisor and all other affiliated parties are included as an Additional Insured where required; (ii) waiver of subrogation included in favor of Franchisor and all other affiliated parties; (iii) your insurance is primary, and all insurance maintained by Franchisor is excess and secondary and shall not contribute with your insurance; and (iv) no insurance may be cancelled or substantially changed without thirty (30) days' prior written notice by certified mail to Franchisor. If you change your insurance provider, you must immediately deliver the proper certificate of insurance to us. We also may request copies of all insurance policies. Any review we conduct of your insurance coverage does not limit your obligation to comply with this Section. We may modify the required minimum limits and types of coverage, by written notice to you. Upon such notification, you must immediately implement the modification of the policy, and provide evidence thereof, in accordance with our request. You may satisfy the insurance coverage limits through an umbrella policy that meets all the requirements of this Section. We have the right to terminate this Agreement the came if you fail to comply with this Section.

You acknowledge that these minimum insurance requirements do not constitute advice or a representation by us that such coverages are necessary or adequate to protect you from losses in connection with the Business. Nothing in this Agreement restricts you from obtaining insurance with higher policy limits and/or additional coverage.

D. <u>Noncompetition Covenants</u>. You agree that you will receive valuable training and Confidential Information that you otherwise would not have received or had access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants and agree that the following noncompetition covenants are reasonable and necessary to protect the System's legitimate business interests, including its Confidential Information, Intellectual Property, and customer goodwill:

1. Unless otherwise specified, the term "you" as used in this Section 9.D means and includes, collectively and individually, (a) if you are an entity, the entity, all guarantors and all shareholders, members, partners, as the case may be, and other holders of any ownership interest in the entity (collectively, "Owners"), as well as any spouse, children, parents and siblings of any guarantor and Owner, or (b) if you are an individual, the individual and the individual's spouse, children, parents and siblings. We may require you to obtain from your guarantors and Owners and/or from your spouse, children, parents and siblings or any spouse, children, parents, and siblings of any Owner or guarantor, as applicable, a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Section 9.D.

2. You promise that during the term of this Agreement, and during any Interim Period (if applicable), you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business (as defined below).

3. You promise that you will not, for a period of two years after the expiration or termination of this Agreement, or after the expiration or termination of any Interim Period (as applicable), regardless of the cause of termination, or within two years of the sale or Transfer of the Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, advertise, promote in any media including social media platforms, or consult with or have any interest in a Competitive Business (as defined below) that is located:

a. In the Territory;

b. Within a 25-mile radius of the outer boundary of the Territory; or

c. Inside the territory of another SHELFGENIE Business, whether franchised or owned by us or our affiliates.

For purposes of this Agreement, a "Competitive Business" is any business that offers or sells any product or service or component thereof that (i) composes a part of our System, (ii) is the same as or similar to any product or service then-offered by our franchisees or (iii) otherwise competes directly or indirectly with our System.

4. You agree that the length of time in paragraph 3 above will be tolled for any period during which you are in breach of the non-compete covenants or any other period during which we seek to enforce this Agreement.

5. In addition, you agree that during the term of this Agreement and for one year thereafter, you will not, without our prior written consent, directly or indirectly, for yourself or on behalf of any other person, divert, or attempt to divert, any business or customer of the Business or any other ShelfGenie Business away from the System.

6. The parties agree that each of the foregoing covenants in this Section 9.D will be construed as independent of any other covenant or provision of this Agreement. To the extent anyone successfully contests the validity or enforceability of any part of this Section 9.D in its present form predicated upon the area of coverage, this provision will not be deemed invalid or unenforceable, but will instead be deemed modified, so as to be valid and enforceable, to provide coverage for the maximum scope that any court of competent jurisdiction or arbitrator will deem reasonable and necessary to protect our legitimate interests.

## TRANSFER OF FRANCHISE

10. You agree that the following provisions govern any Transfer or proposed Transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Business. Consequently, neither your interest in this Agreement nor in the Business may be directly or indirectly Transferred to or assumed by any other person or entity (at times referred to as the "Assignee"), in whole or in part, unless (i) you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 10.F, and we do not exercise such right; (ii) our prior written consent is obtained; (iii) the Transfer fee provided for in Section 10.C is paid; and (iv) the Transfer conditions described in Section 10.D are satisfied. Any direct or indirect sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the Business to a person or entity who shares in the losses or profits of the Business (including merger, combination, or reorganization or as a result of death, disability, divorce, insolvency, or bankruptcy) in a manner other than as an employee will be considered a "Transfer" for purposes of this Agreement. A Transfer also includes the following which triggers the Transfer conditions set forth in this Section 10:

1. For purposes of this Section 10.A, a transfer, pledge or seizure, or change in control of any 20% direct or indirect ownership interest in you or in any Principal Owner, whether accomplished in a single transaction or a series of related or unrelated transactions; or

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity.

You may not place in any communication media or any form of advertising, any information relating to the sale of the Business or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to a Transfer; provided we determine that all of the conditions described in this Section 10 have been satisfied. Application for our consent to a Transfer and tender of the right of first refusal provided for in Section 10.F must be made by submission on our form of application for consent to Transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other Transfer agreement) and other required information. The application must indicate whether you or an owner will retain an interest in the property to be Transferred. No interest may be retained or created without our prior written consent and only upon conditions acceptable to us. Any agreement used in connection with a Transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed Transfer and must submit promptly to us the application for consent to Transfer. Any attempted Transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to default and terminate this Agreement or to collect from you and the guarantors a Transfer fee equal to two times the Transfer fee provided for in Section 10.C as damages.

C. Transfer Fee. You must pay to us a Transfer fee in the amount equal to the greater of (i) $7,500 or (ii) 5% of the sales price. We will reduce the Transfer fee to $500 for a Transfer to an immediate family member (i.e., a spouse or a child; for avoidance of doubt, a sibling is not considered an immediate family member for this purpose). The Transfer fee is nonrefundable. You will not be required to pay a Transfer fee if you are an individual and wish to Transfer this Agreement to a newly formed legal entity wholly owned by you and established solely for purposes of the convenience of ownership and the operation of the Business; provided that you must become a guarantor of the Business as required under Section 6.A.

D. Conditions of Transfer. We condition our consent to any proposed Transfer, whether to an individual, a corporation, a partnership or any other entity, upon the following:

1. Assignee Requirements. The Assignee must meet all of our then-current requirements for our SHELFGENIE franchise program we are offering at the time of the proposed Transfer, sign our then-current form of franchise agreement, and its owners must become guarantors of the Business as required under Section 6.A.

2. Payment of Amounts Owed. All amounts owed by you to us, or any of our affiliates or your suppliers, or upon which we or our affiliates have any contingent liability, must be paid in full.

3. Reports. You must have provided all required reports to us.

4. Guarantee. In the case of an installment sale for which we have consented to you or any owner retaining an interest or other financial interest in this Agreement or the Business, you or such owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

5. Assumption of Obligations. The Assignee must assume and agree to be bound by all of your Customer obligations, including all warranty work and service plans obligations.

6. General Release. You and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Business or the parties' business relationship, in the form we designate, releasing us and our affiliates.

7. Training. The assignee must, at your or assignee's expense, comply with our training requirements.

8. Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Business and its operations as we deem reasonably necessary or appropriate for assignee and/or us to evaluate the Business and the proposed Transfer. You agree that we have the

right to confer with proposed assignees and furnish them with information concerning the Business and proposed Transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed Transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

9. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our Transfer policies. You acknowledge and agree that following any Transfer hereunder, you and your owners will continue to be subject to the noncompetition covenant under Section 9.D.3.

10. Executive Franchise Business. If the Business operated under this Agreement is part of an Executive Franchise Business, you must simultaneously transfer all other Franchise Agreements previously simultaneously executed for adjacent territories that constitute the Executive Franchise Business.

E. Involuntary Transfers.

1. Death, Disability or Incapacity. You will promptly notify us in the event of a death, disability or incapacity of Franchisee (or, if Franchisee is a legal entity, of Franchisee's Principal Owner). In such event, if the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as the Franchisee or the Principal Owner of the Franchisee entity, such person or entity must tender the right of first refusal provided for in Section 10.F, apply for our consent under Section 10.B, and satisfy the Transfer conditions under Section 10.D, as in any other case of a proposed Transfer, all within 120 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Business still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent, disabled, or incapacitated person is the spouse or child of such person, no Transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 10.F.

2. Insolvency or Bankruptcy. In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 10.F, and if we do not exercise such right, must apply for and obtain our consent to the Transfer, pay the Transfer fee provided for in the Section 10.C, and satisfy the Transfer conditions described in Section 10.D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

3. Divorce. You will promptly notify us of any divorce proceedings that may result in a Transfer and tender the right of first refusal provided for in Section 10.F. If we do not exercise such right, you must apply for and obtain our consent to the Transfer, pay the Transfer fee provided for in Section 10.C, and satisfy the Transfer conditions described in Section 10.D.

F. Right of First Refusal. If you propose to Transfer this Agreement or your interest herein or in the Business, in whole or in part, to any third party, as contemplated by Section 10.A, you first must deliver a statement to us offering to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures and any other assets or leasehold interests used in the operation of the Business (subject to this Section 10). If the proposed Transfer involves an offer from a third party, then you must obtain from the third-party offeror and deliver to us a statement, in writing, signed by the offeror and by you, of the binding terms of the offer.

If the Transfer does not involve an offer from a third party, then the purchase price for our purchase of assets described above will be established by a qualified appraiser selected by the parties. The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of the SHELFGENIE Business and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the Business, as the goodwill of the Business is attributable to the Marks and the System. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Franchise Location is located will appoint one upon petition of either party. You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We and you will each pay one-half of the appraiser's fees and expenses.

We then have 10 days from our receipt of the statement setting forth the third-party offer or the appraiser's report, as applicable (and all other information requested by us) to accept the offer by delivering written notice of acceptance to you. We will have an additional 45 days to complete the purchase if we elect to exercise our right of first refusal. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however (and regardless of whether the following are inconsistent with the price and terms set forth in the statement) (1) we have the right to substitute equivalent cash for any noncash consideration included in the offer, (2) we will prepare the transaction documents for the Transfer, which will be on terms customary for this type of transaction (including representations and warranties, covenants, conditions, and indemnification), and (3) our purchase may be limited to any assets related to the Business.

If we fail to accept the offer within the 10-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such Transfer is in accordance with this Section 10, including obtaining our consent under Section 10.B. You may effect no other sale or assignment of you, this Agreement or the Business without first offering the same to us in accordance with this Section 10.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement without prior notice to you and without your consent.

## DISPUTE RESOLUTION

11. The following provisions apply with respect to dispute resolution:

A. Mediation. Before any party may bring an action in court against the other, or commence an arbitration proceeding (except as noted in Section 11.B below), the parties must first meet to mediate the dispute. The mediation will be held in McLennan County, Texas. Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association (the "AAA") in accordance with its then-current rules for mediation of commercial disputes unless the parties agree otherwise in writing. The mediator will be appointed in accordance with the rules and regulations of the AAA unless the parties agree on a mediator in writing within 10 days after either party gives written notice of mediation. The mediation hearing will be held within 20 days after the mediator has been appointed. Each party will bear its own costs and expenses for the mediation and will be responsible to pay 50% of the mediator's costs and expenses.

B. Exceptions to Mediation. Notwithstanding Section 11.A or any other provision of this Agreement, the parties agree that the following claims will not be subject to mediation and may be brought in any court of competent jurisdiction, subject to Sections 14.G.1 and 14.H:

1. any action for temporary, preliminary or permanent injunctive relief, ex parte seizure, specific performance, writ of attachment, or other equitable relief necessary to enjoin any harm or threat of harm to such party's tangible or intangible property, including trademarks, service marks and other Intellectual Property, confidential and/or trade secret information, or noncompetition covenants. You specifically acknowledge that your breach or threatened breach of any of your obligations under this Agreement, including but not limited to Sections 3 (Trademark Standards and Requirements), 5.C (Authorized Services and Products), 5.E (Computer System; Call Center Program), 5.F. (Customer Information), 5.H (Confidential Information), 5.K (Participation in Internet Websites), 9.D (Noncompetition Covenants), 10.A (Transfers), or 13.A (Reversion of Rights; Discontinuation of Trademark Use), will cause irreparable harm to our tangible and/or intangible property and goodwill. You understand that irreparable harm is an injury for which monetary damages are not an adequate remedy. Therefore, upon any such breach or threatened breach by you, in addition to any other rights or remedies that may be available to us at law, equity or otherwise, you acknowledge that we will be entitled to equitable relief, including an injunction, restraining order or specific performance, without any requirement to prove irreparable harm. In addition, you hereby waive any right to request that a bond be issued as security (except for a nominal bond not to exceed $100);

2. any action in ejectment or for possession of any interest in real or personal property; and

3. any action related solely to the collection of moneys owed to us or our affiliates under this Agreement (including, without limitation, License Fees, MAP Fees, and Minimum License Fees), or any other agreement related to the franchise granted under this Agreement, including, without limitation, any promissory note or a guarantee executed hereunder. "Moneys owed" also includes attorneys' fees incurred in the collection of moneys owed, including through the judicial process.

C. Litigation. Except as provided in Section 11.D., any dispute between you and us or any of our or your affiliates, including without limitation, your owners and guarantors, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Business (collectively, "Dispute") not resolved through mediation under Section 11.A must be submitted to litigation pursuant to Section 14.H.

D. Arbitration. If a court of competent jurisdiction determines that Section 14.I (Jury Waiver) and/or Section 14.J (No Class or Consolidated Actions) is invalid or unenforceable with respect to the Dispute, then and only then, notwithstanding any other provision of this Agreement to the contrary, the Dispute must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the AAA pursuant to its then-current commercial arbitration rules and procedures. The arbitration must take place in McLennan County, Texas. The arbitration must be conducted by a single arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five years of significant experience in franchise law. The court shall decide the gateway issue of arbitrability. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If this limitation on joinder of or class action certification of claims within arbitration is held to be unenforceable, then this entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts. A judgment may be entered upon the arbitration award in any court of competent jurisdiction. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) except as provided in Section14.K, assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. Each party will bear its own costs and expenses for the arbitration and will be responsible to pay 50% of the arbitrator's fees and costs (including arbitrator's and AAA's fees and costs); provided that the prevailing party will be entitled to reimbursement of its fees and costs under Section 11.E.

E. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, the parties' relationship or the Business will be entitled to recover its reasonable attorneys' fees and costs (including arbitrator's and AAA's fees and costs).

## DEFAULT AND TERMINATION

12. The following provisions apply with respect to default and termination:

A. Defaults. You are in default if we determine that you or any guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing includes (i) making any false report to us; (ii) intentionally understating or underreporting or failing to pay when due any amounts required to be paid to us or any of our affiliates; (iii) conviction of you or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Marks or the Business, or any felony; (iv) filing of tax or other liens that may affect this Agreement; or (v) the filing of voluntary or involuntary bankruptcy by or against you or any guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors. If the Business operated hereunder is part of an Executive Franchise Business, your default under this Agreement constitutes a default under all other Franchise Agreements simultaneously executed for adjacent territories that constitute the Executive Franchise Business, and vice versa.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Section 12.B: (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults; (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for

the termination; and (iv) the termination will be effective immediately upon our issuance of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. If any of the following defaults occur, you will have no right to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: (i) any material misrepresentation or omission in your franchise application or other reports or information provided to us; (ii) your voluntary abandonment of this Agreement (which includes your failure to operate the Business for seven or more consecutive days); (iii) the closing of the Business by any state or local authorities for public safety reasons; (iv) your registration of any domain name or social media account containing our Marks; (v) any unauthorized use of the Confidential Information; (vi) insolvency of you or guarantor, you or a guarantor making an assignment or entering into any similar arrangement for the benefit of creditors; (vii) conviction of you or any guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of the Marks or the Business, or any felony; (viii) intentionally understating or underreporting Gross Sales, License Fees or MAP Fees or any understatement or 3% variance on a subsequent audit within a 2-year period; (ix) a violation of the non-competition covenant under Section 9.D and/or Schedule F; (x) any actual or attempted unauthorized Transfer in violation of Section 10; (xi) a final judgment against you in our or our affiliates' favor is issued by a court or an arbitrator of competent jurisdiction; or (xii) any default by you that is the second default of any type within any 12-month consecutive period even if the default(s) were cured.

3. Immediate Termination After No More than 24 Hours to Cure. If a default under this Agreement occurs that materially impairs the goodwill associated with any of the Marks, violates any health or safety law or regulation, violates any System standard as to cleanliness, health and safety, or if the operation of your Business presents a health or safety hazard to the public or to Customers or employees: (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) if the default is not timely cured, this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement; provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Section 13 of this Agreement.

## POST-TERM OBLIGATIONS

13. Upon the expiration or termination of this Agreement, or the expiration or termination of any Interim Period:

A. Reversion of Rights; Discontinuation of Trademark Use and Use of Intellectual Property. All of your rights to the use of the Marks and Intellectual Property and all other rights and licenses granted herein and the right and license to conduct business under the Marks will revert to us immediately upon expiration or termination of this Agreement without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Business (although we will not assume any past due obligations).

You must immediately comply with the post-term noncompetition obligations under Section 9.D, cease all use and display of the Marks, all other Intellectual Property associated with the System and of any proprietary material (including the Operations Manual) and of all or any portion of promotional materials furnished or approved by us, assign and transfer all right, title and interest in the telephone numbers, domain names, and social media or digital marketing accounts used at any time for the Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You are solely responsible for removing and ceasing use of the Marks on any social media or digital marketing accounts that you setup for the Business and providing us with written confirmation of the same. You must immediately pay all sums due to us, our affiliates or designees and to third parties, such debts being accelerated automatically without further notice to you. You must immediately deliver to us, at your expense, all copies of the Operations Manual, Customer lists and ongoing Customer contracts then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 5.H. You must promptly, at your expense, remove or obliterate all SHELFGENIE Business signage, displays or other materials in your possession that bear any of the Marks or names or material confusingly similar to the Marks, including all such signage and displays on any vehicles, and so alter the appearance of the Business premises or vehicles as to differentiate the Business unmistakably from duly licensed SHELFGENIE Businesses identified by the Marks. You must cease any and all advertising and use of any identifying materials generated during the term of the franchise, including, but not limited to, terminating all business listings in electronic and print format, cancelation of all websites, domain names, social media accounts, and telephone numbers (if not assigned to us) used at any time in connection with the Business. You must provide sufficient proof to Franchisor that you have complied with the post-termination obligations. If you fail to immediately de-identify your Business, you must pay all expenses we incur to de-identify your Business.

Upon expiration or termination of this Agreement (or the expiration or termination of any Interim Period), any continued use of the Marks by you or the Business or use of any other Intellectual Property associated with the System: (i) will constitute willful and knowing infringement, dilution of our trademark rights and unfair competition; (ii) will constitute the false designation of origin, source, or sponsorship and false or misleading descriptions and representations in violation of Section 43 of the Lanham Act, 15 U.S.C. § 1125(a), and (iii) may constitute trafficking in a counterfeit mark, among other causes of action.

In the event of expiration or termination of this Agreement (or the expiration or termination of any Interim Period), you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement, including your indemnification obligations under Section 9.B.

B. Claims. You and your owners and guarantors may not assert any claim or cause of action against us or our affiliates arising out of or relating to this Agreement or your Business after the shortest period of (i) the applicable statute of limitations, (ii) two years and one day following the effective date of expiration or earlier termination of this Agreement or (iii) two years and one day from the accrual of any such claim or cause of action; provided that where the two-year-and-one-day limitation of time in clause (ii) or clause (iii) is prohibited or invalid by or under any applicable law, then and in that event only, no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

## GENERAL PROVISIONS

14. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each party that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each party agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration/Amendments. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed a bar or an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Operations Manual and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto constitutes the entire agreement between the parties concerning the franchise for the Business and supersedes any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document we furnished to you. You must pay us our then-current processing fee (currently $300) if we make any modifications to this Agreement upon your request.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally, in electronic form via email to an authorized email address or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by a reputable overnight service, and addressed as follows:

1. If intended for us, addressed to ShelfGenie SPV LLC, 1010 North University Parks Drive, Waco, Texas 76707, Attn: President, with a copy to 1010 North University Parks Drive, Waco, Texas 76707, Attn: General Counsel;

2. If intended for you, addressed to you at the address set forth on the Data Sheet; or,

in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents or other authorized officer.

E. References. If the franchisee is two or more individuals, the individuals are jointly and severally liable hereunder, and references to you in this Agreement include all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Successors/Assigns. Subject to the terms of Section 10 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and permitted assigns of the parties.

G. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. The parties agree that the execution of this Agreement and the acceptance of its terms occurred in the state of Texas. The parties further agree that the performance of material obligations arising under the Agreement, including but not limited to, your payment of monies due hereunder and the satisfaction of certain of our training requirements, shall occur in the state of Texas. Accordingly, subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 11, this Agreement, the parties' rights under this Agreement, and the relationship between the parties under this Agreement are governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Texas (excluding any conflicts of laws principles).

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "Reasonable Business Judgment" (as defined below) in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of "Reasonable Business Judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving Customer service and satisfaction, improving product and service quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

H. Venue. Any dispute between you and us or any of our or your affiliates, including without limitation, your owners and guarantors, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Business, including disputes not resolved through mediation, must be brought in the state or federal district court located in McLennan County, Texas. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts and specifically waive any objection to the jurisdiction and venue of such courts. The parties specifically waive the right to remove any action brought in the state court of McLennan County, Texas to a federal district court. The provisions of this Section will survive the termination of this Agreement. The parties are aware of and acknowledge the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

I. **Jury Waiver. ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT AND CLAIMS ARISING OUT OF THE PARTIES' RELATIONSHIP.**

J. **No Class or Consolidated Actions. ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY THE FRANCHISEE ON AN INDIVIDUAL BASIS AND MAY NOT BE COMBINED OR CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION.**

K. Waiver of Punitive and Consequential Damages. Except with respect to indemnification obligations hereunder with respect to third-party claims and except for damages under the Lanham Act, you and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any consequential, indirect, special, punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained. Notwithstanding anything herein to the contrary, each party waives, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other.

L. WAIVER OF CONSUMER RIGHTS. YOU WAIVE ANY RIGHTS YOU MAY HAVE UNDER THE TEXAS DECEPTIVE TRADE PRACTICES CONSUMER PROTECTION ACT, SECTION 17.41, ET SEQ., BUSINESS AND COMMERCE CODE, AND UNDER ANY OTHER SIMILAR LAW OF TEXAS OR ANY OTHER JURISDICTION THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER AN ADEQUATE OPPORTUNITY TO REVIEW THIS PROVISION INCLUDING THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF YOUR OWN SELECTION, YOU VOLUNTARILY CONSENT TO THIS WAIVER.

M. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

N. Construction. The parties mutually agree that any ambiguities in this Agreement shall not be construed or interpreted more strictly against the drafting party.

O. Force Majeure. A party's failure of performance of this Agreement according to its terms will not be deemed a breach of this Agreement to the extent such failure was caused by events beyond the party's control and which could not be avoided by the exercise of due care including but not limited to terrorism, strikes (except those caused by employees or agents), war, riots, civil disorder, and acts of government except as may be specifically provided for elsewhere in this Agreement. Nothing in this provision shall excuse a party from any obligations, or deprive any party of rights, that survive termination of this Agreement, including but not limited to those obligations and rights set forth in Sections 9.B and 9.D.

P. Adaptations and Variances. You acknowledge that complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the standards, specifications, and requirements for any franchised business based on conditions we deem important to the operation of such business and/or the System, as more particularly set forth in the Operations Manual. We are not required to grant you a like or other variation. You acknowledge that the obligations and rights of the parties to other agreements may differ materially from your rights and obligations under this Agreement.

Q. Notice of Potential Profit. You acknowledge that we and/or our affiliates may from time to time make a profit on our sales of goods or services to you for use in your Business. Further, we and/or our affiliates may from time to time receive rebates and/or other consideration from suppliers and/or manufacturers in respect of sales of goods or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said rebates, profits and/or consideration and we may use same as we deem appropriate.

R. Anti-Terrorism Provision. You and each of your Owners represent and warrant to us that: (i) neither you nor any Owner is named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control currently located at www.treas.gov/offices/ enforcement/ofac/; (ii) you and each Owner will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U.S. Patriot Act (currently located at www.epic.org/privacy/ terrorism/hr3162.html), U.S. Executive Order 13244 (currently located at www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html) or any similar laws; and (iii) you and each Owner shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

S. Franchisor's Affiliates. You agree that except for any affiliate that guarantees our performance hereunder pursuant to a guarantee included in our Franchise Disclosure Document, no other past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ShelfGenie SPV LLC will have any liability for: (i) any obligations or liabilities of ShelfGenie SPV LLC relating to or arising from this Agreement; (ii) any claim against ShelfGenie SPV LLC based on, in respect of, or by reason of the relationship between you and ShelfGenie SPV LLC; or (iii) any claim against ShelfGenie SPV LLC based on any alleged unlawful act or omission of ShelfGenie SPV LLC.

EACH PERSON SIGNING THIS AGREEMENT REPRESENTS AND WARRANTS THAT HE OR SHE IS AUTHORIZED TO BIND THE RESPECTIVE PARTY TO THIS AGREEMENT. THIS AGREEMENT IS NOT BINDING OR ENFORCEABLE UNTIL WE SIGN IT.

[*Signature Page Follows*]

**IN WITNESS WHEREOF**, the parties have executed this Franchise Agreement as of the dates written below.

FRANCHISEE:

_____________________________________________
________, individually

_____________________________________________
Date

FRANCHISOR:

SHELFGENIE SPV LLC, a Delaware limited liability company

BY: _________________________________________

_____________________________________________
Date

Schedule A to the Franchise Agreement

**Data Sheet for Executive Franchise**

**Type of Franchise: Executive Franchise**

**1. Franchisee:** ______________________________

______________________________

______________________________

______________________________

Email: ________________________

Telephone: ____________________

Cell Phone: ____________________

**2. Owners.** You represent and warrant to us that the following persons are the only Owners of Franchisee:

| Name | Home Address | Percentage of Ownership | Principal Owner (Y/N) |
|---|---|---|---|
| | | | |
| | | | |

The foregoing Principal Owners will be devoting their full time to the Business with ________________ being identified as the Managing Principal Owner. The Managing Principal Owner is a Principal Owner for all purposes under this Agreement, except that the Managing Principal Owner shall have primary responsibility for the management of the Business and shall have the authority to make all decisions on behalf of the Franchisee and the Managing Principal Owner's decisions will bind the Franchisee.

Within 10 days from the date of any and every change in the identity and/or ownership holdings of any Owner of Franchisee (any such change being subject to the limitations and requirements of this Agreement, including Section 10) or a change in the identity of the Managing Principal Owner you must update this Data Sheet accordingly and provide us a copy of the updated Data Sheet.

**3. Territory.** ____________________________________________________________

______________________________________________________________________________

For avoidance of doubt, you agree and acknowledge that all Gross Sales and other financial reports you provide to us under the Franchise Agreement will be provided separately for each 125,000-household Territory.

4. **Initial Franchise Fee:** $______________[1]

5. **License Fee:** the greater of (a) the applicable percentage of Gross Sales set forth in the table below (determined based on the amount of Gross Sales of the Business in the then-current calendar year) or (b) the Minimum License Fee of $400 per month per Territory; provided that the Minimum License Fee only applies from and after the 6-month anniversary of the Effective Date.

| **Annual Gross Sales (in the then-current calendar year)** | **License Fee Rate** |
|---|---|
| $0 - $200,000 | 7% |
| $200,000.01 – $700,000 | 6% |
| $700,000.01 - $1,200,000 | 5.5% |
| $1,200,000.01 and over | 5% |

In each calendar year during the term of the Franchise Agreement, your Franchised Business will initially be subject to the 7% License Fee rate, until the Business' year-to-date Gross Sales exceed $200,000, at which time the Franchised Business will become subject to the 6% License Fee rate on Gross Sales in excess of $200,000, until the year-to-date Gross Sales exceed $700,000, at which time the Franchised Business' effective License Fee rate will be lowered to 5.5% on any Gross Sales in excess of $700,000, etc.

License Fees will be calculated (as the applicable percentage of Gross Sales) and collected on your Gross Sales for each calendar week (i.e., Monday through Sunday). After the close of each calendar month, we will calculate the total amount equal to the applicable percentage of your Gross Sales for the just-ended calendar month, and if this amount falls short of the Minimum License Fee, the difference will be due to us on the next weekly License Fee payment date.

6. **MAP Fee:** 2% of Gross Sales

7. **Minimum Local Marketing Amounts per Territory** (i.e., per each approx. 125,000-household Territory included in the Executive franchise Business): from and after the 3-month anniversary of the Effective Date, an amount per month calculated as follows: (i) $3,000 per month for the first Territory, (ii) $1,750 for each of the 2nd, 3rd and 4th Territory, and (iii) $1,500 for the 5th and each subsequent Territory.

8. **Proprietary Call Center Fees:*** Paid monthly in arrears the first week of each month.

    a. $____[2] per month per Executive franchise Business, plus

---

[1] Initial Franchise Fee equal to $69,500 for your first Business categorized as an "Executive Franchise" (consisting of two Territories of approximately 125,000 households each), plus $240 per 1,000 households added to your Territory above 250,000 households.
[2] $349.99 - $449.99.

b. $25 per sales appointment booked.

*Subject to change upon 30 days' prior notice but not more than by 30% annually in addition to any direct price increases from third-party vendors.

**9. Renewal Fee:** the greater of (a) $5,000 or (b) $1,750 per Territory (i.e., per each approx. 125,000-household Territory)

**10. Specialized Training Fees:** currently:

a. Installer Training: $650 per installer

b. Certified Designer Training: $350 per designer

**11. Technology Package:** Pursuant to Section 5.E. of the Franchise Agreement, you must license our technology package from us and pay the associated fees to us or our designee (currently our affiliate ZorWare SPV LLC). Currently, the technology package includes an online presence and customer experience management platform (currently $125 per month) and two Microsoft Office365 ("O365") Exchange email accounts (currently $11 per month; additional email accounts are $4.50 - $24 per month depending on the type of email account). These fees may increase in the future, but not more than by 30% annually, in addition to increases due to additional or different software being added to the technology package and direct price increases from third-party vendors. If you fail to pay the fees within 30 days of the invoice date, you will be required to pay a late fee of $25 per month or the maximum amount allowed under the law, whichever is less. Your use of the technology package may be subject to additional terms and conditions that we (or our designee) may impose from time to time and you agree to comply with same.

**12. Scheduled Opening Date: _________________**

**13. Effective Date: ________________**

[SIGNATURES ON FOLLOWING PAGE]

FRANCHISEE:

_____________________________________________
________, individually

_____________________________________________
Date

FRANCHISOR:

SHELFGENIE SPV LLC
A Delaware limited liability company

BY: _________________________________________

_____________________________________________
Date

Schedule A to the Franchise Agreement

**Data Sheet for Owner/Operator Franchise**

**Type of Franchise: Owner/Operator Franchise**

**1. Franchisee:** ______________________________

______________________________

______________________________

______________________________

Email: ________________________

Telephone: ____________________

Cell Phone: ____________________

**2. Owners.** You represent and warrant to us that the following persons are the only owners of Franchisee:

| Name | Home Address | Percentage of Ownership | Principal Owner (Y/N) |
|---|---|---|---|
| | | | |
| | | | |

The foregoing Principal Owners will be devoting their full time to the Business with ________________ being identified as the Managing Principal Owner. The Managing Principal Owner is a Principal Owner for all purposes under this Agreement, except that the Managing Principal Owner shall have primary responsibility for the management of the Business and shall have the authority to make all decisions on behalf of the Franchisee and the Managing Principal Owner's decisions will bind the Franchisee.

Within 10 days from the date of any and every change in the identity and/or ownership holdings of any owner of Franchisee (any such change being subject to the limitations and requirements of this Agreement, including Section 10) or a change in the identity of the Managing Principal Owner you must update this Data Sheet accordingly and provide us a copy of the updated Data Sheet.

**3. Territory.** ____________________________________________________________

____________________________________________________________

**Total number of households located within the Territory: ______________________**

4. **Initial Franchise Fee:** $_____________[1]

5. **License Fees:** the greater of (a) the applicable percentage of Gross Sales set forth in the table below (determined based on the amount of Gross Sales of the Business in the then-current calendar year) or (b) the Minimum License Fee of $200 per month; provided that the Minimum License Fee only applies from and after the 6-month anniversary of the Effective Date.

| **Annual Gross Sales (in the then-current calendar year)** | **License Fee Rate** |
|---|---|
| $0 - $200,000 | 7% |
| $200,000.01 – $700,000 | 6% |
| $700,000.01 - $1,200,000 | 5.5% |
| $1,200,000.01 and over | 5% |

In each calendar year during the term of the Franchise Agreement, your Franchised Business will initially be subject to the 7% License Fee rate, until the Business' year-to-date Gross Sales exceed $200,000, at which time the Franchised Business will become subject to the 6% License Fee rate on Gross Sales in excess of $200,000, until the year-to-date Gross Sales exceed $700,000, at which time the Franchised Business' effective License Fee rate will be lowered to 5.5% on any Gross Sales in excess of $700,000, etc.

License Fees will be calculated (as the applicable percentage of Gross Sales) and collected on your Gross Sales for each calendar week (i.e., Monday through Sunday). After the close of each calendar month, we will calculate the total amount equal to the applicable percentage of your Gross Sales for the just-ended calendar month, and if this amount falls short of the Minimum License Fee, the difference will be due to us on the next weekly License Fee payment date.

6. **MAP Fee:** 2% of Gross Sales

7. **Minimum Local Marketing Amounts:** $3,000; provided that the Minimum Local Marketing Amounts only apply from and after the 3-month anniversary of the Effective Date.

   If you own multiple Territories, the monthly minimum local marketing amount will be calculated as follows:
   (i) $3,000 per month for the first Territory, (ii) $1,750 for each of the 2nd, 3rd and 4th Territory, and (iii) $1,500 for the 5th and each subsequent Territory.

[1] Initial Franchise Fee equal to $35,000 for Territory categorized as an "Owner/Operator Franchise", plus $0.24 per household added to your Territory above 150,000 households.

**8.** **Call Center Fees:*** Paid monthly in arrears the first week of each month.

c. $___[2] per month, plus

d. $25 per sales appointment booked.

*Subject to change upon 30 days' prior notice but not more than by 30% annually in addition to any direct price increases from third-party vendors.

**9.** **Renewal Fee:** $5,000

**10.** **Specialized Training Fees:** currently:

a. Installer Training: $650 per installer

b. Certified Designer Training: $350 per designer

**11.** **Technology Package:** Pursuant to Section 5.E. of the Franchise Agreement, you must license our technology package from us and pay the associated fees to us or our designee (currently our affiliate ZorWare SPV LLC). Currently, the technology package includes an online presence and customer experience management platform (currently $125 per month) and two Microsoft Office365 ("O365") Exchange email accounts (currently $11 per month; additional email accounts are $4.50 - $24 per month depending on the type of email account). These fees may increase in the future, but not more than by 30% annually, in addition to increases due to additional or different software being added to the technology package and direct price increases from third-party vendors. If you fail to pay the fees within 30 days of the invoice date, you will be required to pay a late fee of $25 per month or the maximum amount allowed under the law, whichever is less. Your use of the technology package may be subject to additional terms and conditions that we (or our designee) may impose from time to time and you agree to comply with same.

**12.** **Scheduled Opening Date: _________________**

**13.** **Effective Date: ________________**

[SIGNATURES ON FOLLOWING PAGE]

[2] $349.99 - $449.99

FRANCHISEE:

______________________________________________
________, individually

______________________________________________
Date

FRANCHISOR:

SHELFGENIE SPV LLC
A Delaware limited liability company

BY: __________________________________________

__________________________________________
Date

Schedule B to the Franchise Agreement

**ACH FORM**

ACH Origination services will not be considered until this application is

**FILLED OUT COMPLETELY**

| | |
|---|---|
| Date of Application: | Business Phone: |
| Franchise ID #: | Cell Phone: |
| Franchise Business Owner Name: | |
| Name of DBA: | |
| Contact Person: | Title: |
| Business Address: | |
| *SPECIAL DRAFTING INSTRUCTIONS:* | |

***Please complete blanks below with your banking information using the sample as a reference only, or attach a sample voided check that displays the required information.***

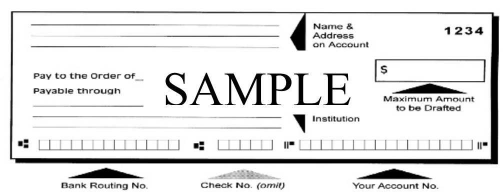
We recommend attaching an image of a cancelled check, banking statement that clearly shows the routing and accounting number to ensure accuracy:

Name of Financial Institution:

Name and Address on Account:

Bank Routing No.:

Account No:




I hereby authorize SHELFGENIE SPV LLC ("Franchisor"), its affiliates, including Neighborly Assetco LLC, and the financial institution named above to initiate entries, including debit and credit entries, to my checking/savings account identified above periodically, including weekly, monthly, annually or as necessary, on a day specified from time to time by Franchisor to pay all fees, charges and any other amounts owed (including, License Fees, MAP fees, call center fees, late fees, interest charges, note payments, software fees and any other amounts owed) pursuant to the terms of the Franchise Agreement and all related agreements entered into with Franchisor and/or its affiliates, with License Fees and MAP fees to be in accordance with the weekly sales analysis submitted by me; and, if necessary, to initiate adjustments for any transactions credited in error. These debits are related to the operation of the franchised business and the amount of each debit will vary, including from week to week, to a maximum amount (if any) as set forth in the Franchise Agreement. The credits are the amounts due to the franchised business that Franchisor receives from third parties for services performed by the franchised business net of Franchisor's deductions for audit and any related administrative fees and/or credit entries to correct any debit entries that may have been made in error. This authority will remain in effect until I notify you in writing to cancel it in such time as to afford the financial institution a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the financial institution or up to 60 days after deposit, whichever occurs first.

________________________ ______________________________________

Date Signature of Franchisee

Schedule C to the Franchise Agreement

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the provisions in Section 9, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of the Franchise Agreement.

Each of the undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, each of the undersigned consents and agrees that: (i) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (ii) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or any amendment or extension of the Franchise Agreement, with or without notice to the undersigned. It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

FRANCHISEE: ________________________

PERSONAL GUARANTORS:

______________________________________
_______, individually
Address
City, State, Zip Code
Telephone

Schedule D to the Franchise Agreement

**THIS SCHEDULE D DOES NOT APPLY TO CANDIDATES LOCATED IN, OR FRANCHISED BUSINESSES TO BE LOCATED IN, ANY OF THE FOLLOWING FRANCHISE REGISTRATION STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI.**

**ACKNOWLEDGMENT ADDENDUM TO**
**SHELFGENIE FRANCHISE AGREEMENT**

*As you know, you and we are entering into a Franchise Agreement for the operation of a SHELFGENIE franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following statements carefully and confirm their accuracy or advise us of their inaccuracy.*

**Acknowledgments and Representations**. I, the undersigned, hereby acknowledge and represent to ShelfGenie SPV LLC, as follows:

1. I have received a copy of ShelfGenie SPV LLC Franchise Disclosure Document (and all exhibits and attachments) (the "Disclosure Document") at least fourteen calendar days prior to signing the ShelfGenie® Franchise Agreement (the "Franchise Agreement").
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:__________________________________________________
________________________________________________________________________
________________________________________________________________________

2. I have reviewed carefully the Disclosure Document and Franchise Agreement.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:__________________________________________________
________________________________________________________________________
________________________________________________________________________

3. I understand all the information contained in both the Disclosure Document and Franchise Agreement.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:__________________________________________________
________________________________________________________________________
________________________________________________________________________

4. No oral, written or visual claim or representation was made to me that contradicted the disclosures in the Disclosure Document.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:__________________________________________________
________________________________________________________________________
________________________________________________________________________

5. Other than as expressly stated in Item 19 of the Disclosure Document, no employee or other person speaking on behalf of ShelfGenie SPV LLC has made any oral, written or visual claim, statement, promise or representation to me that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any SHELFGENIE business, or the likelihood of success at my franchised business.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:________________________________________

6. No employee or other person speaking on behalf of ShelfGenie SPV LLC has made any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:________________________________________

7. I acknowledge and agree that except for the right granted to me to operate a SHELFGENIE Business within the Territory during the Franchise Agreement term so long as I am in compliance with the Franchise Agreement, ShelfGenie SPV LLC and its affiliates reserve all other rights to the Marks and the System and they may engage in any activity whatsoever, whenever and wherever they desire, as set forth in the Franchise Agreement.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:________________________________________

8. The Franchise Agreement together with the addenda and appendices thereto constitutes the entire agreement between me and ShelfGenie SPV LLC concerning the franchise for the SHELFGENIE Business and supersedes any and all prior negotiations, understandings, representations, and agreements, which means that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding. However, nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations ShelfGenie SPV LLC made in the Disclosure Document it furnished to me.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:________________________________________

9. I acknowledge and agree that in entering into the Franchise Agreement I have not relied on and am not relying on any representations, warranties or other statements whatsoever, whether written or oral other than those included in the Franchise Agreement and the Disclosure Document (including any exhibits, addenda, amendments and attachments) and that I will not have any right or remedy rising out of any representation, warranty or other statement not expressly set out in the Franchise Agreement and the Disclosure Document (including any exhibits, addenda, amendments and attachments). I am entering into the Franchise Agreement as a result of my own independent investigation of the franchised business and not as a result of any representations about SHELFGENIE system made by SHELFGENIE SPV LLC's shareholders, officers, members, managers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in the Franchise Agreement or in any disclosure document given to me pursuant to applicable law. I UNDERSTAND THAT I SHOULD NOT SIGN THE FRANCHISE AGREEMENT IF I BELIEVE SHELFGENIE SPV LLC OR ANY OF ITS REPRESENTATIVES HAVE PROMISED ME SOMETHING THAT IS NOT PART OF THE

FRANCHISE AGREEMENT, ANY ATTACHED EXHIBIT, SCHEDULE OR ADDENDUM OR THE FRANCHISE DISCLOSURE DOCUMENT.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**

*If you disagree, please comment*:________________________________________________________

10. I understand that the success or failure of my SHELFGENIE Business will depend in large part upon my skills and experience, my business acumen, my location, the local market for products and services under the SHELFGENIE trademarks, interest rates, the economy, inflation, taxes, the number of employees I hire and their compensation, the extent to which I follow established systems, policies and guidelines, the cost of capital and the extent to which I finance the business operations, my contractual arrangements with suppliers, landlord and professional advisors, competition and other economic and business factors. Further, I understand that the economic and business factors that exist at the time I open my SHELFGENIE Business may change.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**

*If you disagree, please comment*:________________________________________________________

11. I understand that I am bound by the non-compete covenants (both in-term and post-term) and that an injunction is an appropriate remedy to protect the interest of the SHELFGENIE system if I violate the covenant(s). Further, I understand that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**

*If you disagree, please comment*:________________________________________________________

12. I understand that any training, support, guidance or tools ShelfGenie SPV LLC provides to me as part of the franchise are for the sole purpose of protecting the SHELFGENIE brand and Marks and the Intellectual Property associated with the System and to assist me in the operation of my business and not for the purpose of controlling or in any way intended to exercise or exert control over my decisions or day-to-day operations of my business, including my sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of my employees and all other employment and employee related matters.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**

*If you disagree, please comment*:________________________________________________________

13. The individuals identified on the receipt pages of my Disclosure Document as the franchise sellers are the only franchise sellers (i.e., the company representatives who offered me my franchise) involved in this franchise sales process.

*Please select one:* ☐ **I Agree** ☐ **I Disagree**

*If you disagree, please identify any additional franchise sellers involved in this franchise sales process*:________________________________________________________

14. I have been advised to seek professional assistance, to have legal, financial and/or other professional advisors review the documents, and to consult with other franchise owners regarding the risks associated with the purchase of the franchise.
*Please select one:* ☐ **I Agree** ☐ **I Disagree**
*If you disagree, please comment*:______________________________________________
______________________________________________________________________
______________________________________________________________________

*IF MORE SPACE IS NEEDED TO RESPOND TO ANY REPRESENTATION, CONTINUE ON A SEPARATE SHEET AND ATTACH.*

I UNDERSTAND THAT MY ANSWERS ARE IMPORTANT AND THAT SHELFGENIE SPV LLC WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, I REPRESENT THAT I HAVE CONSIDERED EACH REPRESENTATION CAREFULLY AND RESPONDED FULLY AND TRUTHFULLY.

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

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 any applicable law that prohibits releases, estoppels or waivers of liability under such law. Should one or more clauses of this Addendum be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Addendum shall be valid and in full force and effect. **Do not sign** this Acknowledgement if you are a resident of Maryland or the franchise is to be operated in Maryland.

FRANCHISEE:

______________________________________
________, individually

______________________________________
Date

Schedule E to the Franchise Agreement

**TELEPHONE NUMBER AND INTERNET AGREEMENT**

______________________________
(Name of Telephone Company)

______________________________
(Address)

______________________________
(City, State, Zip)

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("Assignment") is made pursuant to the terms of the Franchise Agreement dated ___________ ("Agreement") by and between SHELFGENIE SPV LLC ("Franchisor") and ______________________ ("Franchisee"), authorizing Franchisee to use Franchisor's Marks and System in the operation of a business offering design, sale and installation of customized solutions for new and existing cabinets, pantries and other structures for residential and commercial customers, pursuant to certain standards and specifications (the "Franchised Business") in and for the Territory. Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement.

For value received, Franchisee hereby irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business in the Territory, whether now-existing or adopted by Franchisee in the future, (collectively "Telephone Listings") and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively "Internet Listings") (collectively referred to herein as "Listings"). From time to time upon Franchisor's request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).

Franchisee shall have the right to use the Listings only in connection with advertising and promoting the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website, social media account or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by this Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

FRANCHISEE:

______________________________________________
________, individually

______________________________________________
Date

Schedule F to the Franchise Agreement

**CONFIDENTIALITY AGREEMENT**

This **CONFIDENTIALITY AGREEMENT** is entered into by the undersigned, ____________________ ("you"), for the benefit of **SHELFGENIE SPV LLC**, a Delaware limited liability company having a principal place of business at 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor"); and __________________ ("Franchisee");

WHEREAS, you are associated with Franchisee as a spouse or owner of Franchisee;

WHEREAS, Franchisor intends to enter into a Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisor will grant Franchisee (or a legal entity owned and/or controlled by Franchisee) a license to use Franchisor's trademarks, services marks, logos and other indicia of origin (the "Marks") and Franchisor's methods of operation (the "System") in connection with the operation of a business offering design, sale and installation of customized solutions for new and existing cabinets, pantries and other structures and related products and services for residential and commercial customers (the "Franchise") in and for a specified geographical area described in the Franchise Agreement. (Capitalized terms used herein without a definition shall have the same meaning as assigned to them in the Franchise Agreement); and

WHEREAS, Franchisor has undertaken, at considerable effort and expense, to create the System which will be revealed to Franchisee pursuant to the Franchise Agreement and you either will be involved in the operation of the franchise, or, if a spouse of Franchisee, may not intend to hold an ownership interest in the Franchise or be actively involved in the operation of the Franchise but through your relationship with Franchisee, will be exposed to and learn many procedures, techniques and other matters that are identified and treated by Franchisor as confidential, proprietary or trade secret, including, without limitation, information regarding the operational, sales, and marketing methods and techniques of Franchisor, which are beyond your skills and experience ("Confidential Information"); and

WHEREAS, you agree that you will receive material benefit from Franchisor entering into the Franchise Agreement with Franchisee. In exchange for that good consideration, you agree to execute and be bound by this Agreement, including the noncompetition covenant set forth herein.

NOW, THEREFORE, you hereby agree as follows:

1. Acknowledgement of Confidentiality Obligation. You acknowledge that through your association or relationship with Franchisee, you will receive valuable Confidential Information that provides a competitive advantage in the development of the Franchise. You acknowledge and agree that the Confidential Information and any Operations Manual are confidential and proprietary in nature and contain trade secrets belonging to Franchisor and that all such tangible evidence of Confidential Information is a property right of great value to Franchisor. You hereby agree to be bound by the provisions of the Franchise Agreement related to confidentiality and protection of trade secrets, including but not limited to Section 5.H of the Franchise Agreement, to the same extent as if a party to the Franchise Agreement.

2. Non-Use. You agree not to (a) use Confidential Information without prior written approval from Franchisor or as otherwise permitted by the Franchise Agreement, or (b) do or perform any other act injurious to the goodwill associated with the Marks and the System.

3. Non-Disclosure. Without prior written approval from Franchisor, you agree not to disclose, communicate or divulge any Confidential Information for your benefit or for the benefit of any other third party, including, without limitation, a competitor of the Franchise and/or Franchisor.

4. Exclusions. Confidential Information does not include and this Agreement does not apply to information that you can establish by reliable documentary evidence (a) was previously known by you, (b) is or becomes part of the public domain other than through your wrongful act, (c) is otherwise lawfully in your hands by a means other than breach of this Agreement or (to your knowledge) third party's breach of its confidentiality obligation to Franchisor, or (d) is sought pursuant to a subpoena or written discovery ("Process"); provided that Franchisor shall be immediately notified of the receipt of the Process, whereupon Franchisor has the right to request that Franchisee and/or you delete the Confidential Information from the scope thereof, and if Franchisee or you refuse, then Franchisor may seek any and all available remedies, including, without limitation, commencing proceedings to enjoin the disclosure of Confidential Information or intervening impending proceedings to seek the entry of protective orders or other appropriate relief. Nothing in this Agreement shall be construed to interfere with a party's obligations to comply with lawful court orders; however, no disclosure of Confidential Information by a party pursuant thereto shall be deemed to place the Confidential Information in the public domain or to relieve the party from the future performance of all its confidentiality obligations under this Agreement, absent express orders of the court to the contrary.

5. Covenant Not to Compete. Except as otherwise approved in writing by Franchisor, you may not, directly or indirectly, through, on behalf of, or in conjunction with, any other person, partnership, or legal entity, own, maintain, operate, or engage or participate in, inure benefit to, or have any financial interest, either as an officer, agent, employee, principal, partner, director, shareholder or any other individual or representative capacity, in any corporation, partnership or other legal entity that engages in any business that is the same as or similar to the Franchise, or is otherwise in competition with the business of Franchisor or Franchisor's franchisees, that engages in the distribution of similar products, services and/or equipment and that is located (a) anywhere, while the Franchise Agreement is in effect or (b) (i) within the territory specified on the Data Sheet to the Franchise Agreement, (ii) within a 25-mile radius of the outer boundary of such territory, or (iii) inside the territory of another SHELFGENIE business, in each case during a period of two (2) years commencing with the earlier of the termination of the Franchise Agreement or the date on which you cease to be associated with Franchisee (or the individual who is the principal of a legal entity identified as Franchisee) whether because of a termination of an employment arrangement or marriage or otherwise, which period shall be extended by any period of non-compliance. You further agree that upon Franchisor's request you shall make his/her personal and business records available for inspection by Franchisor to determine your compliance with this provision.

6. Customer Non-Solicitation Covenant. In addition, you agree that during the term of the Franchise Agreement and for a period of one year commencing with the earlier of the termination of the Franchise Agreement or the date on which you cease to be associated with Franchisee (or the individual who is the principal of a legal entity identified as Franchisee) whether because of a termination of an employment arrangement or marriage or otherwise, you will not, without our prior written consent, directly or indirectly, for yourself or on behalf of any other person, divert, or attempt to divert, any business or customer of the Business or any other SHELFGENIE Business to any competitor by direct or indirect inducement.

7. Scope of Covenants. The parties agree that each of the foregoing covenants in Section 5 and Section 6 will be construed as independent of any other covenant or provision of this Agreement. To the extent anyone successfully contests the validity or enforceability of any part of Section 5 or Section 6 in its present form predicated upon the scope of coverage, this provision will not be deemed invalid or unenforceable, but will instead be deemed modified, so as to be valid and enforceable, to provide coverage

for the maximum scope that any court of competent jurisdiction or arbitrator will deem reasonable and necessary to protect Franchisor's legitimate interests.

8. Choice of Law and Jurisdiction. This Agreement shall be governed by the internal laws of the State of Texas, without regard to conflicts of laws provisions. You agree that any litigation or legal action to enforce or relating to this Agreement shall be filed in Waco, McLennan County, Texas. You hereby consent to the jurisdiction of such Courts and further agree to waive any rights or objections to the jurisdiction or venue of any such actions when filed in such Courts.

9. Legal Fees and Costs. Any unauthorized disclosure following execution of this Agreement may be cause for suit for injunctive relief and damages. If you breach this Agreement, you shall pay reasonable attorney's fees and other costs incurred by Franchisor and/or Franchisee in enforcing the provisions of this Agreement. If any legal proceeding is commenced to enforce or interpret any provision of this Agreement, the prevailing party will be entitled to recover reasonable attorney's fees and all costs and disbursements allowed by law.

10. Defend Trade Secrets Act of 2016 Disclosure. 18 U.S.C. § 1833(b) states: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, the Parties to this Agreement have the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The Parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

11. Entire Agreement. This Agreement sets forth the entire understanding among you, Franchisor and Franchisee with respect to its subject matter and cannot be changed except by written instrument signed by you, Franchisor and Franchisee. There are no representations of any kind except as contained herein. This Agreement will be binding upon and inure to the benefit of the parties, their legal representatives, successors, and assigns.

________________________________________
Signature, individually

________________________________________
Date

Schedule G to the Franchise Agreement

**PROMISSORY NOTE AND SECURITY AGREEMENT**

**DATE:** _______

**DEBTOR:** __________

**DEBTOR'S MAILING ADDRESS:** ___________

**SECURED PARTY:** SHELFGENIE SPV LLC
a Delaware limited liability company, or its successors or assigns

**SECURED PARTY'S MAILING ADDRESS:** 1010 North University Parks Drive, Waco, Texas 76707

**PRINCIPAL:**__________ AND 00/100 DOLLARS ($____.__)

**INTEREST:** ____________ percent (____%) per annum on unmatured, unpaid PRINCIPAL beginning thirty (30) days before the due date of the first payment and the maximum legal rate of interest on matured, unpaid amounts from the date of maturity.

**TERMS OF PAYMENT:**

The principal and interest of this note shall be payable in monthly installments of ______________________ **AND** 00/100 **DOLLARS ($_______)** each, beginning on _____________ and continuing on the first day of each month thereafter until ______________, on which date the entire principal balance, any accrued, unpaid interest and all other amounts payable under this document are due in full. By execution of the ACH Form attached to the Franchise Agreement entered into by and between DEBTOR and SECURED PARTY (the "Franchise Agreement"), DEBTOR authorizes SECURED PARTY and the financial institution named thereon to make the foregoing payments from DEBTOR'S account until DEBTOR cancels such automatic draft in accordance with the terms of the Authorization or this note is paid in full.

DEBTOR promises to pay PRINCIPAL and INTEREST according to the above TERMS OF PAYMENT to the order of SECURED PARTY. This note may be prepaid in any amount at any time before maturity without penalty. Installments shall continue to be payable regularly after any partial payment unless and until this note has been fully paid. INTEREST shall be calculated on the unpaid PRINCIPAL to the date of any payment or prepayment, with that payment or prepayment being credited first to pay the accrued INTEREST and then to reduce the PRINCIPAL.

If DEBTOR defaults in the payment of any indebtedness or the performance of any obligations under this document or any document collateral to it, including, without limitation, the Franchise Agreement, or DEBTOR sells, assigns or transfers the Franchise Agreement or any interest therein or in the franchise granted thereunder to a third party, SECURED PARTY may declare the entire unpaid PRINCIPAL, earned INTEREST and any other amounts payable under this document immediately due. DEBTOR and each surety, endorser and guarantor waive all demands for payment, presentations for payment, notices of intention to accelerate, notices of acceleration, protests and notices of protest to the extent permitted by law.

If this document or any document collateral to it, including, without limitation, the Franchise Agreement, is given to an attorney for collection or enforcement, is collected or enforced after suit is brought for that purpose or is collected or enforced through probate, bankruptcy or other judicial proceeding, DEBTOR shall pay SECURED PARTY all costs of collection and enforcement (including, without limitation, reasonable attorney's fees and court costs) in addition to amounts due. Reasonable attorney's fees shall be ten percent (10%) of all amounts due unless plead otherwise.

Interest on any indebtedness under this document or any document collateral to it shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged or received under law. Any interest in excess of that maximum amount shall be credited on the principal of the indebtedness or, if that has been paid, refunded. Any such excess resulting from any acceleration or prepayment shall be canceled automatically or, if already paid, credited on the unpaid principal of the indebtedness or, if the principal of the indebtedness has been paid, refunded. This provision overrides other provisions in this and all other instruments related hereto.

If any installment of this note is not paid within thirty (30) days of its due date, a late charge in the amount of TEN AND NO/100 DOLLARS ($10.00) per payment per day will be paid by DEBTOR upon demand as compensation for any expense or inconvenience incurred in collecting that delinquent installment. DEBTOR is not hereby authorized to be delinquent in paying any installment. Any demand for a late charge shall not affect any other remedies available.

If any draft or check is returned by DEBTOR'S financial institution for insufficient funds or any other reason, SECURED PARTY is entitled to reimbursement from DEBTOR in the amount of TWENTY FIVE AND 00/100 DOLLARS ($25.00) per draft or check. Any demand for reimbursement shall not in any manner affect any other remedies available.

**COLLATERAL:**

All right, title and interest of DEBTOR to all fixtures, furniture, leasehold improvements, furnishings, materials, supplies, equipment, goods, machinery, general intangibles, money, accounts, inventory, chattel paper, documents, instruments, commercial tort claims, deposit accounts, investment property, letter-of-credit rights, letters of credit and other personal property of any kind whatsoever, whether now or hereafter existing, arising, acquired or used by DEBTOR in any manner in connection with the SHELFGENIE franchise operated by DEBTOR under the Franchise Agreement or any other business which has provided or is providing services related to design, sale and installation of customized solutions for new and existing cabinets, pantries and other structures and related products and services for residential and commercial customers; and all replacements, betterments, substitutions, renewals, additions, products and proceeds thereto or therefrom.

**GRANT OF SECURITY INTEREST:**

DEBTOR grants SECURED PARTY a security interest in the COLLATERAL to secure the payment of all indebtedness owed and the performance of all obligations performable by DEBTOR to or for SECURED PARTY (including, without limitation, all indebtedness and obligations under this document or any document collateral to it).

SECURED PARTY's sole duty with respect to the custody, safekeeping and physical preservation of COLLATERAL in its possession or under its control will be to use reasonable care in the custody and preservation of such COLLATERAL. DEBTOR agrees that SECURED PARTY will be deemed to have used reasonable care in the custody and preservation of COLLATERAL if SECURED PARTY deals with such COLLATERAL in the same manner as SECURED PARTY deals with similar property for its own account and, to the extent permitted by applicable law. SECURED PARTY need not take any steps to preserve rights against any other person or entity. Neither SECURED PARTY nor any of its directors, officers, managers, members, employees or agents will be liable for failure to demand, collect or realize upon the COLLATERAL or will be under any obligation to sell or otherwise dispose of any COLLATERAL.

DEBTOR confirms that value has been given, that DEBTOR has rights in the COLLATERAL, and that DEBTOR and SECURED PARTY have not agreed to postpone the time for attachment of the security interest to any of the COLLATERAL. In respect of COLLATERAL which is acquired after the execution date of this Promissory Note and Security Agreement, the time for attachment will be the time when DEBTOR acquires such COLLATERAL.

SECURED PARTY may (and DEBTOR hereby authorizes SECURED PARTY to) execute and file such financing statements and other documents as SECURED PARTY may at any time deem appropriate to perfect the foregoing security interest. Without limiting the generality of the foregoing, DEBTOR authorizes SECURED PARTY to file financing statements designating the collateral as "all personal property" or "all assets" of DEBTOR, and authorizes, ratifies and approves any financing statement filed by SECURED PARTY on or prior to the date of this document.

**DEBTOR'S WARRANTIES AND COVENANTS:**

DEBTOR warrants, represents and covenants that: 1) No financing statement covering the COLLATERAL is filed in any public office; 2) DEBTOR is validity existing and in good standing under the laws of the state of its jurisdiction of organization, and the execution and delivery of this document by DEBTOR and the performance of its obligations hereunder have been duly authorized by all necessary action in accordance with applicable laws; 3) DEBTOR owns the COLLATERAL, free and clear of all liens other than liens in favor of SECURED PARTY, and has the authority to grant this security interest; 4) none of the COLLATERAL is or will be affixed to real estate, an accession to any goods, commingled with other goods, or a fixture, accession or part of a product or mass with other goods; 5) all information about DEBTOR'S financial condition provided to SECURED PARTY was accurate when submitted, as will be any information subsequently provided; 6) DEBTOR will defend the COLLATERAL against all claims and demands adverse to SECURED PARTY'S interest in it; 7) the COLLATERAL will remain in DEBTOR'S possession or control at all times; 8) DEBTOR will maintain the COLLATERAL in good condition and protect it against misuse, abuse, waste and deterioration except for ordinary wear and tear resulting from its intended use; 9) DEBTOR will insure the COLLATERAL in accordance with SECURED PARTY'S reasonable requirements regarding choice of carrier, casualties insured against and amount of coverage; 10) insurance policies will be written in favor of DEBTOR and SECURED PARTY according to their respective interests or according to SECURED PARTY'S other requirements; 11) all insurance policies shall provide that the SECURED PARTY will receive at least ten (10) days' notice before cancellation, and the policies or certificates evidencing them will be provided to SECURED PARTY when issued; 12) DEBTOR assumes all risk of loss or damage to the COLLATERAL to the extent of any deficiency in insured coverage; 13) DEBTOR irrevocably appoints SECURED PARTY as DEBTOR'S attorney-in-fact to collect on DEBTOR'S behalf any returned unearned premiums and proceeds of any insurance on the COLLATERAL and to endorse any draft or check deriving from the policies and made payable to DEBTOR; 14) DEBTOR will pay all expenses incurred by SECURED PARTY in negotiating, obtaining, preserving, perfecting, defending and enforcing this document, any document collateral to it or the COLLATERAL (expenses for which DEBTOR is liable include, without limitation, taxes, assessments, reasonable attorney's fees and other legal expenses, these expenses will bear interest from the dates of payments at the highest legal rate of interest, and DEBTOR will pay SECURED PARTY this interest on demand at a time and place reasonably specified by SECURED PARTY); 15) DEBTOR will sign any papers that SECURED PARTY considers necessary to obtain, maintain and perfect this security interest or to comply with any relevant law, including without limitation, such documents as may be required to have the security interest granted hereunder properly noted on a certificate of title; 16) DEBTOR will immediately notify SECURED PARTY in writing of any material change in the COLLATERAL, of any change in DEBTOR'S name, address or location, of any change in any matter warranted or represented in this document or any document collateral to it, of any change that may affect the security interest in the COLLATERAL, or perfection thereof and of any event of default; 17) without SECURED PARTY'S prior written consent, DEBTOR will not sell, transfer or encumber any of the COLLATERAL other than sales of inventory in the ordinary course of business; 18) DEBTOR will maintain accurate books and records covering the COLLATERAL; and 19) DEBTOR will furnish SECURED PARTY any requested information related to the COLLATERAL and DEBTOR will allow SECURED PARTY, at any time and place, to inspect the COLLATERAL and all records describing or related to the COLLATERAL.

**RIGHTS AND REMEDIES OF SECURED PARTY:**

Regardless of whether or not DEBTOR is in default hereunder, SECURED PARTY may: 1) release any COLLATERAL in SECURED PARTY'S possession to any debtor, temporarily or otherwise; 2) take control of any proceeds generated by the COLLATERAL, such as refunds from and proceeds of insurance, and reduce any part of the owed indebtedness accordingly or permit DEBTOR to use such funds to repair or replace damaged/destroyed COLLATERAL; 3) contact account debtors directly to verify information furnished by DEBTOR; 4) notify obligors on the COLLATERAL to pay SECURED PARTY directly and reduce any part of the owed indebtedness accordingly; and 5) as DEBTOR'S agent, endorse any documents or chattel paper that is COLLATERAL or that represents proceeds of COLLATERAL.

SECURED PARTY has no obligation to collect any account and will not be liable for failure to collect any account or for any act or omission on the part of SECURED PARTY or SECURED PARTY'S officers, agents or employees, except willful misconduct. If DEBTOR fails to maintain insurance as required, SECURED PARTY may purchase single-interest insurance coverage that will protect only SECURED PARTY. If SECURED PARTY purchases this insurance, the insurance premiums will become part of the indebtedness owed by DEBTOR to SECURED PARTY under this document.

**EVENTS OF DEFAULT:**

Each of the following conditions is an event of default: 1) if DEBTOR defaults in the timely payment or performance of any indebtedness, obligation, covenant or liability in this document, in any document collateral to it, including, without limitation, the Franchise Agreement, or in any other agreement between DEBTOR and SECURED PARTY and fails to cure the same within the applicable cure period (if any); 2) if any warranty, covenant or representation made to SECURED PARTY by or on behalf of DEBTOR proves to have been false or incomplete in any material respect when made; 3) if a receiver is appointed for DEBTOR or any of the COLLATERAL or if the COLLATERAL is assigned for the benefit of creditors or, to the extent permitted by law, if bankruptcy or insolvency proceedings are commenced against or by DEBTOR, any partnership of which DEBTOR is a general partner or any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party or other person liable on or for any part of the indebtedness owed or obligations performable by DEBTOR under this document or any document collateral to it; 4) if any lien attaches to any of the COLLATERAL other than any lien granted in favor of SECURED PARTY; and 5) if any of the COLLATERAL is lost, stolen, damaged or destroyed, unless it is promptly restored or replaced with collateral of like quality.

**REMEDIES OF SECURED PARTY ON DEFAULT:**

During the existence of any event of default, SECURED PARTY may declare the unpaid PRINCIPAL and earned INTEREST and all other amounts payable under this document immediately due in whole or part, enforce the payment of indebtedness and performance of obligations by DEBTOR under this document and any document collateral to it and exercise any rights and remedies granted by this document, any document collateral to it or by applicable law (including, without limitation, the Texas Uniform Commercial Code), including, without limitation, the following: 1) require DEBTOR to deliver to SECURED PARTY all books and records relating to the COLLATERAL; 2) require DEBTOR to assemble the COLLATERAL and make it available to SECURED PARTY at a place reasonably convenient to both parties; 3) take possession of any of the COLLATERAL and for this purpose enter any premises where it is located; 4) sell, lease or otherwise dispose of any of the COLLATERAL in accord with the rights, remedies and duties of a secured party under Chapters 2 and 9 of the Texas Uniform Commercial Code after giving notice as required by those chapters; 5) surrender any insurance policies covering the COLLATERAL and receive the unearned premium; 6) apply any proceeds from disposition of the COLLATERAL after default in the manner specified in Chapter 9 of the Texas Uniform Commercial code, including, without limitation, payment of SECURED PARTY'S reasonable attorney's fees and court expenses; and; 7) if disposition inadequate, collect the deficiency.

**GENERAL PROVISIONS:**

1. SECURED PARTY'S rights under this document shall inure to the benefit of its successors and assigns.

2. Neither delay in exercise nor partial exercise of any of SECURED PARTY'S remedies or rights shall waive further exercise of those remedies or rights. SECURED PARTY'S failure to exercise remedies or rights does not waive subsequent exercise of those remedies or rights. SECURED PARTY'S waiver of any default does not waive further default. SECURED PARTY may remedy any default without waiving the default. The rights, remedies, powers, and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers, and privileges provided by law.

3. If DEBTOR fails to perform any of DEBTOR'S obligations, SECURED PARTY may perform those obligations and be reimbursed by DEBTOR on demand for any sums so paid (including, without limitation, attorney's fees and other legal expenses) plus interest on those sums from the dates of payment at the maximum legal rate of interest. The sum to be reimbursed shall be secured by the security interest under this document.

4. This document constitutes the entire contract between DEBTOR and SECURED PARTY with respect to the subject matter hereof and supersedes all previously executed agreements and understandings, oral or written, with respect thereof. No provisions of this document shall be modified or limited except by written agreement executed by both parties.

5. The unenforceability of any provision will not affect the enforceability or validity of any other provision.

6. This document and the agreement evidenced hereby is to be construed according to Texas laws. All indebtedness is payable and all obligations are performable in Waco, McLennan County, Texas.

7. A carbon, photographic, electronic or other reproduction of this Promissory Note and Security Agreement or any financing statement covering the COLLATERAL is sufficient as a financing statement.

8. If the COLLATERAL is sold after default, recitals in the transfer document will be prima facie evidence of their truth, and all prerequisites to the sale specified herein and by the Texas UCC will be presumed satisfied.

9. The security interest under this document shall neither affect nor be affected by any other security for any of the indebtedness owed or obligations performable by DEBTOR under this document or any document collateral to it. Neither extensions of any of that indebtedness or those obligations nor releases of any of the COLLATERAL will affect the priority or validity of the security interest under this document.

10. Foreclosure of the security interest under this document by suit shall not limit SECURED PARTY'S remedies, including, without limitation, the right to sell the COLLATERAL. All remedies of SECURED PARTY may be exercised at the same or different times, and no remedy shall be a defense to any other. SECURED PARTY'S rights and remedies include all those granted in this document, by law or otherwise.

11. DEBTOR'S appointment of SECURED PARTY as DEBTOR'S attorney-in-fact or agent is coupled with an interest and will specifically survive any death or disability of DEBTOR.

12. As used in this document and unless the context requires another construction, the masculine, feminine and neuter gender shall each include the others and the singular and plural case shall each include the other.

13. DEBTOR acknowledges receipt of an executed copy of this document. DEBTOR waives the right to receive any amount that it may now or hereafter be entitled to receive (whether by way of damages, fine, penalty, or otherwise) by reason of the failure of SECURED PARTY to deliver to DEBTOR a copy of any financing statement or any statement issued by any entity that confirms registration of a financing statement.

FRANCHISEE:

_____________________________________________
________, individually

_____________________________________________
Date

Schedule H to the Franchise Agreement

**MANUFACTURING AGREEMENT**

[See attached.]

**MANUFACTURING AGREEMENT**

**Between**

**G-O Manufacturing SPV LLC**
**1010 North University Parks Drive, Waco, Texas 76707**
**770-955-4377**

**And**

**"Franchisee"**

____________________________________

____________________________________

____________________________________

____________________________________

# MANUFACTURING AGREEMENT

MANUFACTURING AGREEMENT ("Agreement"), dated as of ______________________ (the "Agreement Date"), is entered into between G-O Manufacturing SPV LLC, a Delaware limited liability company (the "Company"), and ___________________ ("Franchisee").

**Recitals**

A. The Company is engaged in the business of manufacturing & distributing custom moving shelving for cabinets along with various accessories.

B. Franchisee owns and operates a SHELFGENIE franchised business pursuant to a Franchise Agreement dated as of ______________________ by and between ShelfGenie SPV LLC ("Franchisor") and Franchisee (the "Franchise Agreement").

C. Pursuant to the Franchise Agreement, Franchisee is obligated to purchase and sell certain of the Company's products.

D. The Company agrees to sell to Franchisee certain of the Company's products in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, the Company and Franchisee agree as follows:

**1. Definitions.** Capitalized terms not defined in this Agreement have the meaning given them in the Franchise Agreement.

**2. Grant and Acceptance.** The Company hereby grants to Franchisee and Franchisee accepts, subject to the terms and limitations of this Agreement, a non-transferable, non-exclusive right during the Term to purchase products (the "Products"), a list of which will be provided to Franchisee located within the Company's approved business system called WishPortal ("WishPortal" to include any successor business system). The Products may be amended from time to time by the Company. Franchisee agrees to sell such Products to customers in compliance with the terms of the Franchise Agreement. The Company will use reasonable efforts to manufacture and ship Products and fill orders in a timely manner.

**3. Franchisee not an Agent.** Franchisee is not an agent, employee or legal representative of the Company for any purpose. Franchisee is not granted any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of the Company or to bind the Company in any manner. Franchisee is an independent dealer of the Products, buying and selling them for its own account and not on a commission basis.

**4. Term.** The term of this Agreement ("Term") shall run from the Agreement Date until terminated pursuant to the provisions hereof or until the termination or expiration of the Franchise Agreement.

**5. Delivery, Acceptance of Products.**

(a) Unless otherwise agreed, delivery, passage of title and risk of loss of the Products to Franchisee will occur at the time the Company delivers the Products to a carrier at the Company's warehouse or distribution point from which the Products are being shipped (FOB origin).

(b) Whenever the Company has delivered to a carrier any Products ordered by Franchisee, whether the particular carrier has been designated in the shipping or routing instructions of Franchisee or not, the Company will not be responsible for delays or damages in shipment.

(c) Upon delivery of the Products to a carrier, a clean bill of lading will serve as conclusive evidence of the good condition of the Products.

(d) Products will be shipped by the means chosen by the Company, unless Franchisee requests a specific method, and in such packaging as selected by the Company.

(e) It is the responsibility of Franchisee to inspect the Products immediately upon receipt. Any claim for shortage must be made within twenty four (24) hours of Franchisee's receipt or within such other time as may be specified by the Company in writing. Any claim not made in writing and received by the Company within this time period will be deemed waived. All claims must be submitted according to the Company's current Claim Process Procedure which include the requirement for digital photos.

(f) Once delivered to the carrier, the Products may not be returned by Franchisee without the Company's prior written consent and on such terms and conditions as the Company may require. The Company will be responsible for delivering Products that correspond with the measurements taken and submitted by Franchisee. If there are errors in such measurements by Franchisee, Franchisee bears the risk of loss and must purchase such Products as if no errors had been made. Any modifications by the Company due to measurement errors will be treated as new orders. If Franchisee fails to take delivery of all or any part of a shipment upon arrival at the designated delivery point, then, in addition to any other remedy available to the Company, Franchisee will be liable for all transportation, loading, storage and other costs incurred by the Company by reason of Franchisee's failure to take delivery of the Products.

(g) No claim by Franchisee of any kind, whether or not as to the Products delivered or for non-delivery of the Products, and whether or not based on negligence, will be greater in amount than the purchase price of the Products in respect of which the claim is made. **IN NO EVENT WILL THE COMPANY BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES**, whether or not caused by or resulting from its negligence.

**6. Orders; Prices and Terms.**

(a) Franchisee agrees to comply with all of the Company's policies, practices and procedures as in effect from time to time relating to the placement and processing of Purchase Orders and shipment schedules. All Purchase Orders must be submitted through the Company's designed business system and shipment schedules submitted to the Company are subject to acceptance by the Company. The Company has the right to reject any Purchase Order for any reason. Franchisee expressly releases the Company from and will indemnify the Company for all liabilities for any loss or damage arising from the failure or delay of the Company to accept or fill any orders of Franchisee. Once a Purchase Order is submitted to the Company, Franchisee may cancel such order within the first business day without charge. Twenty four hours after submission of each Purchase Order, such Purchaser Order becomes not cancelable and Franchisee will be invoiced in full for material and labor for such Purchase Order.

(b) Franchisee shall purchase Products by submitting orders using the Company's approved business system called WishPortal.

(c) The current Product pricing will be set forth in WishPortal and will be available to Franchisee upon the completion of training. Product pricing may be altered, amended or replaced at any time by the Company (the "Price List"). Ordering guidelines and terms of shipment of the Products sold to Franchisee are set forth on Schedule A. The Company may increase or decrease the prices of the Products paid by Franchisee at any time. The Company will notify Franchisee in writing within thirty (30) days of any such price increases or decreases and will apply such price increases or decreases to all Purchase Orders made on or after the effective date of such price increase or decrease. Unless otherwise specified in writing, prices will be FOB origin and will be exclusive of tariffs, duties, sales taxes, use taxes and similar levies and taxes, and all insurance, shipping, freight, delivery, handling, surcharges and packaging charges over and above usual and customary ("Other Charges"). Any Other Charges the Company incurs or may be required to pay upon the sale or delivery of any of the Products to Franchisee will be added to the prices charged to Franchisee. Under no circumstances will the Company be obligated to make deliveries to Franchisee if any prior invoice remains unpaid beyond its due date or if Franchisee is otherwise in default in any of its obligations to the Company or under the Franchise Agreement.

(d) As security for the prompt payment of amounts due under this Agreement, Franchisee grants to the Company a purchase money security interest in Franchisee's interest in the Products wherever located and whether now owned or hereafter acquired by Franchisee (all of the foregoing being collectively referred to as "collateral"), until the purchase price for the Products has been paid in full to the Company. The Company's security interest will apply to and include all proceeds of the collateral, including but not limited to proceeds of any insurance with respect to any lost, stolen, damaged or destroyed items of collateral. Without the prior written consent of the Company, Franchisee will neither grant nor permit any other security interest, lien or encumbrance of any kind in any of the collateral. When requested by the Company, Franchisee will promptly execute all documents and perform all other actions, as may be requested by the Company for the purpose of perfecting and maintaining perfected the Company's security interest granted under this Section. The provisions of this Section will be deemed to be a security agreement and will survive the expiration or termination of this Agreement. The happening of any event under Section 10 or the breach of any representation, warranty or covenant in this Agreement will be a breach by Franchisee of this security agreement. Upon such a default, at the Company's option, all amounts owed to the Company by Franchisee, including without limitation the unpaid price of the Products purchased by Franchisee, will become immediately due and payable, and the Company may (i) exercise separately, successively or simultaneously all rights and remedies of a secured party under the Uniform Commercial Code in addition to all other rights and remedies granted to it in this Agreement, and (ii) apply the proceeds of disposition of collateral or other amounts collected toward the payment of Franchisee's obligations, in order of application as the Company may elect, and expenses in connection with the collection and disposition of the collateral and enforcement of the Company's rights and remedies hereunder, including reasonable attorneys' fees and legal expenses.

(e) By their execution of this Agreement, the principal owner or owners of Franchisee (the "Guarantors") agree to unconditionally guarantee (jointly and severally as the case may be) payment when due of all indebtedness and other liabilities and the performance of all obligations of Franchisee to the Company under this Agreement, together with all interest, attorneys' fees, costs and expenses of collection incurred by the Company in enforcing any such indebtedness, liabilities or obligations (collectively the "Liabilities"). In addition, each of the Guarantors expressly subordinates all indebtedness of Franchisee owing to him or her to the Liabilities. When requested by the Company, each of the Guarantors will execute any and all documents necessary to give effect to this Section. The provisions of this Section will survive the expiration or termination of this Agreement.

**7. <u>No Liability for Delays</u>.**

IN NO EVENT WILL THE COMPANY BE LIABLE FOR DIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR OTHER DAMAGES, COSTS OR EXPENSES DUE TO ACTS OR DELAYS OCCASIONED BY FORCE MAJEURE OR ANY CAUSE BEYOND THE COMPANY'S REASONABLE CONTROL, INCLUDING BUT NOT LIMITED TO, STRIKES, LABOR CONTROVERSIES, FIRE, FLOOD, EARTHQUAKE, WINDSTORM, UNUSUALLY SEVERE WEATHER, ACTS OF GOD OR THE ELEMENTS, EMBARGOES, GOVERNMENT ORDERS OR

RESTRICTIONS AS TO THE MANUFACTURE, SALE OR DELIVERY OF THE PRODUCTS, LOCKOUTS OR STOPPAGE OF WORK IN THE FACILITIES OF THE COMPANY, WAR, WARLIKE CONDITIONS, TERRORISM, CIVIL DISTURBANCES, FAILURE OF A SUPPLIER TO DELIVER TO THE COMPANY FOR ANY REASON, OR FOR ANY OTHER CAUSE, CONTINGENCY OR CIRCUMSTANCE NOT SUBJECT TO THE COMPANY'S REASONABLE CONTROL AND WHICH PREVENTS OR HINDERS THE COMPANY'S PERFORMANCE.

**8. Trademarks, Trade Names and Intellectual Property**

**(a)** Any Products offered for resale or resold by Franchisee pursuant to this Agreement will be offered or sold only under such trademarks, trade names, service marks, symbols, logos and other designations (the "Trademarks") as are then used in connection with those Products by the Company, except as may be otherwise agreed to by the Company in writing. Franchisee agrees not to remove, change, alter or distort the Trademarks affixed by the Company to the Products.

**(b)** It is understood and agreed that all Trademarks, patents, copyrights, trade secrets and other property rights with respect to the Products and their assembly and installation (the "Intellectual Property") are and will remain exclusively the property of the Company. Franchisee will not directly or indirectly obtain or attempt to obtain during the term of this Agreement or at any time thereafter, any right, title or interest by registration, patent, copyright or otherwise in or to the Intellectual Property owned or used by the Company or any of its affiliates. Franchisee agrees to take no action which would jeopardize, limit or interfere in any manner with the Company's ownership of and right to utilize its corporate name or the Intellectual Property. Franchisee agrees that it will not use in its or their corporate name or as a trade name, the Company's name or the name of any division, subsidiary or affiliate of the Company, or any variant or abbreviation of it, or the Intellectual Property, without the Company's prior written approval.

**(c)** Solely for the purpose of marketing the Products, Franchisee may, while this Agreement is in effect, indicate that it is an authorized distributor for the Products and may advertise the Products under the Trademarks as are then used in connection with the Products by the Company.

**(d)** Upon termination of the Term of this Agreement for any reason, Franchisee agrees to immediately discontinue advertising as an authorized distributor for the Products or advertising the Product themselves.

**9. Warranty of Products.**

(a) **What This Warranty Covers:** The Company warrants its parts and Products to be free of substantial defects in materials and workmanship from the original date of purchase under normal home or office use. This warranty is offered only to the original consumer purchaser and may not be transferred.

(b) **What The Company Will Do Under The Warranty**: During the warranty period, the Company at its option will repair or replace any part or Product that proves to have substantial defects in materials or workmanship, or the Company will provide an equivalent replacement Product. In keeping with the Company's policy of continuous product improvement, the Company reserves the right to change specifications in design and materials without notice and with no obligation to retrofit products G-O Manufacturing previously manufactured or distributed. (Shipping costs, labor costs, installation cost, etc. are the responsibility of Franchisee and/or the purchaser).

(c) **What This Warranty Does Not Cover**: This warranty does not cover any problems or damage which result from improper transportation, improper installation, mishandling, misuse, abuse, neglect, abnormal use, commercial use, improper maintenance, non-Company repairs, accidents or acts of

God, such as hurricanes, fire, earthquakes or floods. This warranty and any applicable implied warranties do not cover incidental or consequential damages arising from any defects in the Product, such as labor charges for installation or removal of the Product or any associated Products. This warranty does not cover defects or damage caused by normal wear & tear, alterations, environmental conditions, humidity absorption or mold. In addition, variations in wood grain finish color, aging or other natural wood and stain characteristics are not considered defects and are not covered by this warranty.

**10. <u>Termination</u>.**

(a) In addition to any other rights and remedies the Company may have under this Agreement or any other agreement with Franchisee, the Company will have good cause and the right to cancel the Term immediately by written or oral notice to Franchisee, upon the happening of any of the following events:

(i) The expiration or termination of the Franchise Agreement for any reason;

(ii) Franchisee assigns or transfers or attempts to assign or transfer any interest in this Agreement without the prior written consent of the Company;

(iii) Any principal owner or principal officer of Franchisee dies or is incapacitated, unless a qualified person to continue the management of Franchisee's business has been approved by the Company;

(iv) Any principal owner or principal officer of Franchisee, or Franchisee itself, is convicted of a serious crime or takes any action which, in the opinion of the Company, adversely affects the reputation of Franchisee, the Company or the Products;

(v) Any case, proceeding, or other action is commenced, seeking to have an order for relief entered on Franchisee's behalf as debtor, or to adjudicate Franchisee as bankrupt or insolvent, or seeking a reorganization, liquidation or dissolution of Franchisee or Franchisee's debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking the appointment of a receiver or trustee, custodian or similar official for Franchisee or for all or a substantial part of its assets; or (vi) Franchisee ceases to function as a going concern.

(b) In addition to any other rights and remedies the Company may have under this Agreement or any other agreement with Franchisee, the Company will have good cause and the right to terminate this Agreement upon ten (10) days' written notice to Franchisee upon the happening of any of the following events:

(i) Franchisee fails to pay any amount owing to the Company when due and the payment is not made within ten (10) days after written notice is given by the Company to Franchisee of the failure;

(ii) Franchisee defaults in the performance of any of its other obligations under this Agreement, and the default is not cured within thirty (30) days after written notice specifying the default is given by the Company to Franchisee.

(c) In addition to any other rights and remedies Franchisee may have under this Agreement or any other agreement, Franchisee will have the right to terminate this Agreement upon ten (10) days written notice to the Company upon the happening of any of the following events:

(i) The Company defaults in the performance of any of its obligations under this Agreement and the default is not cured within thirty (30) days after written notice specifying the default is given by Franchisee to the Company;

(ii) The Company ceases to function as a going concern; or

(iii) The Company ceases to sell all of the Products (including all of the replacement Products).

(d) Upon the termination or expiration of the Term:

(i) Franchisee will immediately cease to operate as a dealer of the Products and will cooperate with the Company and any person or entity designated by the Company to assume responsibility for distributing the Products to affect an orderly transfer of Franchisee's operations under this Agreement to the Company or to such other person or entity.

(ii) Franchisee will immediately cease to, in any manner, represent that it is acting in the capacity of a dealer of the Products, and will not, in the future for any commercial or business purpose represent or state that it was a former dealer for the Company or of the Products.

(iii) All amounts owed to the Company by Franchisee, including but not limited to the unpaid price of Products purchased by Franchisee, will become immediately due and payable, unless otherwise agreed to by the Company in writing. The Company will have the right to offset any credits or other amounts due to Franchisee against any amount due and owing by Franchisee to the Company.

(iv) THE COMPANY SHALL NOT BE LIABLE TO FRANCHISEE FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES AS A RESULT OF ANY BREACH OF THIS AGREEMENT BY THE COMPANY OR THE TERMINATION, EXPIRATION OR NONRENEWAL OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO DAMAGES ARISING FROM THE LOSS OF PROSPECTIVE PROFITS OR ANTICIPATED SALES, LOST BUSINESS OPPORTUNITIES OR EXPENDITURES, INVESTMENTS, LEASES OR OTHER COMMITMENTS IN CONNECTION WITH THE BUSINESS.

**11. Indemnification.** Franchisee will indemnify, defend and hold the Company and its officers, directors, employees and agents harmless from any and all claims, damages, losses, liabilities or expenses (including without limitation reasonable attorneys' fees) arising out of (a) any breach of a representation or warranty made by Franchisee in this Agreement, (b) the breach of any agreement made by Franchisee herein, or (c) Franchisee's performance of its obligations hereunder.

**12. Attorneys' Fees.** Franchisee shall pay any costs incurred by the Company in enforcing its rights herein, including reasonable attorneys' fees.

**13. Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Georgia, excluding conflicts of law provisions.

**14. Entire Agreement.** This Agreement and the Franchise Agreement constitute the entire agreement among the parties and supersedes all other prior agreements or undertakings, both written and oral, among the parties with respect to the subject matter hereof provided however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that was furnished to Franchisee.

**15. Inconsistent Provisions.** The provisions of this Agreement supersede any provisions of the Company's general conditions of sale which may be inconsistent with it. Acknowledgment or acceptance of any order inconsistent with the terms of this Agreement or the making of deliveries pursuant to any such order will not be deemed an acceptance or approval of any such inconsistent provision.

**16. Headings.** The Section headings in this Agreement do not form a part of this Agreement, and do not limit or affect in any way the meaning of the Sections of this Agreement and are for convenience only.

**17. Waiver.** The failure of either party to insist on strict performance of any covenant or condition of this Agreement in any one or more instances, will not be construed as a waiver or relinquishment of the covenant or condition in the future, but the covenant or condition will remain in full force and effect.

**18. Severability.** To the extent that a court or arbitrator does not or cannot modify provisions of this agreement, then the provision shall be severed. It is understood and agreed that if any portion of this Agreement is prohibited by or under the laws of any governmental authority in which this Agreement is used, or to which it is made applicable, that portion will be ineffective and void to the extent of the prohibition without invalidating any of the remaining provisions of this Agreement.

**19. Assignment.** This Agreement may be assigned by the Company, and the performance of its duties pursuant to this Agreement may be delegated. This Agreement may not be assigned or encumbered by Franchisee, and the performance of its duties under this Agreement may not be delegated, except with the prior written consent of the Company. This Agreement is binding upon and inures to the benefit of its parties, their successors and permitted assigns.

**20. Notices.** Unless otherwise specified, any notice required or authorized under this Agreement will be given in writing by hand or by first class mail, telefax, telex or cable. All such notices will be delivered or sent to the respective parties at the addresses set forth on the first page of this Agreement or to such different address as either party may from time to time designate by notice properly given to the other under this Agreement. Notice will be deemed given on the date of service if personally served on a business day or on the date of transmission if sent by telex, telefax or cable on a business day. In all other instances, notice will be deemed given on the second business day following mailing, transmission or delivery.

FRANCHISEE:

_____________________________________________
__________________, individually

_____________________________________________
Date

GUARANTOR:

_____________________________________________
__________________, individually

_____________________________________________
Date

G-O Manufacturing SPV LLC:

BY: _________________________________________

_____________________________________________
Date

## SCHEDULE A

## TERMS

**Ordering**

1. Payment –Franchisee is invoiced for order amount in full when the order is shipped. Payment is due in full net 30 days from the shipment date, via automatic ACH payment. The guarantor section of this Agreement must be signed.

**Product Delivery**

1. Method – FOB shipping point.

2. Shipping Options will depend on Volume, Order Quality and Product Selection. The Company has sole discretion related to the method of transportation and whether small boxes or pallets will be used. Generally, whether products will be shipped in small boxes or pallet shipments via common carrier are determined by the number of Product units in each wholesale order and the number of orders submitted together. The Company reserves the right to change the shipping methods and shipping/transportation providers with 30 days' notice.

3. A shipping, handling and packaging charge of 25%- 30% (depending on products shipped) of the wholesale order before discounts will be assessed for all shipments shipped in boxes by ground transportation at the Company's choice. These charges are subject to change with 30 days' notice.

4. A shipping, handling and packaging charge of 10%- 25% (depending on products shipped) of the wholesale order before discounts will be assessed for all shipments shipped by pallet. These charges are subject to change with 30 days' notice.

Schedule I to the Franchise Agreement

## TERRITORY AVAILABLE FOR SALE AMENDMENT TO FRANCHISE AGREEMENT

THIS TERRITORY AVAILABLE FOR SALE AMENDMENT TO FRANCHISE AGREEMENT ("**Amendment**") is made effective as of this ___ day of _________, 20__ (the "**Effective Date**") by and between ShelfGenie SPV LLC, a Delaware limited liability company ("**SHELFGENIE**"), ______________, a _____________________ ("**Franchisee**"), and ______________, an adult individual residing in _________ ("**Guarantor**," and, together with Franchisor and Franchisee, the "**Parties**").

### BACKGROUND

A. [On or about ___________, 20__, Franchisee and SHELFGENIE entered into a franchise agreement (the "**Franchise Agreement**") pursuant to which Franchisee agreed to establish and operate a SHELFGENIE business within the Territory identified in Exhibit 1 of the Franchise Agreement (the "**Assigned Territory**").]

B. [Contemporaneously with the execution of this Amendment, SHELFGENIE and Franchisee are entering into a franchise agreement ("**Franchise Agreement**"), pursuant to which Franchisee agrees to establish and operate a SHELFGENIE business within the Territory identified in Exhibit 1 of the Franchise Agreement (the "**Assigned Territory**").]

C. Guarantor personally guaranteed Franchisee's obligations under the Franchise Agreement.

D. In accordance with Section 2.B of the Franchise Agreement, Franchisee has requested, and SHELFGENIE has agreed, to amend the terms of the Franchise Agreement to provide Franchisee with temporary permission to advertise and sell outside the Assigned Territory pursuant to the terms and conditions of this Amendment.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained in this Amendment and in the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Grant of Temporary Right. SHELFGENIE grants to Franchisee the temporary right ("**Temporary Right**") to advertise and sell in any geographic area outside of Franchisee's Assigned Territory but expressly excluding any other System franchisee's assigned territory (the "**Temporary Area**") until the earlier of (i) entrance by SHELFGENIE into a franchise agreement that grants rights to any portion of the Temporary Area, or (ii) revocation by SHELFGENIE of the Temporary Right, which may be revoked by SHELFGENIE in its sole discretion, at any time, for any or no reason.

2. Terms and Conditions of Temporary Right. The Temporary Right is subject to the following terms and conditions:

   a. Franchisee must comply with all of the terms and conditions of the Franchise Agreement and the System within the Temporary Area.

   b. The amount Franchisee spends on advertising in the Temporary Area will not count towards the minimum local marketing requirements under Section 7.B of the Franchise Agreement.

   c. All sales made within the Temporary Area will be included within the definition of Gross Sales under the Franchise Agreement and will be subject to the License Fees, MAP Fees and all other fees required to be paid under the Franchise Agreement; provided, however, that, the License Fee rate with respect to Gross Sales from the Temporary Area will be increased by 5%. SHELFGENIE has all of the rights and remedies available to it under the Franchise Agreement and at law if Franchisee fails to pay such fees with respect to the Temporary Area sales.

d. If SHELFGENIE enters into a franchise agreement with another franchisee for the Temporary Area or any portion thereof, Franchisee must (i) cease and desist advertising and selling within the Temporary Area and transfer all current leads and customers in the Temporary Area to the new franchisee immediately upon notice of such franchise agreement having been executed, and (ii) transfer to the new franchisee all customer contracts for customers in the Temporary Area whose products have not been fully installed and all deposits and prepayments for such customers. For the avoidance of doubt, the new franchisee is not required to reimburse Franchisee for the advertising Franchisee has paid for in the Temporary Area, nor is the new franchisee obligated to compensate Franchisee for leads or customers Franchisee has obtained within the Temporary Area.

e. Franchisee's ability to advertise and sell in the Temporary Area is not protected. SHELFGENIE may allow other franchisees to advertise and sell within the Temporary Area or areas adjacent thereto. Any Gross Sales generated within the Temporary Area will belong to the franchisee that self-generated the applicable sale.

3. Release of Franchisor. In consideration for SHELFGENIE's consent to the amendments and concessions described in this Amendment, Franchisee and Guarantor, each for itself, himself, herself and all persons and entities claiming by, through, or under them (the "**Franchisee Releasees**"), fully release, acquit, and forever discharge Franchisor, its parents, subsidiaries, and affiliates and each of their respective present and former officers, directors, owners, shareholders, members, managers, partners, employees, agents, attorneys, servants, representatives, successors, and assigns, in their corporate and individual capacities, ("**Franchisor Released Parties**") from any and all obligations, claims, damages, debts, demands, covenants, promises, agreements, liabilities, accounts, costs, attorneys' fees, actions, or causes of action whatsoever, whether known or unknown, vested or contingent, direct or indirect (collectively, "**Claims**"), which any of the Franchisee Releasees have, had, claim to have, or may in the future have, against the Franchisor Released Parties, or any of them, from the beginning of time through the Effective Date of this Amendment, including but not limited to, any claims arising out of or in any way related to this Amendment, the Franchise Agreement, and any other agreements entered into between any of the Franchisor Released Parties and any of the Franchisee Releasees, the relationships created thereunder, and/or the offer, sale, establishment, or operation of the SHELFGENIE system (and franchise opportunity). If this Amendment is executed contemporaneously with the Franchise Agreement, this release does not relate to the franchise offer and sale under the Franchise Agreement.

The release of the Claims as set forth above is intended by the Franchisee Releasees to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Franchisor Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Franchisee Releasees acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Franchisee Releasees' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Franchisee Releasees expressly, voluntarily, and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Franchisee Releasees acknowledge that Section 1542 of the Civil Code of the State of California provides as follows: "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor or released party." The Franchisee Releasees further agree that no violation of this Amendment shall void the release set forth herein.

4. Capitalization. Any capitalized terms not defined herein will have the meanings ascribed to them in the Franchise Agreement.

5. Miscellaneous. All other provisions of the Franchise Agreement remain in full force and effect. If any discrepancy or conflict arises between the provisions of this Amendment and the provisions of the Franchise Agreement, the provisions of this Amendment will control.

*[Signature Page to Follow]*

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

FRANCHISEE:

___________________________________________
__________________, individually

___________________________________________
Date

FRANCHISOR:

SHELFGENIE SPV LLC
A Delaware Limited Liability Company

BY: ________________________________________

___________________________________________
Date

# EXCLUDED SERVICES ADDENDUM

This EXCLUDED SERVICES ADDENDUM (the "Addendum") is entered into by and between SHELFGENIE SPV LLC, a Delaware limited liability company having a principal place of business at 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor"), and ___________________________, individually, having an address of ________________________ ___________________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") for the operation by Franchisee of the Business (the "Franchised Business") (Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement);

WHEREAS, Franchisee or its affiliate (as applicable) currently operates an Existing Business (as defined below) which offers Excluded Services (as defined below) that are related to but distinguishable from the services provided by the Franchised Business under the Agreement; and

WHEREAS, Franchisor has agreed that, subject to Franchisee's and, if applicable, its affiliate's continuing compliance with the conditions set forth in this Addendum, the continued operation of the Excluded Services by the Existing Business shall not be deemed to be a violation of Section 9.D of the Agreement (Noncompetition Covenants), and the gross sales attributable to such Excluded Services shall not be included as "Gross Sales" under the Agreement.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **<u>Identification of Existing Business.</u>** The name of the Existing Business authorized pursuant to this Addendum is: ___________________________, a ____________________________ located at ____________________________________________________________ ("Existing Business"), and the Excluded Services performed by the Existing Business are: ____________________________________________________________ ("Excluded Services").

2. **<u>Authorization of Excluded Services Offered by the Existing Business.</u>** Anything in the Agreement to the contrary notwithstanding, the continued offer of the Excluded Services by the Existing Business shall not be deemed to be a violation of Section 9.D of the Agreement (Noncompetition Covenants) and the gross sales of such Excluded Services shall not be deemed to be "Gross Sales" under the Agreement; provided, that the conditions set forth in subparagraphs 2(a)-(d) below are satisfied as of the date of this Addendum and throughout the term of the Agreement (including any extensions or renewals thereof):

(a) the operation of such Existing Business does not interfere with Franchisee's operation of the Franchised Business;

(b) the Existing Business does not utilize Franchisor's Marks, System or Confidential Information;

(c) the Existing Business offers only the Excluded Services identified herein and does not offer the services offered by the Franchised Business or services that otherwise compete with the Franchised Business; and

(d) the Franchised Business and the Existing Business maintain separate books and records.

3. **Effect of Failure to Comply with Conditions.** If Franchisee or its affiliate (as applicable) at any time fails to satisfy any of the conditions set forth in subparagraphs 2.(a)-(d) of this Addendum, then the continued operation of the Existing Business shall be deemed to be a violation of Section 9.D of the Agreement (Noncompetition Covenants). In that event Franchisor may terminate the Agreement immediately if Franchisee fails (or fails to cause its affiliate) to cure the breach within a reasonable period of time, not to exceed ten (10) calendar days following written notice from Franchisor (provided however that a breach of clause 2(b) shall not be subject to a cure opportunity). Upon any termination of the Agreement pursuant to this provision, Franchisor shall be entitled to any and all legal and equitable remedies available under the Agreement and applicable law, including, without limitation, the collection, as liquidated damages and not as a penalty, of an amount equal to the License Fees provided in the Agreement with respect to all Gross Sales of the Existing Business for all periods during which the breach is continuing or, if such period cannot be ascertained with certainty, during all periods during which this Addendum has been in effect. This provision shall survive any transfer, expiration, termination or non-renewal of the Agreement or the Franchised Business for the time period set forth in Section 9.D.3 of the Agreement.

4. **Inspections; Audits.** Franchisee shall make and if applicable shall cause its affiliate to make the books and records (including all electronic records, tax returns and personal tax returns) for the Existing Business available to Franchisor for inspection and audit, upon reasonable prior notice, so that Franchisor may verify Franchisee's compliance with the requirements of this Addendum, including the requirements in subparagraph 2(d) above. In addition, the provisions of Section 8.J of the Agreement regarding audits shall apply in all respects to the Existing Business and Franchisor shall have the same rights to access (including remotely) and audit the books and records of the Existing Business, and to require payment for the audit if the audit reveals that Franchisee did not comply with the requirements of this Addendum, in addition to any other remedies available to Franchisor hereunder or under the law.

5. **Franchisee's Representations and Warranties.** Franchisee hereby represents and warrants to Franchisor that it has all necessary power and authority to execute this Addendum, to bind the Existing Business to the terms hereof and to perform and comply with all of its obligations hereunder. There is no agreement or understanding (and Franchisee will not permit any such agreement or understanding to be entered into during the term of this Addendum) with respect to the Existing Business that would conflict with the terms of this Addendum.

6. **Construction.** Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. Except as specifically provided in this Addendum, the Agreement remains fully effective in all respects in accordance with its terms, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified specifically herein.

7. **No Restriction on In-Term and Post-Term Covenants.** Except as specifically stated in this Addendum, nothing in the Agreement or this Addendum or in the terms used herein shall be construed in any way to limit or restrict the application of the provisions of Section 9.D of the Agreement as it relates to the Existing Business or any other business Franchisee or any of its affiliates may engage in.

**< SIGNATURES APPEAR ON THE NEXT PAGE >**

Signed on this _________ day of ______________, 20__.

FRANCHISEE:

______________________________________________

_____________________________, individually

Accepted as of the_________ day of ______________, 20__, in Waco, Texas.

FRANCHISOR:

SHELFGENIE SPV LLC

By: ___________________________________________
Name:
Title:

Schedule K to the Franchise Agreement

# STATE ADDENDUM

**EXHIBIT B**

**AGENCIES/AGENTS**
**FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| State | State Agency | Agent for Service of Process |
|---|---|---|
| CALIFORNIA | California Department of Financial Protection & Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, CA 90013<br>(213) 576-7500<br>Toll-free (866-275-2677) | Commissioner of Department of Financial Protection & Innovation |
| HAWAII | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>King Kalakaua Building<br>335 Merchant Street, Room 205<br>Honolulu, HI 96813<br>(808) 586-2722 | Hawaii Commissioner of Securities |
| ILLINOIS | Franchise Division<br>Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-1090 | Illinois Attorney General |
| INDIANA | Securities Commissioner<br>Indiana Securities Division<br>302 West Washington St., Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681 | Indiana Secretary of State<br>201 State House<br>200 West Washington Street<br>Indianapolis, IN 46204 |
| MARYLAND | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | Maryland Securities Commissioner |
| MICHIGAN | Michigan Department of Attorney General<br>Consumer Protection Division<br>Attn: Franchise Section<br>525 W. Ottawa Street<br>G. Mennen Williams Bldg. 1st Floor<br>Lansing, MI 48933<br>(517) 373-7117 | Michigan Department of Commerce Corporations and Securities Bureau |

| State | State Agency | Agent for Service of Process |
|---|---|---|
| MINNESOTA | Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651)-539-1600 | Minnesota Commissioner of Commerce |
| NEW YORK | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21st Floor<br>New York, NY 10005-1495<br>(212) 416-8222 | Attention: New York Secretary of State<br>New York Department of State<br>One Commerce Plaza,<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001<br>(518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department<br>600 East Boulevard, 5th Floor<br>State Capitol, Fifth Floor<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | North Dakota Securities Commissioner |
| RHODE ISLAND | Rhode Island Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue<br>John O. Pastore Complex – Bldg. 69-1<br>Cranston, RI 02920<br>(401) 462-9500 x5 | Director of Rhode Island Department of Business Regulation |
| SOUTH DAKOTA | South Dakota Division of Insurance<br>Securities Regulation<br>124 S Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563 | Director of the South Dakota Division of Securities |
| VIRGINIA | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of the State Corporation Commission<br>Tyler Building, 1st Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>804-371-9051 |
| WASHINGTON | Department of Financial Institutions<br>Securities Division<br>PO Box 41200<br>Olympia, WA 98504-1200 | Director of Washington Financial Institutions<br>Securities Division<br>150 Israel Rd S.W.<br>Tumwater, WA 98501<br>(360) 902-8760 |
| WISCONSIN | Department of Financial Institutions<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, WI 53705<br>(608) 266-0448 | Wisconsin Commissioner of Securities |
| OTHER STATES | N/A | Grayson Brown<br>1010 N. University Parks Drive<br>Waco, TX 76707 |

# EXHIBIT C

# FINANCIAL STATEMENTS

# Neighborly Assetco LLC and Subsidiaries

## Combined Financial Statements

As of December 31, 2024 and 2023 and
for the years ended December 31, 2024 and 2023

## Contents

Building a better
working world

Ernst & Young LLP
One Victory Park
Suite 2000
2323 Victory Avenue
Dallas, TX 75219

Tel: +1 214 969 8000
Fax: +1 214 969 8587
ey.com

## Report of Independent Auditors

To the Board of Directors and Stockholders of
Neighborly Assetco LLC and Subsidiaries

### Opinion

We have audited the combined financial statements of Neighborly Assetco LLC and subsidiaries (the Company), which comprise the combined balance sheets as of December 31, 2024 and 2023, and the related combined statements of operations and comprehensive income, changes in member's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 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 of 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 GAAS 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 GAAS, we:

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

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

Ernst + Young LLP

Dallas, Texas
March 31, 2025

# Neighborly Assetco LLC and Subsidiaries

**Combined Balance Sheets**
**($000's)**

| As of December 31, | | 2024 | | 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | $ | **2,499** | $ | 3,171 |
| Restricted Cash | | **4,037** | | 1,566 |
| Trade accounts receivable - net | | **24,255** | | 23,826 |
| Trade notes receivable, current portion – net | | **7,445** | | 9,530 |
| Inventories | | **1,783** | | 989 |
| Prepaid selling expenses, current | | **7,940** | | 6,935 |
| Other current assets | | **3,321** | | 2,597 |
| Total current assets | | **51,280** | | 48,614 |
| Property and equipment – net | | **16,721** | | 18,779 |
| Prepaid selling expenses, less current portion | | **51,495** | | 42,479 |
| Trade notes receivable, less current portion - net | | **13,332** | | 15,221 |
| Intangible assets - net | | **1,251,674** | | 1,341,184 |
| Goodwill | | **1,731,288** | | 1,732,653 |
| Total assets | **$** | **3,115,790** | **$** | 3,198,930 |
| **Liabilities and Member's Equity** | | | | |
| Current liabilities | | | | |
| Accrued liabilities | $ | **2,998** | $ | 3,908 |
| Deferred revenue, current | | **14,745** | | 13,631 |
| Total current liabilities | | **17,743** | | 17,539 |
| Deferred Revenue, less current portion | | **70,787** | | 70,176 |
| Contingencies (Note 9) | | | | |
| Member's Equity | | | | |
| Additional paid-in equity | $ | **2,531,790** | $ | 2,780,580 |
| Accumulated earnings | | **494,774** | | 335,404 |
| Accumulated other comprehensive income/(loss) | | **696** | | (4,769) |
| Total Member's Equity | | **3,027,260** | | 3,111,215 |
| Total liabilities and member's equity | $ | **3,115,790** | $ | 3,198,930 |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Operations and Comprehensive Income
($000's)

| For the years ended December 31, | | 2024 | 2023 |
|---|---|---|---|
| **Revenues and income** | | | |
| Franchise service fees | $ | 180,984 | 169,842 |
| Synthetic royalties and master license fees | | 28,242 | 28,705 |
| Franchise sales fees | | 33,680 | 36,783 |
| Sales of products and services | | 140,458 | 143,807 |
| Advertising and promotional fund revenue | | 47,800 | 42,404 |
| Other revenue | | 30,502 | 30,338 |
| Total revenues and income | | 461,666 | 451,879 |
| **Cost of Sales** | | | |
| Products and services | | 72,612 | 68,752 |
| Gross Profit | | 389,054 | 383,127 |
| Selling expense | | 15,364 | 6,939 |
| General and administrative expense | | 17,967 | 18,705 |
| Advertising and promotional fund expense | | 49,981 | 47,365 |
| Depreciation and amortization | | 95,532 | 97,290 |
| Management expenses | | 47,126 | 44,075 |
| Bad debt expense | | 3,714 | 2,283 |
| **Net income** | $ | 159,370 | 166,470 |
| **Other comprehensive income** | | | |
| Foreign currency translation adjustment | | 5,465 | 18,104 |
| **Comprehensive income** | $ | 164,835 | 184,574 |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Changes in Member's Equity
($000's)

| | Member's Equity |
|---|---|
| **Balance - December 31, 2022** | **$ 3,090,123** |
| Adoption of accounting principle | 506 |
| Equity contribution | 101,756 |
| Distributions | (265,744) |
| Net income | 166,470 |
| Foreign currency translation adjustment | 18,104 |
| **Balance - December 31, 2023** | **$ 3,111,215** |
| Distributions | (248,790) |
| Net income | 159,370 |
| Foreign currency translation adjustment | 5,465 |
| **Balance - December 31, 2024** | **$ 3,027,260** |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Cash Flows
($000's)

| For the years ended December 31, | | 2024 | | 2023 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | $ | 159,370 | $ | 166,470 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 95,532 | | 97,290 |
| Bad debt expense | | 3,714 | | 2,283 |
| Trade notes issued | | (14,803) | | (15,050) |
| Collections of notes receivable | | 17,158 | | 16,293 |
| Changes in assets and liabilities: | | | | |
| Trade accounts receivable | | (2,524) | | (464) |
| Inventories | | (794) | | 883 |
| Prepaid selling expenses and other assets | | (3,646) | | (11,464) |
| Accrued liabilities | | (1,361) | | 198 |
| Deferred revenue | | 1,725 | | 11,195 |
| Net cash provided by operating activities | | 254,371 | | 267,634 |
| **Investing activities** | | | | |
| Purchase of equipment and other assets | | (3,782) | | (2,893) |
| Net cash used in investing activities | | (3,782) | | (2,893) |
| **Financing activities** | | | | |
| Distributions paid | | (248,790) | | (265,744) |
| Net cash used in financing activities | | (248,790) | | (265,744) |
| **Net increase (decrease) in cash and restricted cash** | | 1,799 | | (1,003) |
| **Cash and restricted cash -** Beginning of period | | 4,737 | | 5,740 |
| **Cash and restricted cash -** End of period | $ | 6,536 | $ | 4,737 |
| **Supplemental cash flow disclosures:** | | | | |
| Non-cash contribution of equity | $ | - | $ | 101,756 |

*See accompanying notes to combined financial statements.*

## 1. Description of Business and Significant Accounting Policies

### *Organization and Description of Business*

Neighborly Assetco LLC ("we", "our" and the "Company") is an infinite-lived single-member special purpose Delaware limited liability company and was organized on November 13, 2020, with no operations until March 25, 2021. The Company is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly Company (the "Manager"). All of the issued and outstanding limited liability company interests of the Company are directly owned by the Issuer, upon an initial $1.00 capital contribution. The Company is a bankruptcy remote entity that owns substantially all of the US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the United Kingdom (the "UK") tradenames of the Manager. The Company conducts transactions with affiliated parties under common control, and as such, results of operations may not be indicative of operations on a stand-alone basis, without those transactions with related parties. The Company has no employees and relies on the Manager for continued operations.

As of March 25, 2021 the Company's subsidiaries were comprised of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC, and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Back Office SPV LLC and G-O Manufacturing SPV LLC (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of the Company.

In June 2021, assets of Neighborly Services Solutions SPV LLC, a Non-Franchisor SPV entity, were contributed to the Company.

In January 2022, assets of Zorware SPV LLC, NBLY Co Ops CO SPV LLC, and Trench Right SPV LLC were contributed to the Company and intangible assets were acquired by Pimlico SPV Limited, all Non-Franchisor entities. In March 2022, additional assets of NBLY Co Ops CO SPV LLC as well as assets of NBLY Co Ops AZ SPV, both Non-Franchisor entities, were contributed to the Company. In December 2022, intangible assets of Greensleeves Limited were contributed to the Company.

In January 2023, assets of NBLY Co Ops IN SPV LLC, NBLY Logistics SPV LLC, Lawn Pride SPV LLC, and Junk King SPV LLC, were contributed to the Company.

The Company holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the tradenames and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain tradenames, certain product supply agreements, certain vendor agreements and the office service agreements.

The Company was formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 (see Note 2). On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the SPV Guarantor, the Issuer, the Company and its subsidiaries (the "Securitization Entities"), substantially all of its US intellectual property, including tradenames (the "Securitization IP"), franchise agreements, national account relationships and systems-in-place and the UK tradenames (collectively, the "Securitization Assets"). The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating certain company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

On March 25, 2021, the Securitization Entities entered into the management agreement (the "Management Agreement") with the Manager to perform certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee payments, managing the operations on behalf of the Securitization Entities, and performing certain franchising, marketing, and operational and reporting services, as well as managing the intangible assets on behalf of the Securitization Entities. In exchange for providing such services, the Manager will be entitled to receive certain management fees on a weekly basis.

### *Basis of Presentation*

The accompanying combined financial statements as of December 31, 2024 and December 31, 2023 include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE, which is the Company and its subsidiaries.

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly Company, the Manager, is the primary beneficiary, having both power and benefits, of the Securitization Entities. Accordingly, consolidation of the Company and its subsidiaries (including the SPV Franchisors and the Non-franchisor SPVs) is precluded, and as a result, combined financial statements are presented. All intercompany transactions have been eliminated.

### *Acquisition of the Manager*

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly Company, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources.

*Use of Estimates*

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes*

The Company is a single-member limited liability company for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the Manager. As such, no recognition of federal or state income taxes will be provided for in the financial statements of the Company.

*Revenue Recognition*

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;

- Synthetic royalties and master license fees from affiliated entities resulting from their use of the Company's intellectual property;

- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Sales of products and services to unrelated third parties;

- Advertising and promotional revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors;

- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The respective franchisor's obligations under franchise agreements consist of providing a license of the applicable brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated, and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement, with the exception of variable or sales-based royalties, MAP fund fees collected and revenue allocated to goods and services and other variable fees which are recognized as the underlying sales occur and performance obligations are satisfied.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners.

The Company adopted ASU 2016-13, Financial Instruments - Credit Losses, on January 1, 2023, which was retroactively applied as of the first day of 2023, as further described below. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

Franchise service fee revenues represent sales-based royalties that are related entirely to the applicable franchisor's performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to the franchise owners to maintain the intellectual property being licensed.

The right to collect marketing, advertising, and promotional ("MAP") fees and the obligation to maintain the MAP fund is assigned to the Manager by each SPV Franchisor, and the performance obligation and fulfillment thereof resides with the Manager. The Manager's obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual businesses. We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported on a gross basis in the accompanying Combined Statements of Operations and Comprehensive Income. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from contracts with customers.

($000's)

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Synthetic royalties from affiliated entities represent sales-based royalties that are related entirely to our performance obligation under intellectual property license agreements with affiliated entities and are recognized in the period in which the sales occur. These sales-based royalties are variable consideration related to our performance obligations to affiliated entities to maintain the intellectual property being licensed.

Master license and services fees from affiliated entities represent variable consideration in a series for which our performance obligation is satisfied over time, as our intellectual property is simultaneously accessed and benefits thereof consumed by affiliated entities.

***Contract Balances***

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being amortized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties, synthetic royalties, license fees and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

The components of the change in deferred revenue are as follows:

| **For the years ended December 31,** | **2024** | 2023 |
|---|---|---|
| Balance at beginning of period | $ **83,807** | $ 68,226 |
| Fees received from franchise owners | **35,141** | 47,447 |
| Franchise sales revenue recognized | **(33,680)** | (36,783) |
| Contributed from Manager | **-** | 4,386 |
| Other deferred revenue recognized | **264** | 531 |
| Balance at end of period | **85,532** | 83,807 |
| Less: current portion | **14,745** | 13,631 |
| Deferred revenue, noncurrent | $ **70,787** | $ 70,176 |

($000's)

As of December 31, 2024, the deferred revenue expected to be recognized for each of the next five years, and in the aggregate, is as follows:

| Years ending December 31, | | |
|---|---|---|
| 2025 | $ | 14,745 |
| 2026 | | 11,949 |
| 2027 | | 11,701 |
| 2028 | | 11,109 |
| 2029 | | 9,829 |
| Thereafter | | 26,199 |
| | $ | 85,532 |

Direct, incremental selling expenses are reimbursed by the Company to the Manager. Such costs paid when the franchise agreement is executed are recorded as a contract asset by the Company and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Combined Balance Sheets. For the year ended December 31, 2024, $24,044 of costs were incurred and expense of $14,023 was recognized. For the year ended December 31, 2023, $23,590 of costs were incurred and expense of $6,181 was recognized. The ending asset for deferred contract costs as of December 31, 2024 was $59,435, of which $7,940 was current. The ending asset for deferred contract costs as of December 31, 2023 was $49,414, of which $6,935 was current.

### *Advertising*

The Company expenses advertising costs as incurred. Advertising expense was $12,013 and $13,353 for the years ended December 31, 2024 and 2023, respectively. Advertising expense is included in general and administrative expense in the accompanying Combined Statements of Operations and Comprehensive Income. This is separate from MAP fees which are presented on their own line in Consolidated Statements of Operations and Comprehensive Income (Loss).

### *Inventories*

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

### *Property and Equipment*

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: machinery, equipment, and vehicles (5-10 years); and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the years ended December 31, 2024 and December 31, 2023.

*Goodwill*

Goodwill represents the excess of the consideration transferred over the fair value of identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance was measured as of September 1, 2021, resulting from the acquisition of the Manager and pushdown accounting election, based on the excess of consideration over the fair value of assets acquired.

The Company performed a qualitative assessment of its goodwill as of October 1, 2024 and concluded it is not more likely than not that the fair value of its reporting unit is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary. Management determined that there was no impairment of goodwill in the combined financial statements.

*Intangible Assets*

Intangible assets consist of tradenames, franchise relationships, national accounts, developed technology, and domain name, and are stated at their acquisition-date fair value, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. The Company performed a qualitative assessment of its intangible assets and determined that no indicators of impairment were present for definite lived intangible assets.

Tradenames are amortized over their estimated useful life of 20 years, using the straight-line method. Franchise relationships and national accounts relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Software is amortized over its estimated useful life of 3 years, using the straight-line method.

Domain names are stated at their acquisition-date fair value, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1 in each of 2024 and 2023 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

*Fair Value of Financial Instruments and Non-Financial Assets*

In accordance with FASB ASC 820, Fair Value Measurements, certain assets carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

*Level* 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

*Level* 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The trade names, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships and national account relationships were valued using the multi-period excess earnings method in the periods acquired. The future projections and estimates used for the valuations are considered Level 3 inputs.

***Foreign Currency Translation***

Combined entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in the UK Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Combined Statements of Operations and Comprehensive Income, primarily in general and administrative expense, and was immaterial in all periods presented.

***Cash and Restricted Cash***

Cash consists of cash held on deposit. Restricted cash includes securitized cash held on deposit in Company accounts related to the Securitization Transaction.

Cash and restricted cash consists of the following:

| **As of December 31,** | | **2024** | | **2023** |
|---|---|---|---|---|
| Cash | $ | **2,499** | $ | **3,171** |
| Restricted Cash: | | | | |
| Whole business securitization | | **4,037** | | **1,566** |
| Total cash and restricted cash | $ | **6,536** | $ | **4,737** |

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

## 2. Securitization Transactions

On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the Securitization Entities, substantially all of the US intellectual property, including tradenames, franchise agreements, national account relationships and systems-in-place and the UK tradenames. The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating certain company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The Company received a cash capital contribution in January 2022 of $102,000 which the Company used to acquire $102,000 in intangible assets. Also in January 2022, the Company received a non-cash capital contribution of $13,456, consisting of $10,862 in property and equipment, $2,082 in intangible assets, and $512 in inventories. In March 2022, the Company received a non-cash contribution of $1,214, consisting of $1,169 in property and equipment and $45 in inventories. In December 2022, the Company received a non-cash contribution of $2,112 in intangible assets from the Manager.

In January 2023, the Company received a non-cash contribution of $101,756, consisting of $99,349 in intangible assets, $3,600 in accounts receivable, $2,241 in property and equipment, $280 in inventories, and an unearned revenue liability, net of prepaid selling expenses, of $3,714.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value as of the unaudited interim date. No gain or loss has been realized on the transactions.

The Issuer is dependent on the Company for sufficient cash flows from their securitized operations to service the Series 2021-1, Series 2022-1, and Series 2023-1 Senior Notes (see Note 3), remit management fees to the Manager, and pay certain other ongoing costs related to the Securitization Transaction.

## 3. Debt Guarantee

In conjunction with the Securitization Transaction, on March 25, 2021, the Issuer issued $800,000 Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Series 2021-1 Senior Notes"). The Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2,000 and interest are paid quarterly. As of December 31, 2024 and 2023, $772,000 and $780,000, respectively, was outstanding on the Senior Notes.

On January 19, 2022, in connection with a second securitization, the Issuer, issued $410,000 Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction (the "Second Securitization Transaction"). The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1,030 and interest are paid quarterly. As of December 31, 2024 and 2023, respectively, $398,725 and $402,825, was outstanding on the Series 2022-1 Senior Notes.

($000's)

On February 3, 2023, in connection with a third securitization, the issuer, issued $275,000 Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction (the "Third Securitization Transaction"). The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687and interest are paid quarterly. As of December 31, 2024 and 2023 respectively, $270,188 and $272,938 was outstanding on the Series 2023-1 Senior Notes.

The Series 2021-1 Senior Notes, the Series 2022-1 Senior Notes, the Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, and the Series 2023-1 Class A-1 Notes described above issued in conjunction with the Securitization Transaction, the Second Securitization Transaction, and the Third Securitization Transaction (together, the "Securitization Transactions") are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities, including the Company, each of which is a bankruptcy remote entity and which owned substantially all of the Manager's US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the UK tradenames as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Senior Notes and Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transaction requires, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2024 and 2023, the Issuer was in compliance with all debt-service coverage covenants.

## 4. Intangible Assets and Goodwill

On March 25, 2021, intangible assets were contributed to the Company, along with certain dates thereafter as discussed in Note 1. Each of the SPV Franchisors are wholly owned subsidiaries and there was no change in ultimate ownership. Accordingly, there has been no change in control and therefore the Company concluded that the guidance in ASC 805 Business Combinations was not applicable. Intangible assets were recorded at the carrying value from the contributing entities on the date of the contribution, as the entities are under common control. Upon the acquisition by KKR (see Note 1), and the Company's election to apply pushdown accounting, the intangible assets were recorded at their acquisition-date fair values.

Intangible assets as of December 31, 2024, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| Tradenames | 20 years | $ 968,277 | $ 156,717 | $ 811,560 |
| Franchise relationships | 15 years | 552,020 | 121,954 | 430,066 |
| National accounts | 15 years | 2,530 | 497 | 2,032 |
| Customer relationships | 5 years | 12,400 | 5,787 | 6,613 |
| Developed technology | 3 years | 720 | 631 | 89 |
| Total definite-lived intangibles | | $ 1,535,947 | 285,586 | $ 1,250,360 |

($000's)

| | Useful Life | | Gross Amount | | Accumulated Impairment | | Net Amount |
|---|---|---|---|---|---|---|---|
| Domain name | Indefinite | $ | 1,314 | | - | $ | 1,314 |
| Total indefinite-lived intangibles | | $ | 1,314 | $ | - | $ | 1,314 |

Intangible assets as of December 31, 2023, consisted of the following:

| | Useful Life | | Gross Amount | | Accumulated Amortization | | Net Amount |
|---|---|---|---|---|---|---|---|
| Tradenames | 20 years | $ | 968,512 | $ | 107,087 | $ | 861,425 |
| Franchise relationships | 15 years | | 551,918 | | 85,051 | | 466,867 |
| National accounts | 15 years | | 2,521 | | 320 | | 2,201 |
| Customer relationships | 5 years | | 11,573 | | 2,480 | | 9,093 |
| Developed technology | 3 years | | 702 | | 418 | | 284 |
| Total definite-lived intangibles | | $ | 1,535,226 | | 195,356 | $ | 1,339,870 |

| | Useful Life | | Gross Amount | | Accumulated Impairment | | Net Amount |
|---|---|---|---|---|---|---|---|
| Domain name | Indefinite | $ | 1,314 | | - | $ | 1,314 |
| Total indefinite-lived intangibles | | $ | 1,314 | $ | - | $ | 1,314 |

Amortization expense was $89,241 and $92,198 for the years ended December 31, 2024 and 2023, respectively.

Estimated amortization expense for the subsequent five years is as follows:

| Years ending December 31, | | |
|---|---|---|
| 2025 | $ | 87,927 |
| 2026 | | 87,838 |
| 2027 | | 87,011 |
| 2028 | | 85,358 |
| 2029 | | 85,358 |
| Thereafter | | 816,868 |
| | $ | 1,250,360 |

($000's)

*Goodwill*

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the Manager by KKR.

The changes in the carrying amount of goodwill are as follows:

| | | |
|---|---|---|
| Balance as of December 31, 2022 | $ | 1,728,584 |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | | 4,069 |
| Balance as of December 31, 2023 | $ | **1,732,653** |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | | (1,365) |
| Balance as of December 31, 2024 | **$** | **1,731,288** |

## 5. Member's Equity

Neighborly Assetco LLC ("the Limited Liability Company") was formed pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.), as amended from time to time (the "Act").

The Limited Liability Company is governed by a Limited Liability Company Agreement in which management of the Company is vested in the member ("the Member"), the Manager, who has all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware. The Member has the authority to bind the Company.

The Member may appoint officers of the Company and may revoke delegated authorities and duties at any time by the Member.

The Limited Liability Company is capitalized with a single membership unit with a $1 per unit par value.

Pursuant to the Management Agreement, excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager, as discussed in Note 8. The Member's equity is the residual of equity contributions from the Manager and income earned from operations, less distributions to the Issuer and Manager.

The Company shall dissolve, and its affairs be wound up upon the first to occur of the following: (i) the written consent of the Member, (ii) the retirement, resignation or dissolution of the Member or the occurrence of any other event which terminates the continued membership of the Member in the Company unless the business of the Company is continued in a manner permitted by the Act, or (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

## 6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2024 and 2023, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years. Initial trade notes receivable for the respective SPV Franchisors were contributed to the Company as of March 31, 2021 by the Manager and subsequently at various dates thereafter. As the contribution was between entities under common control, the notes receivable transferred were recorded at their historical cost basis in the financial records of the Manager.

**($000's)**

A summary of trade notes receivable as of December 31 is as follows:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Amounts due within one year, net of allowance for credit losses of $167 and $89 as of December 31, 2024 and 2023, respectively | $ | 7,445 | $ | 9,530 |
| Amounts due after one year, net of allowance for credit losses of $299 and $474 as of December 31, 2024 and 2023, respectively | | 13,332 | | 15,221 |
| Total trade notes receivable, net | $ | 20,777 | $ | 24,751 |

An analysis of the changes in trade notes receivable is as follows:

| For the years ended December 31, | | 2024 | | 2023 |
|---|---|---|---|---|
| Balance at beginning of period | $ | 25,314 | $ | 26,275 |
| Notes receivable, contributed, net | | - | | 1,652 |
| Principal payments received | | (17,158) | | (16,293) |
| Notes issued | | 14,803 | | 15,050 |
| Net write-offs | | (1,727) | | (1,370) |
| Other | | 10 | | - |
| Gross trade notes receivable, at end of period | | 21,242 | | 25,314 |
| Allowance for credit losses | | (465) | | (563) |
| Net trade notes receivable, at end of period | $ | 20,777 | $ | 24,751 |

($000's)

An analysis of the changes in the trade notes receivable allowance is as follows:

| For the years ended December 31, | | **2024** | | 2023 |
|---|---|---|---|---|
| Allowance, beginning of period | **$** | **563** | $ | 545 |
| Provisions for bad debts | | **1,630** | | 1,382 |
| Net write-offs | | **(1,727)** | | (1,364) |
| Allowance, end of period | **$** | **465** | $ | 563 |

Scheduled future maturities of trade notes receivable are as follows:

| Years ending December 31, | | |
|---|---|---|
| 2025 | $ | 7,612 |
| 2026 | | 3,999 |
| 2027 | | 2,820 |
| 2028 | | 2,907 |
| 2029 | | 1,980 |
| Thereafter | | 1,924 |
| | $ | 21,242 |

($000's)

## 7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Machinery and equipment | **$ 8,448** | $ 6,303 |
| Software | **11,172** | 11,035 |
| Vehicles | **10,479** | 9,614 |
| Total property and equipment | **30,099** | 26,952 |
| Less accumulated depreciation | **(13,378)** | (8,173) |
| Property and equipment – net | **$ 16,721** | $ 18,779 |

Depreciation expense was $6,291 and $5,092 for the years ended December 31, 2024 and 2023, respectively.

## 8. Related Party Transactions

The Company has material ongoing transactions with the Manager and other direct and indirect subsidiaries of the Manager.

Related parties, some of which are outside the United States, pay the Company, or its subsidiaries, a synthetic royalty or license fee for access to and use of their intellectual property, none of which are denominated in a foreign currency. Synthetic royalties and master license fees from affiliated entities were $28,241 and $28,705 for the years ended December 31, 2024 and 2023, respectively.

As discussed in Note 2, the Securitized Entities entered into the Management Agreement with the Manager to perform certain services on behalf of the Securitized Entities. In exchange for the services, the Securitized Entities pay a management fee for each 12-month period equal to the sum of (i) an annual base management fee of $8,000, plus (ii) a fee of $12.425 for every $100 of aggregate total securitization revenues in the form of collections for the applicable period.

The Company incurred management fees of $47,126 and $44,075 for the years ending December 31, 2024 and 2023, respectively.

Costs of products and services as well as advertising and promotion fund expenses are reimbursed by the Company to the Manager.

Excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager. Distributions were $248,790 and $265,744 for the years ended December 31, 2024 and 2023, respectively.

## 9. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2024 and 2023.

Management believes that the outcome of such matters will not have a material effect on the Company's combined financial statements.

## 10. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through March 31, 2025, which was the date the Company's financial statements were available to be issued.

# Neighborly Assetco LLC and Subsidiaries

## Combined Financial Statements
As of December 31, 2023 and 2022 and
for the years ended December 31, 2023 and 2022

# Neighborly Assetco LLC and Subsidiaries

## Combined Financial Statements

As of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022

## Contents

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## Report of Independent Auditors

**To the Board of Directors and Members of**
**Neighborly Assetco LLC and Subsidiaries**

### Opinion

We have audited the combined financial statements of Neighborly Assetco LLC and subsidiaries (the Company), which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of operations and comprehensive income, changes in member's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Restatement of 2022 Financial Statements

As discussed in Note 1 to the financial statements, the 2022 financial statements have been restated to correct a misstatement in the loss recorded on the impairment of goodwill. Our opinion is not modified with respect to this matter.

### 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 of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 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 of 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 GAAS 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 GAAS, we:

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

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

Ernst + Young LLP

Dallas, Texas
April 1, 2024

# Combined Financial Statements

# Neighborly Assetco LLC and Subsidiaries

**Combined Balance Sheets**
**($000's)**

| *As of December 31,* | | 2023 | | (Restated) 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | $ | **3,171** | $ | 2,381 |
| Restricted Cash | | **1,566** | | 3,359 |
| Trade accounts receivable - net | | **23,826** | | 21,803 |
| Trade notes receivable, current portion – net | | **9,530** | | 7,846 |
| Inventories | | **989** | | 1,592 |
| Prepaid selling expenses, current | | **6,935** | | 4,449 |
| Other current assets | | **2,597** | | 1,644 |
| Total current assets | | **48,614** | | 43,074 |
| **Property and equipment - net** | | **18,779** | | 18,279 |
| **Prepaid selling expenses, less current portion** | | **42,479** | | 27,556 |
| **Trade notes receivable, less current portion - net** | | **15,221** | | 17,884 |
| **Intangible assets - net** | | **1,341,184** | | 1,326,225 |
| **Goodwill** | | **1,732,653** | | 1,728,584 |
| Total assets | $ | **3,198,931** | $ | 3,161,602 |
| **Liabilities and Member's Equity** | | | | |
| **Current liabilities** | | | | |
| Accrued liabilities | $ | **3,908** | $ | 3,253 |
| Deferred revenue, current | | **13,631** | | 10,604 |
| Total current liabilities | | **17,539** | | 13,857 |
| **Deferred Revenue, less current portion** | | **70,176** | | 57,622 |
| **Contingencies (Note 9)** | | | | |
| **Member's Equity** | | | | |
| Additional paid-in equity | $ | **2,780,580** | $ | 2,944,568 |
| Accumulated earnings | | **335,404** | | 168,428 |
| Accumulated other comprehensive income/(loss) | | **(4,769)** | | (22,873) |
| **Total Member's Equity** | | **3,111,215** | | 3,090,123 |
| Total liabilities and member's equity | $ | **3,198,931** | $ | 3,161,602 |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Operations and Comprehensive Income
($000's)

| *For the years ended December 31,* | | 2023 | (Restated) 2022 |
|---|---|---|---|
| **Revenues and income** | | | |
| Franchise service fees | $ | **169,842** | 152,248 |
| Synthetic royalties and master license fees | | **28,705** | 22,879 |
| Franchise sales fees | | **36,783** | 13,642 |
| Sales of products and services | | **143,807** | 123,984 |
| Advertising and promotional fund revenue | | **42,404** | 39,184 |
| Other revenue | | **30,338** | 32,014 |
| Total revenues and income | | **451,879** | 383,951 |
| **Cost of Sales** | | | |
| Products and services | | **68,752** | 62,493 |
| Gross Profit | | **383,127** | 321,458 |
| Selling expense | | **6,939** | 8,274 |
| General and administrative expense | | **18,705** | 9,033 |
| Advertising and promotional fund expense | | **47,365** | 42,987 |
| Depreciation and amortization | | **97,290** | 82,921 |
| Management expenses | | **44,075** | 37,264 |
| Bad debt expense | | **2,283** | 2,035 |
| **Net income** | $ | **166,470** | 138,944 |
| **Other comprehensive income/(loss)** | | | |
| Foreign currency translation adjustment | | **18,104** | (22,873) |
| **Comprehensive income** | $ | **184,574** | 116,071 |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Changes in Member's Equity
## ($000's)

| | *Member's Equity* |
|---|---|
| **Balance - December 31, 2021** | **$ 3,060,380** |
| Equity contribution | 116,670 |
| Distributions | (202,999) |
| Net income | 138,944 |
| Foreign currency translation adjustment | (22,873) |
| **Balance – December 31, 2022 (Restated)** | **$ 3,090,123** |
| Adoption of accounting principle | 506 |
| Equity contribution | 101,756 |
| Distributions | (265,744) |
| Net income | 166,470 |
| Foreign currency translation adjustment | 18,104 |
| **Balance – December 31, 2023** | **$ 3,111,215** |

*See accompanying notes to combined financial statements.*

# Neighborly Assetco LLC and Subsidiaries

## Combined Statements of Cash Flows
## ($000's)

| *For the years ended December 31,* | | 2023 | (Restated) 2022 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | $ | **166,470** $ | 138,944 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | | **97,290** | 82,921 |
| Bad debt expense | | **2,283** | 2,035 |
| Notes received | | **(15,050)** | (12,808) |
| Collections of notes receivable | | **16,293** | 13,699 |
| Changes in assets and liabilities: | | | |
| Trade accounts receivable | | **(464)** | (8,183) |
| Inventories | | **883** | (1,035) |
| Prepaid selling expenses and other assets | | **(11,464)** | (9,491) |
| Accrued liabilities | | **198** | 338 |
| Deferred revenue | | **11,195** | 5,832 |
| Net cash provided by operating activities | | **267,634** | 212,253 |
| **Investing activities** | | | |
| Purchase of equipment and other assets | | **(2,893)** | (7,904) |
| Purchase of intellectual property | | **-** | (104,112) |
| Net cash used in investing activities | | **(2,893)** | (112,016) |
| **Financing activities** | | | |
| Equity contribution | | **-** | 102,000 |
| Distributions paid | | **(265,744)** | (202,999) |
| Net cash used in financing activities | | **(265,744)** | (100,999) |
| **Net decrease in cash and restricted cash** | | **(1,003)** | (762) |
| **Cash and restricted cash -** Beginning of period | | **5,740** | 6,502 |
| **Cash and restricted cash -** End of period | $ | **4,737** $ | 5,740 |
| **Supplemental cash flow disclosures:** | | | |
| Non-cash contribution of equity | $ | **101,756** $ | 14,670 |

*See accompanying notes to combined financial statements.*

## 1. Description of Business and Significant Accounting Policies

### *Organization and Description of Business*

Neighborly Assetco LLC ("we", "our" and the "Company") is an infinite-lived single-member special purpose Delaware limited liability company and was organized on November 13, 2020, with no operations until March 25, 2021. The Company is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly Company (the "Manager"). All of the issued and outstanding limited liability company interests of the Company are directly owned by the Issuer, upon an initial $1.00 capital contribution. The Company is a bankruptcy remote entity that owns substantially all of the US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the United Kingdom (the "UK") tradenames of the Manager. The Company conducts transactions with affiliated parties under common control, and as such, results of operations may not be indicative of operations on a stand-alone basis, without those transactions with related parties. The Company has no employees and relies on the Manager for continued operations.

As of March 25, 2021 the Company's subsidiaries were comprised of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC, and Precision Door Service SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Back Office SPV LLC and G-O Manufacturing SPV LLC (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of the Company.

In June 2021, assets of Neighborly Services Solutions SPV LLC, a Non-Franchisor SPV entity, were contributed to the Company.

In January 2022, assets of Zorware SPV LLC, NBLY Co Ops CO SPV LLC, and Trench Right SPV LLC were contributed to the Company and intangible assets were acquired by Pimlico SPV Limited, all Non-Franchisor entities. In March 2022, additional assets of NBLY Co Ops CO SPV LLC as well as assets of NBLY Co Ops AZ SPV, both Non-Franchisor entities, were contributed to the Company. In December 2022, intangible assets of Greensleeves Limited were contributed to the Company.

In January 2023, assets of NBLY Co Ops IN SPV LLC, NBLY Logistics SPV LLC, Lawn Pride SPV LLC, and Junk King SPV LLC, were contributed to the Company.

The Company holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the tradenames and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain tradenames, certain product supply agreements, certain vendor agreements and the office service agreements.

The Company was formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 (see Note 2). On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the SPV Guarantor, the Issuer, the Company and its subsidiaries (the "Securitization Entities"), substantially all of its US intellectual property, including tradenames (the "Securitization IP"), franchise agreements, national account relationships and systems-in-place and the UK tradenames (collectively, the "Securitization Assets"). The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating certain company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value. No gain or loss has been realized on the transactions.

On March 25, 2021, the Securitization Entities entered into the management agreement (the "Management Agreement") with the Manager to perform certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee payments, managing the operations on behalf of the Securitization Entities, and performing certain franchising, marketing, and operational and reporting services, as well as managing the intangible assets on behalf of the Securitization Entities. In exchange for providing such services, the Manager will be entitled to receive certain management fees on a weekly basis.

### *Basis of Presentation*

The accompanying combined financial statements as of December 31, 2023 and December 31, 2022 include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE, which is the Company and its subsidiaries.

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly Company, the Manager, is the primary beneficiary, having both power and benefits, of the Securitization Entities. Accordingly, consolidation of the Company and its subsidiaries (including the SPV Franchisors and the Non-franchisor SPVs) is precluded, and as a result, combined financial statements are presented. All intercompany transactions have been eliminated.

### *Acquisition of the Manager*

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly Company, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources.

*Use of Estimates*

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes*

The Company is a single-member limited liability company for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the Manager. As such, no recognition of federal or state income taxes will be provided for in the financial statements of the Company.

*Revenue Recognition*

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;

- Synthetic royalties and master license fees from affiliated entities resulting from their use of the Company's intellectual property;

- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Sales of products and services to unrelated third parties;

- Advertising and promotional revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors;

- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The respective franchisor's obligations under franchise agreements consist of providing a license of the applicable brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated, and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement, with the exception of variable or sales-based royalties, MAP fund fees collected and revenue allocated to goods and services and other variable fees which are recognized as the underlying sales occur and performance obligations are satisfied.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners.

The Company adopted ASU 2016-13, Financial Instruments - Credit Losses, on January 1, 2023, which was retroactively applied as of the first day of 2023, as further described below. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

Franchise service fee revenues represent sales-based royalties that are related entirely to the applicable franchisor's performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to the franchise owners to maintain the intellectual property being licensed.

The right to collect marketing, advertising, and promotional ("MAP") fees and the obligation to maintain the MAP fund is assigned to the Manager by each SPV Franchisor, and the performance obligation and fulfillment thereof resides with the Manager. The Manager's obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual businesses. We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported on a gross basis in the accompanying Combined Statements of Operations and Comprehensive Income. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from contracts with customers.

($000's)

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

Synthetic royalties from affiliated entities represent sales-based royalties that are related entirely to our performance obligation under intellectual property license agreements with affiliated entities and are recognized in the period in which the sales occur. These sales-based royalties are variable consideration related to our performance obligations to affiliated entities to maintain the intellectual property being licensed.

Master license and services fees from affiliated entities represent variable consideration in a series for which our performance obligation is satisfied over time, as our intellectual property is simultaneously accessed and benefits thereof consumed by affiliated entities.

***Contract Balances***

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being amortized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties, synthetic royalties, license fees and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

The components of the change in deferred revenue are as follows:

| *For the years ended December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance at beginning of period | $ | **68,226** | $ | 62,393 |
| Fees received from franchise owners | | **47,447** | | 24,518 |
| Franchise sales revenue recognized | | **(36,783)** | | (13,642) |
| Contributed from Manager | | **4,386** | | - |
| Other deferred revenue recognized | | **531** | | (5,043) |
| Balance at end of period | | **83,807** | | 68,226 |
| Less: current portion | | **13,631** | | 10,604 |
| Deferred revenue, noncurrent | $ | **70,176** | $ | 57,622 |

($000's)

Revenue deferred as of December 31, 2022 and recognized in the year ended December 31, 2023 was $10,385. Revenue deferred as of December 31, 2021 and recognized in the year ended December 31, 2022 was $16,912.

As of December 31, 2023, the deferred revenue expected to be recognized for each of the next five years, and in the aggregate, is as follows:

| *Years ending December 31,* | | |
|---|---|---|
| 2024 | $ | 13,631 |
| 2025 | | 11,053 |
| 2026 | | 10,857 |
| 2027 | | 10,547 |
| 2028 | | 9,973 |
| Thereafter | | 27,746 |
| | $ | 83,807 |

Direct, incremental selling expenses are reimbursed by the Company to the Manager. Such costs paid when the franchise agreement is executed are recorded as a contract asset by the Company and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Combined Balance Sheets. For the year ended December 31, 2023, $23,590 of costs were incurred and expense of $6,181 was recognized. For the year ended December 31, 2022, $16,534 of costs were incurred and expense of $8,274 was recognized. The ending asset for deferred contract costs as of December 31, 2023 was $49,414, of which $6,935 was current. The ending asset for deferred contract costs as of December 31, 2022 was $32,005, of which $4,449 was current.

### *Advertising*

The Company expenses advertising costs as incurred. Advertising expense was $13,353 for the year ended December 31, 2023 and $9,033 for the year ended December 31, 2022. Advertising expense is included in general and administrative expense in the accompanying Combined Statements of Operations and Comprehensive Income.

### *Inventories*

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

### *Property and Equipment*

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: machinery, equipment, and vehicles (5-10 years); and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the years ended December 31, 2023 and December 31, 2022.

### *Goodwill*

Goodwill represents the excess of the consideration transferred over the fair value of identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance was measured as of September 1, 2021, resulting from the acquisition of the Manager and pushdown accounting election, based on the excess of consideration over the fair value of assets acquired.

The Company performed a qualitative assessment of its goodwill as of October 1, 2023 and concluded it is not more likely than not that the fair value of its reporting unit is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary. Management determined that there was no impairment of goodwill in the combined financial statements.

### *Restatement*

During 2023, we determined that our prior year goodwill impairment was overstated and the goodwill balance was understated, resulting in an error in our previously issued financial statements for the period ended December 31, 2022. The overstatement of impairment expense was the result of concluding, in error, that reporting units in Assetco were the same as in the Manager. We have instead concluded that Assetco is comprised of only one consolidated reporting unit, and based on our quantitative impairment analysis performed as of December 31, 2022, we concluded that no impairment existed at Assetco. We concluded that the effect of the error on the financial statements of the prior period was material, and the correction to the prior year is reflected in the accompanying financial statements.

As a result, we recorded a $25,937 adjustment to reduce Loss on impairment of goodwill and increase Goodwill and Total assets by $25,937 in the combined balance sheet as of December 31, 2022. The correction also impacted the following financial statement line items in the related financial statements: (i) increased Accumulated other comprehensive income/(loss), Goodwill, and Total assets by $2,264 and increased Total Member's Equity and Total liabilities and member's equity by $28,201 in the combined balance sheet as of December 31, 2022; (ii) increased Net income by $25,937, increased Foreign currency translation adjustment by $2,264 and increased Comprehensive income by $28,201 in the combined statement of operations and comprehensive income for the period ended December 31, 2022; (iii) increased Net income by $25,937, increased Foreign currency translation adjustment by $2,264 and increased total Member's equity balance by $28,201 in the combined statements of changes in Member's Equity for the period ended December 31, 2022; (iv) increased Net income by $25,937 and reduced loss on impairment of goodwill by the same amount in the combined statement of cash flows for the period ended December 31, 2022; and (v) reduced the goodwill impairment by $25,937, increased the Adjustment to goodwill for unrealized gain/loss on foreign currency by $2,264, and increased the ending goodwill balance by $28,201 as of December 31, 2022 in Note 4 to the combined financial statements.

Additionally, we recorded an immaterial correction of $800 in 2022 which impacted the following financial statement line items in the related financial statements: (i) increased Trade accounts receivable – net, Total current assets, Total assets, Accumulated earnings, Total Member's Equity, and Total liabilities and member's equity by $800 in the combined balance sheet as of December

31, 2022; (ii) increased Other revenue, Total revenues and income, Gross Profit, Net income and Comprehensive income by $800 in the combined statement of operations and comprehensive income for the period ended December 31, 2022; (iii) increased Net income and total Member's equity balance by $800 in the combined statements of changes in Member's Equity for the period ended December 31, 2022; (iv) increased Net income by $800 and reduced Trade accounts receivable by the same amount in the combined statement of cash flows for the period ended December 31, 2022.

***Intangible Assets***

Intangible assets consist of tradenames, franchise relationships, national accounts, developed technology, and domain name, and are stated at their acquisition-date fair value, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. The Company performed a qualitative assessment of its intangible assets and determined that no indicators of impairment were present for definite lived intangible assets.

Tradenames are amortized over their estimated useful life of 20 years, using the straight-line method. Franchise relationships and national accounts relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Software is amortized over its estimated useful life of 3 years, using the straight-line method.

Domain names are stated at their acquisition-date fair value, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1 in each of 2023 and 2022 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

***Fair Value of Financial Instruments and Non-Financial Assets***

In accordance with FASB ASC 820, Fair Value Measurements, certain assets carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

*Level* 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

*Level* 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

($000's)

The trade names, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships and national account relationships were valued using the multi-period excess earnings method in the periods acquired. The future projections and estimates used for the valuations are considered Level 3 inputs.

***Foreign Currency Translation***

Combined entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in the UK Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Combined Statements of Operations and Comprehensive Income, primarily in general and administrative expense, and was immaterial in all periods presented.

***Cash and Restricted Cash***

Cash consists of cash held on deposit. Restricted cash includes securitized cash held on deposit in Company accounts related to the Securitization Transaction.

Cash and restricted cash consists of the following:

| **As of December 31,** | | **2023** | | **2022** |
|---|---|---|---|---|
| Cash | $ | **3,171** | $ | 2,381 |
| Restricted Cash: | | | | |
| Whole business securitization | | **1,566** | | 3,359 |
| Total cash and restricted cash | $ | **4,737** | $ | 5,740 |

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

***Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted.

The Company adopted ASU 2016-13 using the modified retrospective adoption method on January 1, 2023, which was retroactively applied as of the first day of 2023. Upon adoption of this guidance, the Company recognized a decrease to its allowance for credit losses of $0.5 million and a corresponding adjustment to accumulated earnings/(loss).

## 2. Securitization Transactions

On March 25, 2021, the Manager, a Non-Securitization Entity, contributed to the Company through a series of asset transfers to the Securitization Entities, substantially all of the US intellectual property, including tradenames, franchise agreements, national account relationships and systems-in-place and the UK tradenames. The Manager, certain Securitization Entities and the SPV Franchisors entered into license agreements pursuant to which they granted, respectively, to certain Non-Securitization Entities (i) a non-exclusive license to use and sublicense the Securitization IP in connection with owning and operating certain company-owned store locations, UK locations and Canadian locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services.

The Company received a cash capital contribution in January 2022 of $102,000 which the Company used to acquire $102,000 in intangible assets. Also in January 2022, the Company received a non-cash capital contribution of $13,456, consisting of $10,862 in property and equipment, $2,082 in intangible assets, and $512 in inventories. In March 2022, the Company received a non-cash contribution of $1,214, consisting of $1,169 in property and equipment and $45 in inventories. In December 2022, the Company received a non-cash contribution of $2,112 in intangible assets from the Manager.

In January 2023, the Company received a non-cash contribution of $101,756, consisting of $99,349 in intangible assets, $3,600 in accounts receivable, $2,241 in property and equipment, $280 in inventories, and an unearned revenue liability, net of prepaid selling expenses, of $3,714.

The contributions of the Securitization Assets are between entities under common control and are recorded at book value as of the unaudited interim date. No gain or loss has been realized on the transactions.

The Issuer is dependent on the Company for sufficient cash flows from their securitized operations to service the Series 2021-1, Series 2022-1, and Series 2023-1 Senior Notes (see Note 3), remit management fees to the Manager, and pay certain other ongoing costs related to the Securitization Transaction.

## 3. Debt Guarantee

In conjunction with the Securitization Transaction, on March 25, 2021, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Series 2021-1 Senior Notes"). The Senior

Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2 million and interest are paid quarterly. As of December 31, 2023 and 2022, $780 million and $788 million, respectively, was outstanding on the Senior Notes.

On January 19, 2022, in connection with a second securitization, the Issuer, issued $410 million Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction (the "Second Securitization Transaction"). The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1.03 million and interest are paid quarterly. As of December 31, 2023 and 2022, respectively, $402.83 million and $406.93 million, was outstanding on the Series 2022-1 Senior Notes.

On February 3, 2023, in connection with a third securitization, the issuer, issued $275 million Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction (the "Third Securitization Transaction"). The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687.5 and interest are paid quarterly. As of December 31, 2023, $272.94 million was outstanding on the Series 2023-1 Senior Notes.

The Series 2021-1 Senior Notes, the Series 2022-1 Senior Notes, the Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, and the Series 2023-1 Class A-1 Notes described above issued in conjunction with the Securitization Transaction, the Second Securitization Transaction, and the Third Securitization Transaction (together, the "Securitization Transactions") are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities, including the Company, each of which is a bankruptcy remote entity and which owned substantially all of the Manager's US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the UK tradenames as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Senior Notes and Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transaction requires, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2023 and 2022, the Issuer was in compliance with all debt-service coverage covenants.

## 4. Intangible Assets and Goodwill

On March 25, 2021, intangible assets were contributed to the Company, along with certain dates thereafter as discussed in Note 1. Each of the SPV Franchisors are wholly owned subsidiaries and there was no change in ultimate ownership. Accordingly, there has been no change in control and therefore the Company concluded that the guidance in ASC 805 Business Combinations was not applicable. Intangible assets were recorded at the carrying value from the contributing entities on the date of the contribution, as the entities are under common control. Upon the acquisition by KKR (see Note 1), and the Company's election to apply pushdown accounting, the intangible assets were recorded at their acquisition-date fair values.

## ($000's)

Intangible assets as of December 31, 2023, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| Tradenames | 20 years | $ 968,512 | $ 107,087 | $ 861,425 |
| Franchise relationships | 15 years | 551,918 | 85,051 | 466,867 |
| National accounts | 15 years | 2,521 | 320 | 2,201 |
| Customer relationships | 5 years | 11,573 | 2,480 | 9,093 |
| Developed technology | 3 years | 702 | 418 | 284 |
| Total definite-lived intangibles | | $ 1,535,226 | 195,356 | $ 1,339,870 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | $ - | $ 1,314 |

Intangible assets as of December 31, 2022, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| Tradenames | 20 years | $ 886,322 | $ 57,733 | $ 828,589 |
| Franchise relationships | 15 years | 542,800 | 48,249 | 494,551 |
| National accounts | 15 years | 1,700 | 151 | 1,549 |
| Developed technology | 3 years | 400 | 178 | 222 |
| Total definite-lived intangibles | | $ 1,431,222 | 106,311 | $ 1,324,911 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | $ - | $ 1,314 |

($000's)

Amortization expense was $92,198 for the year ended December 31, 2023. Amortization expense was $81,265 for the year ended December 31, 2022.

Estimated amortization expense for the subsequent five years is as follows:

| *Years ending December 31,* | | |
|---|---|---|
| 2024 | $ | 88,766 |
| 2025 | | 87,976 |
| 2026 | | 87,887 |
| 2027 | | 87,061 |
| 2028 | | 85,407 |
| Thereafter | | 902,773 |
| | $ | 1,339,870 |

***Goodwill***

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the Manager by KKR.

The changes in the carrying amount of goodwill are as follows:

| | | |
|---|---|---|
| Balance as of December 31, 2021 | $ | 1,739,192 |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | | (10,608) |
| Balance as of December 31, 2022 (Restated) | $ | 1,728,584 |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | | 4,069 |
| Balance as of December 31, 2023 | **$** | **1,732,653** |

## 5. Member's Equity

Neighborly Assetco LLC ("the Limited Liability Company") was formed pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.), as amended from time to time (the "Act").

The Limited Liability Company is governed by a Limited Liability Company Agreement in which management of the Company is vested in the member ("the Member"), the Manager, who has all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware. The Member has the authority to bind the Company.

The Member may appoint officers of the Company and may revoke delegated authorities and duties at any time by the Member.

The Limited Liability Company is capitalized with a single membership unit with a $1 per unit par value.

($000's)

Pursuant to the Management Agreement, excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager, as discussed in Note 8. The Member's equity is the residual of equity contributions from the Manager and income earned from operations, less distributions to the Issuer and Manager.

The Company shall dissolve, and its affairs be wound up upon the first to occur of the following: (i) the written consent of the Member, (ii) the retirement, resignation or dissolution of the Member or the occurrence of any other event which terminates the continued membership of the Member in the Company unless the business of the Company is continued in a manner permitted by the Act, or (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

## 6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2023 and 2022, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years. Initial trade notes receivable for the respective SPV Franchisors were contributed to the Company as of March 31, 2021 by the Manager and subsequently at various dates thereafter. As the contribution was between entities under common control, the notes receivable transferred were recorded at their historical cost basis in the financial records of the Manager.

A summary of trade notes receivable as of December 31 is as follows:

| | **2023** | 2022 |
|---|---|---|
| Amounts due within one year, net of allowance for credit losses of $89 as of December, 31, 2023 and allowance for doubtful accounts of $166 as of December 31, 2022 | $ **9,530** | $ 7,846 |
| Amounts due after one year, net of allowance for credit losses of $474 as of December 31, 2023 and allowance for doubtful accounts of $379 as of December 31, 2022 | **15,221** | 17,884 |
| Total trade notes receivable, net | $ **24,751** | $ 25,730 |

($000's)

An analysis of the changes in trade notes receivable is as follows:

| *For the years ended December 31,* | 2023 | 2022 |
|---|---|---|
| Balance at beginning of period | $ **26,275** | $ 28,389 |
| Notes receivable, contributed, net | **1,652** | - |
| Principal payments received | **(16,293)** | (13,699) |
| Notes issued | **15,050** | 12,808 |
| Net write-offs | **(1,370)** | (1,223) |
| Gross trade notes receivable, at end of period | **25,314** | 26,275 |
| Allowance for credit losses | **(563)** | - |
| Allowance for doubtful accounts | **-** | (545) |
| Net trade notes receivable, at end of period | $ **24,751** | $ 25,730 |

An analysis of the changes in the trade notes receivable allowance is as follows:

| *For the years ended December 31,* | 2023 | 2022 |
|---|---|---|
| Allowance, beginning of period | $ **545** | $ 447 |
| Provisions for bad debts | **1,382** | 1,282 |
| Net write-offs | **(1,364)** | (1,184) |
| Allowance, end of period | $ **563** | $ 545 |

Scheduled future maturities of trade notes receivable are as follows:

| *Years ending December 31,* | |
|---|---|
| 2024 | $ 9,619 |
| 2025 | 4,795 |
| 2026 | 3,965 |
| 2027 | 2,882 |
| 2028 | 2,085 |
| Thereafter | 1,968 |
| | $ 25,314 |

($000's)

## 7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Machinery and equipment | $ 6,303 | $ 5,523 |
| Software | 11,035 | 6,831 |
| Vehicles | 9,614 | 8,539 |
| Total property and equipment | 26,952 | 20,893 |
| Less accumulated depreciation | (8,173) | (2,614) |
| Property and equipment – net | $ 18,779 | $ 18,279 |

Depreciation expense was $5,092 for the year ended December 31, 2023 and $1,656 for the year ended December 31, 2022.

## 8. Related Party Transactions

The Company has material ongoing transactions with the Manager and other direct and indirect subsidiaries of the Manager.

Related parties, some of which are outside the United States, pay the Company, or its subsidiaries, a synthetic royalty or license fee for access to and use of their intellectual property, none of which are denominated in a foreign currency. Synthetic royalties and master license fees from affiliated entities were $28,705 for the year ended December 31, 2023, and $22,879 for the year ended December 31, 2022.

As discussed in Note 2, the Securitized Entities entered into the Management Agreement with the Manager to perform certain services on behalf of the Securitized Entities. In exchange for the services, the Securitized Entities pay a management fee for each 12-month period equal to the sum of (i) an annual base management fee of $8,000, plus (ii) a fee of $12.425 for every $100 of aggregate total securitization revenues in the form of collections for the applicable period.

The Company incurred management fees of $44,075 for the year ending December 31, 2023, and $37,264 for the year ending December 31, 2022.

Costs of products and services as well as advertising and promotion fund expenses are reimbursed by the Company to the Manager.

Excess cash collections after distributions to the Issuer for quarterly interest and scheduled principal payments, expense reimbursements to the Manager and payment of management fees, are distributed to the Manager. Distributions were $265,744 for the year ended December 31, 2023, and $202,999 for the year ended December 31, 2022.

## 9. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2023 and 2022.

Management believes that the outcome of such matters will not have a material effect on the Company's combined financial statements.

## 10. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through April 1, 2024, which was the date the Company's financial statements were available to be issued.

# Neighborly Company and Subsidiaries

## Consolidated Financial Statements

As of December 31, 2024 and 2023 and
for the years ended December 31, 2024 and 2023

# Neighborly Company and Subsidiaries

## Contents

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## Report of Independent Auditors

To the Board of Directors and Stockholders of
Neighborly Company and subsidiaries

### Opinion

We have audited the consolidated financial statements of Neighborly Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 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 of 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 GAAS 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 GAAS, we:

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

Ernst + Young LLP

Dallas, Texas
March 31, 2025

# Neighborly Company and Subsidiaries

## Consolidated Balance Sheets
## ($000's)

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | $ **18,436** | $ 43,416 |
| Restricted cash | **28,077** | 28,636 |
| Trade accounts receivable - net | **44,747** | 44,566 |
| Trade notes receivable - current portion – net | **7,776** | 9,777 |
| Inventories | **3,776** | 4,007 |
| Income tax receivable | **9,231** | 1,880 |
| Prepaid selling expenses - current | **4,726** | 3,959 |
| Other current assets | **6,106** | 2,839 |
| **Total Current Assets** | **122,875** | 139,080 |
| Property and equipment – net | **92,158** | 89,137 |
| Operating lease right of use assets | **20,221** | 27,227 |
| Prepaid selling expenses – less current portion | **19,896** | 19,104 |
| Trade notes receivable – less current portion - net | **13,577** | 15,894 |
| Intangible assets – net | **1,327,052** | 1,425,724 |
| Goodwill | **1,739,179** | 1,741,101 |
| Other non-current assets | **1,758** | 2,128 |
| **Total Assets** | $ **3,336,716** | $ 3,459,395 |

# Neighborly Company and Subsidiaries

## Consolidated Balance Sheets (continued)
## ($000's, except share and per share amounts)

| | December 31, 2024 | 2023 |
|---|---|---|
| **Liabilities and Stockholder's Equity** | | |
| **Current Liabilities** | | |
| Trade accounts payable | **$ 17,856** | $ 15,962 |
| Accrued liabilities | **48,074** | 56,589 |
| Deferred revenue - current | **18,215** | 17,760 |
| Current portion of long-term debt | **10,051** | 10,488 |
| Current portion of operating lease liabilities | **5,401** | 6,925 |
| Current portion of finance lease obligations | **5,941** | 4,426 |
| Total current liabilities | **105,538** | 112,150 |
| Long-term debt - less current portion | **1,571,110** | 1,451,356 |
| Operating lease obligations – less current portion | **15,639** | 21,302 |
| Finance lease obligations – less current portion | **10,278** | 10,187 |
| Deferred tax liabilities | **199,638** | 220,780 |
| Deferred revenue - less current portion | **74,718** | 73,850 |
| Other non-current liabilities | **1,616** | 1,696 |
| Commitments and Contingencies (Note 11) | | |
| **Stockholder's Equity** | | |
| Common stock-par value $0.01 per share; 100 shares authorized, issued and outstanding | **-** | - |
| Additional paid-in capital | **1,933,936** | 2,100,435 |
| Accumulated deficit | **(528,523)** | (489,405) |
| Accumulated other comprehensive loss | **(47,234)** | (42,956) |
| **Total Stockholder's Equity** | **1,358,179** | 1,568,074 |
| **Total Liabilities and Stockholder's Equity** | **$ 3,336,716** | $ 3,459,395 |

*See accompanying notes to consolidated financial statements*

# Neighborly Company and Subsidiaries

## Consolidated Statements of Operations and Comprehensive Income (Loss)
## ($000's)

| | Year Ended December 31, 2024 | 2023 |
|---|---|---|
| Revenues and income | | |
| Franchise service fees | **$ 208,277** | $ 194,731 |
| Franchise sales fees | **35,122** | 38,441 |
| Sales of products and services | **282,737** | 288,146 |
| Advertising and promotional fund revenue | **60,159** | 53,320 |
| Other revenue | **39,387** | 39,026 |
| Total revenues and income | **625,682** | 613,664 |
| Cost of products and services | **174,140** | 169,627 |
| **Gross Profit** | **451,542** | 444,037 |
| Selling expense | **26,173** | 26,179 |
| General and administrative expense | **206,402** | 196,985 |
| Advertising and promotional fund expense | **61,482** | 58,124 |
| Equity-based compensation expense | **3,130** | 4,194 |
| Depreciation and amortization | **123,676** | 116,929 |
| Management and board fees and expenses | **3,650** | 4,638 |
| Loss on impairment of goodwill and tradenames | **-** | 428,286 |
| Credit losses | **3,810** | 2,812 |
| **Operating Income (Loss)** | **23,219** | (394,110) |
| Interest expense | **70,278** | 68,756 |
| **Loss Before Income Taxes** | **(47,059)** | (462,866) |
| Income tax benefit | **(7,941)** | (23,790) |
| **Net Loss** | **(39,118)** | (439,076) |
| Other comprehensive income/(loss) | | |
| Foreign currency translation adjustment, net of tax of $1,070 and 2,132, respectively | **(3,208)** | 6,395 |
| Total Other Comprehensive income/(loss) | **(3,208)** | 6,395 |
| **Comprehensive Loss** | **$ (42,326)** | $ (432,681) |

*See accompanying notes to consolidated financial statements.*

## Neighborly Company and Subsidiaries

### Consolidated Statement of Changes in Stockholder's Equity
### ($000's, except share amounts)

| | Common Stock Shares | Common Stock Amount | Additional Paid - In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2022 | 100 | $ - | $ 2,420,959 | $ (50,587) | $ (51,483) | $ 2,318,889 |
| Adoption of accounting principle | - | - | - | 258 | - | 258 |
| Distribution to parent | - | - | (324,718) | - | - | (324,718) |
| Equity-based compensation | - | - | 4,194 | - | - | 4,194 |
| Foreign currency translation adjustment | - | - | - | - | 8,527 | 8,527 |
| Net loss | - | - | - | (439,076) | - | (439,076) |
| Balance at December 31, 2023 | 100 | $ - | $ 2,100,435 | (489,405) | (42,956) | 1,568,074 |
| Contribution to Equity | - | - | 575 | - | - | 575 |
| Distribution to parent | - | - | (170,204) | - | - | (170,204) |
| Equity-based compensation | - | - | 3,130 | - | - | 3,130 |
| Foreign currency translation adjustment | - | - | - | - | (4,278) | (4,278) |
| Net loss | - | - | - | (39,118) | - | (39,118) |
| **Balance at December 31, 2024** | **100** | **$ -** | **$ 1,933,936** | **$ (528,523)** | **$ (47,234)** | **$ 1,358,179** |

*See accompanying notes to consolidated financial statements.*

# Neighborly Company and Subsidiaries

## Consolidated Statement of Cash Flows
## ($000's unless otherwise noted)

| | For the Year Ended December 31, 2024 | 2023 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $ (39,118) | $ (439,076) |
| Adjustments to reconcile net loss to net cash provided by **operating activities**: | | |
| Depreciation and amortization | 123,676 | 116,929 |
| Amortization of deferred financing costs | 4,409 | 4,164 |
| Loss on impairment of goodwill and tradenames | - | 428,286 |
| Bad debt expense | 3,810 | 2,812 |
| Trade notes issued | (14,978) | (15,243) |
| Collections of notes receivable | 17,660 | 16,605 |
| Deferred income taxes | (20,651) | (44,346) |
| Loss on disposal of assets | 3,589 | - |
| Equity-based compensation | 3,130 | 4,194 |
| **Changes in assets and liabilities**: | | |
| Trade accounts receivable | (2,848) | (1,403) |
| Inventories | 249 | 626 |
| Prepaid selling expenses and other assets | (4,313) | 3,722 |
| Trade accounts payable | 1,907 | (6,249) |
| Accrued liabilities | (9,729) | (8,512) |
| Other non-current liabilities | (83) | (275) |
| Income tax payable | (7,352) | (1,519) |
| Change in operating lease assets and liabilities | (181) | 3,535 |
| Deferred revenue | 1,323 | 11,246 |
| Net cash provided by operating activities | 60,500 | 75,496 |
| **Investing activities** | | |
| Purchase of property, equipment and other assets | (25,042) | (27,931) |
| Acquisitions of intangible assets | (677) | - |
| Net cash used in investing activities | (25,719) | (27,931) |
| **Financing activities** | | |
| Equity contribution | 575 | - |
| Distributions paid | (170,204) | (324,718) |
| Deferred financing costs paid | (3,241) | (13,866) |
| Proceeds from revolving credit | 158,000 | 25,000 |
| Payment on revolving credit | (25,000) | - |
| Payments on principal portion of finance lease liabilities | (4,749) | (3,455) |
| Payments on long-term borrowings | (14,850) | (14,323) |
| Proceeds from long-term borrowings | - | 275,000 |
| Net cash used in financing activities | (59,469) | (56,362) |
| Effect of foreign currency translation on cash | (851) | (1,255) |
| **Net decrease in cash and restricted cash** | (25,539) | (10,052) |
| **Cash and restricted cash -** Beginning of period | $ 72,052 | $ 82,104 |
| **Cash and restricted cash -** End of period | $ 46,513 | $ 72,052 |
| **Supplemental cash flow disclosures:** | | |
| Cash paid for income taxes, net of refunds | $ 16,770 | $ 15,829 |
| Cash paid for interest | 65,052 | $ 60,258 |

## 1. Organization and Description of Business

### *Organization and Description of Business*

Neighborly Company and Subsidiaries ("we", "our", "Neighborly" and the "Company") is a Delaware corporation and is the parent company of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally which include the following companies: Mr. Rooter, Rainbow International, Mr. Electric, Aire Serv, Mr. Appliance, Glass Doctor, Grounds Guys, Molly Maid, Mr. Handyman, Five Star Painting, Mosquito Joe, Real Property Management, Window Genie, HouseMaster, Dryer Vent Wizard, ShelfGenie, Precision Door Service, Restoration 1, Junk King, Lawn Pride, ZorWare, Drain Doctor, Locatec, Countrywide, Bright and Beautiful, Dream Doors, Greensleeves, and ProTradeNet.

In addition, the Company owns and operates non-franchisor entities as follows: Portland Glass, which offers auto, home, and business glass repair and replacement through company owned stores located in Maine, Vermont, and New Hampshire; Pimlico Plumbers, which offers repair and maintenance services, concentrated in central London; Plumb Enterprises, which offers full plumbing, drain and sewer cleaning services, excavation, and repairs in Colorado; and Lawn Pride, which offers lawn care and maintenance services through the application of fertilizer, as well as pest control, in Indiana.

### *Acquisition of the Company*

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources.

## 2. Summary of Significant Accounting Policies

### *Recently Issued Accounting Pronouncements*

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," (ASU No. 2023-09) which requires disclosure of disaggregated information about a reporting entity's effective tax rate reconciliation as well as disclosures on income taxes paid by jurisdiction. ASU No. 2023-09 is effective for annual periods beginning after December 15, 2024. The guidance is required to be applied on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. Management is currently evaluating the impact of this guidance on the Company's consolidated financial statements and related disclosures.

In January 2024, the FASB issued ASU No. 2024-01, "Scope Application of Profits Interest and Similar Awards." This update clarifies that profits interests and similar awards granted to employees as compensation for services are within the scope of ASC Topic 718 (Compensation—Stock Compensation). The amendments in this update are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years, with early adoption permitted. The Company is required to apply these amendments on a modified retrospective basis to awards outstanding at the beginning of the fiscal year of adoption, with cumulative-effect adjustments to retained earnings. Management is currently evaluating the impact of this guidance on the Company's consolidated financial statements and related disclosures.

***Principles of Consolidation and Variable Interest Entities***

The accompanying consolidated financial statements as of December 31, 2024 and 2023 include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

FASB Accounting Standards Codification (ASC) Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the power to direct activities of a VIE that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Neighborly Assetco LLC ("Assetco") is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly (the "Manager").

Assetco's subsidiaries are comprised of a number of franchisors and related supporting businesses operating in the US and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC, Precision Door Service SPV LLC, Junk King SPV LLC, and Lawn Pride SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Neighborly Service Solutions SPV LLC, Back Office SPV LLC, G-O Manufacturing SPV LLC, Zorware SPV LLC, NBLY Co Ops CO SPV LLC, NBLY Co Ops WA SPV LLC, NBLY Co Ops AZ SPV LLC, NBLY Co Ops IN SPV LLC, Trench Right SPV LLC, Trench Right WA SPV LLC, Dig Boss SPV LLC, NBLY Logistics SPV LLC, and Pimlico SPV Limited (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of Assetco.

Assetco holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the tradenames and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV

Entities hold certain tradenames, certain product supply agreements, certain vendor agreements and the office service agreements.

Neighborly SPV Guarantor LLC, Neighborly Issuer LLC, and Neighborly Assetco LLC (collectively with the SPV Franchisors and the Non-Franchisor SPV Entities are referred to as "Securitization Entities") were formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 and on subsequent dates thereafter (see Note 3).

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly is the primary beneficiary, having both power and benefits, of the Securitization Entities and accordingly, consolidation is concluded.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Revenue Recognition, Accounts Receivable, Notes Receivable, and Allowances***

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's gross sales, depending upon the particular franchise concept and upon various other factors;

- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Sales of products and services to unrelated third parties;

- Advertising and promotional fund revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's sales and vary depending upon the particular franchise concept and various other factors;

- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. Our performance obligations under franchise agreements consist of providing a license of our brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement, with the exception of variable or sales-based royalties, MAP fund fees collected and revenue allocated to goods and services and other variable fees which are recognized as the underlying sales occur and performance obligations are satisfied.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees as well as applicable termination fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners.

The Company adopted ASU 2016-13 ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments using the modified retrospective adoption method on January 1, 2023, which was retroactively applied as of the first day of 2023. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Upon adoption of this guidance, the Company recognized a decrease to its allowance for credit losses of $200 and a corresponding adjustment to accumulated deficit, net of tax.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

Franchise service fee revenues represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.

We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Our obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts which are classified as restricted cash on the Consolidated Balance Sheet and use MAP fees for certain activities related to the marketing and promotion of the individual brands. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from Contracts with Customers.

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

($000's)

*Contract Balances*

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being recognized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

The components of the change in deferred revenue are as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Balance at beginning of period | $ 91,610 | $ 80,364 |
| Fees received from franchise owners | 37,203 | 49,188 |
| Franchise sales revenue recognized | (35,122) | (38,441) |
| Other changes in deferred revenue | (758) | 499 |
| Balance at end of period | 92,933 | 91,610 |
| Less: current portion | 18,215 | 17,760 |
| Deferred revenue noncurrent | $ 74,718 | $ 73,850 |

Revenue deferred as of December 31, 2023 and recognized in the period from January 1, 2024 through December 31, 2024 was $17,623. Revenue deferred as of December 31, 2022 and recognized in the period from January 1, 2023 through December 31, 2023 was $20,133.

As of December 31, 2024, the deferred revenue expected to be recognized for each of the next five years and in the aggregate is as follows:

| | |
|---|---|
| Years ending December 31, | |
| 2025 | $ 18,215 |
| 2026 | 12,829 |
| 2027 | 12,455 |
| 2028 | 11,718 |
| 2029 | 10,267 |
| Thereafter | 27,449 |
| | $ 92,933 |

Direct, incremental selling expenses incurred when the franchise agreement is executed are recorded as a contract asset and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Consolidated Balance Sheets and the amortization is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). For the year ended December 31, 2024, $7,736 of costs were paid and amortization expense of $6,175 was recognized. For the year ended December 31, 2023, $8,883 of costs were paid and amortization expense of $5,845 was recognized.

The ending asset for deferred contract costs as of December 31, 2024 was $24,622, of which $4,726 was current. The ending asset for deferred contract costs as of December 31, 2023 was $23,063, of which $3,959 was current.

*Advertising*

The Company expenses advertising costs as incurred. Advertising expense was $23,200 and $28,772 for the years ended December 31, 2024 and 2023, respectively. Advertising expense is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). This is separate from MAP fees which are presented on their own line in Consolidated Statements of Operations and Comprehensive Income (Loss).

*Inventories*

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

*Property and Equipment*

With the exception of land, which is not depreciated, property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: buildings (30 years) and building improvements (5-15 years), capped at the lesser of life of the leasehold improvements or remaining lease life; machinery, equipment, and vehicles (5-10 years); furniture and fixtures (5 years); and hardware and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the year ended December 31, 2024.

*Goodwill*

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance resulted from the acquisition of the Company as of September 1, 2021, and from the Company's acquisitions in the successor period, as discussed in Note 1.

The Company performed a qualitative assessment of its goodwill as of October 1, 2024 and concluded that indicators of impairment existed for certain of its reporting units, based on trends in financial performance. Therefore, the Company performed a quantitative assessment of its goodwill for certain reporting units with indicators of impairment by measuring the fair value using present value techniques including the income approach and the market approach. The Company's weighted average cost of capital declined slightly as well as projected positive operating performance of the reporting units resulted in a fair value that exceeded carrying value with no resulting impairment. A goodwill impairment expense of $417,591 was recorded in the year ended December 31, 2023, and none in 2024.

***Intangible Assets***

Intangible assets consist of tradenames, franchise relationships, national accounts, insurance company relationships, customer relationships, re-acquired franchise rights, developed technology, copyrights, and domain name, and are stated at their estimated fair value as of the date of acquisition, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. No impairment expense was recorded in the year ended December 31, 2024, and $10,695 was recorded in the year ended December 31, 2023.

Tradenames are amortized over their estimated useful life, which ranges from three years to 20 years, using the straight-line method. Franchise relationships, national accounts relationships, and insurance company relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Customer relationships are amortized over their estimated useful life of three to 10 years, using the straight-line method. Reacquired franchise rights are amortized over the remaining life of the reacquired agreements, between one to seven years, using the straight-line method. Copyrights are amortized over their estimated useful life of five years, using the straight-line method. Developed technology is amortized over their estimated useful life of three years, using the straight-line method.

Domain names are stated at their estimated fair value at the date of acquisition, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1, of 2024 and 2023 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in tax expense in the period that includes the enactment date.

($000's)

The Company establishes valuation allowances in accordance with the provisions of FASB ASC Topic 740, Income Taxes. The Company reviews the adequacy of any valuation allowance and recognizes tax benefits only when it is more likely than not that the benefits will be realized.

The Company measures, classifies, and discloses uncertain tax benefits in accordance with FASB ASC Topic 740-10, Income Taxes-Overall. The Company has elected to classify interest and penalties related to uncertain tax benefits as a component of income tax expense.

***Equity-based Compensation***

The Company accounts for equity-based compensation under FASB ASC Topic 718, Compensation-Stock Compensation. This pronouncement requires the measurement of all equity-based payments to employees using a fair-value-based method and the recording of such expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). The Company participates in an equity-based employee compensation plan, which is described more fully in Note 5.

***Foreign Currency Translation***

Consolidated entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in Canada, the United Kingdom (the "UK"), Germany and Austria. Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), primarily in general and administrative expense, and was immaterial in all periods presented.

***Cash and Restricted Cash***

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

Cash consists primarily of cash on hand and cash on deposit. Restricted cash includes funds held for the MAP funds and securitized cash held for principal and interest payments on deposit related to the Securitization Transaction.

Cash and restricted cash consists of the following as of December 31,:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Cash | $ | **18,436** | $ | 43,416 |
| Restricted Cash: | | | | |
| Whole business securitization | | **23,639** | | 21,903 |
| MAP funds | | **4,438** | | 6,733 |
| Total cash and restricted cash | $ | **46,513** | $ | 72,052 |

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

***Fair Value of Financial Instruments and Non-financial Assets***

In accordance with FASB ASC 820, Fair Value Measurements, certain assets and liabilities carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

*Level* 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

*Level* 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The tradenames, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships, customer relationships, national account relationships, and insurance company relationships were valued using the multi-period excess earnings method in the periods acquired, except for those tradenames remeasured in 2023 as a result of impairment testing as discussed above. Rollover equity was valued using a combination of Level 2 observable inputs including EBITDA multiples and comparable public company as well as discounted cash flow analysis of future projections in the period issued. The future projections and estimates used to fair value the assets acquired in acquisitions, as well as those used in our long-lived asset and goodwill impairment testing, are considered Level 3 inputs.

## 3. Debt Agreements

Through its wholly owned subsidiary, Neighborly Issuer LLC (the "Issuer"), the Company entered into the Securitization Transaction which was completed on March 25, 2021. In conjunction with the Securitization Transaction, the Issuer issued $800,000 Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Series 2021-1 Senior Notes"). The Series 2021-1 Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2,000 and interest are paid quarterly. As of December 31, 2024 and 2023, the Series 2021-1 Senior Notes had $772,000 and $780,000 outstanding, respectively.

Additionally, the Securitization Transaction provided for a $10,000 variable rate Delayed Draw Class A-1-LR Senior Note ("Series 2021-1 Class A-1 Notes"), with a final maturity date of April 30, 2051, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at the Secured Overnight Financing Rate (SOFR) plus 300 basis points. As of December 31, 2024 and 2023, no borrowings had been made on the Series 2021-1 Class A-1 Notes.

The Securitization Transaction also provided for a $30,000 variable rate Class A-1-VFN Senior Note (the "2021 VFN facility"), with a maturity date of April 30, 2026, and two one-year extension options. Interest on borrowings is paid quarterly at SOFR, plus 266 basis points. As of December 31, 2024, $8,000 of borrowings were outstanding on the 2021 VFN facility and availability was $5,050.

For the year ended December 31, 2023, the Company had no borrowings on the facility and availability was $13,050. Issued and undrawn letters of credit under the VFN facility were $16,950 as of December 31, 2024 and 2023. Undrawn letters of credit under the VFN facility incur interest at a rate of 2.66%, which is payable quarterly. The Company considered the upcoming maturity of the 2021 VFN Facility and concluded it has the unilateral ability to extend the maturity date to April 2027, if certain conditions are met. The Company evaluated the conditions precedent and concluded they will be met throughout 2025; therefore, the Company will have the unilateral ability to extend and intends to execute the extension prior to the initial maturity date of April 30, 2026.

On January 19, 2022, the Company, through the Issuer, issued $410,000 Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction (the "Second Securitization Transaction"). The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1,025 and interest are paid quarterly. As of December 31, 2024 and 2023, $398,725 and $402,825 was outstanding on the Series 2022-1 Senior Notes, respectively.

Additionally, the Second Securitization Transaction provided for a $4,000 variable rate Delayed Draw Class A-1-LR Senior Note (the "Series 2022-1 Class A-1 Notes"), with a final maturity date of January 30, 2052, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. As of December 31, 2024 and 2023, no draws had been made on the Series 2022-1 Class A-1 Notes.

In conjunction with the Second Securitization Transaction, $10,353 in transaction fees were capitalized as deferred financing costs to be amortized over the anticipated term of the notes using the straight-line method, which material approximates the effective interest rate method. For the years ended December 31, 2024 and 2023, respectively, a total of $1,494 and $1,510 of previously capitalized deferred financing costs related to the Second Securitization Transaction were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

On February 3, 2023, the Company, through its indirect, wholly owned subsidiary, Neighborly Issuer LLC, issued $275,000 Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction (the "Third Securitization Transaction"). The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687 and interest are paid quarterly. As of December 31, 2024 and 2023, $270,188 and $272,938 was outstanding on the Series 2023-1 Senior Notes, respectively.

Additionally, the Third Securitization Transaction provided for a $5,025 variable rate Delayed Draw Class A-1-LR Senior Note (the "Series 2023-1 Class A-1 Notes"), with a final maturity date of January 30, 2053, which is only available for limited purposes and may not be drawn by the Issuer. On December 11, 2024, the Series 2023-1 Class A-1 Notes maturity date was amended to change to January 30, 2055. Interest on draws is paid weekly at a rate equal to SOFR plus 300 basis points. As of December 31, 2024, no draws had been made on the Series 2023-1 Class A-1 Notes.

The Third Securitization Transaction also provided for a $125,000 variable rate Class A-1-VFN Senior Note (the "2023 VFN facility"), with a maturity date of January 30, 2026, with two one-year extension options. Interest on borrowings is paid quarterly at SOFR, plus 350 basis points. As of December 31, 2024, the Company had borrowings outstanding of $75,000 on the 2023 VFN facility and had $50,000 of availability. As of December 31, 2023, borrowings outstanding on the 2023 VFN facility were $25,000, and availability was $100,000. The Company considered the upcoming maturity of the 2023 VFN Facility and concluded it has the unilateral ability to extend the maturity date to January 2027, if certain conditions are met. The Company evaluated the conditions precedent and concluded they will be met throughout 2025; therefore, the Company will have the unilateral ability to extend and intends to execute the extension prior to the initial maturity date of January 30, 2026.

In conjunction with the Third Securitization Transaction, $14,177 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the effective interest method. For the years ended December 31, 2024 and 2023, $2,868 and $2,654 of previously capitalized deferred financing costs related to the Third Securitization Transaction were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss), respectively.

On December 11, 2024, the Company, through its indirect, wholly owned subsidiary, Neighborly Issuer LLC, entered into a $75,000 variable rate Class A-1-VFN Senior Note (the "2024 VFN Facility") through a fourth whole business securitization transaction (the "Fourth Securitization Transaction"). The 2024 VFN Facility has an anticipated repayment date of January 30, 2030 with two one-year extension options. Interest on borrowings is paid quarterly at SOFR, plus 240 basis points. As of December 31, 2024, borrowings outstanding on the 2024 VFN facility were $75,000, and no availability.

In conjunction with the Fourth Securitization Transaction in 2024, $3,241 in transaction fees were capitalized as deferred financing costs in 2024, to be amortized over the anticipated term of the notes on a straight line basis which approximates the effective method. Amortization was negligible in 2024.

The Series 2023-1 Senior Notes and the 2024 VFN Facility issued in conjunction with the securitization transaction are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities. Proceeds were distributed to Neighborly's parent company to extinguish debt incurred by the parent to fund the Company's acquisitions.

The Series 2021-1 Senior Notes, the Series 2022-1 Senior Notes, the Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, the Series 2023-1 Class A-1 Notes, and VFN facilities described above issued in conjunction with the Securitization Transaction, the Second Securitization Transaction, the Third Securitization Transaction and the Fourth Securitization Transaction (together, the "Securitization Transactions") are secured by substantially all assets of Neighborly Issuer LLC and the other Securitization Entities, and guaranteed by the Issuer and such Securitization Entities, each of which is a bankruptcy remote entity and which owned substantially all of the Company's US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the UK tradenames as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Series 2021-1 Senior Notes, Series 2022-1 Senior Notes, Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, and the Series 2023-1 Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transactions require, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2024 and 2023, the Issuer was in compliance with all debt-service coverage covenants.

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The Company's long-term debt and trade notes receivable bear interest at market rates. Thus, management believes their carrying amounts approximate fair value.

Debt consists of the following as of December 31:

| | **2024** | 2023 |
|---|---|---|
| Series 2021-1 Senior Notes | **$ 772,000** | $ 780,000 |
| Series 2022-1 Senior Notes | **398,725** | 402,825 |
| Series 2023-1 Senior Notes | **270,188** | 272,938 |
| 2021 VFN Facility | **8,000** | - |
| 2023 VFN Facility | **75,000** | 25,000 |
| 2024 VFN Facility | **75,000** | - |
| Total carrying value of debt | **1,598,913** | 1,480,763 |
| Less: Deferred financing costs | **(17,752)** | (18,919) |
| Total net debt | **1,581,161** | 1,461,844 |
| Less: current portion | **(10,051)** | (10,488) |
| Long-term debt | **$ 1,571,110** | $ 1,451,356 |

Future maturities of long-term debt based on principal payments outstanding as of December 31, 2024, are as follows:

| *Years ending December 31,* | |
|---|---|
| 2025 | $ 14,850 |
| 2026 | 14,850 |
| 2027 | 14,850 |
| 2028 | 754,850 |
| 2029 | 385,075 |
| Thereafter | 414,438 |
| | $ 1,598,913 |

($000's)

## 4. Intangible Assets and Goodwill

Intangible assets as of December 31, 2024, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Impairment | Accumulated Amortization | Net Amount |
|---|---|---|---|---|---|
| Tradenames | 3-20 years | $ 996,297 | $ 10,248 | $ 158,895 | $ 827,154 |
| Franchise relationships | 15 years | 612,607 | 418 | 135,273 | 476,916 |
| National accounts | 15 years | 3,248 | 148 | 624 | 2,476 |
| Insurance company relationships | 15 years | 2,300 | - | 511 | 1,789 |
| Customer relationships | 3-10 years | 17,834 | - | 7,612 | 10,222 |
| Franchise rights | 1-7 years | 12,200 | - | 5,154 | 7,046 |
| Developed technology | 3 years | 720 | - | 631 | 89 |
| Copyrights | 5 years | 140 | - | 93 | 46 |
| Total definite-lived intangibles | | $ 1,645,347 | $ 10,814 | $ 308,793 | $ 1,325,738 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | - | $ 1,314 |

Intangible assets as of December 31, 2023, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Impairment | Accumulated Amortization | Net Amount |
|---|---|---|---|---|---|
| Tradenames | 3-20 years | $ 1,001,190 | $ 10,248 | $ 111,600 | $ 879,342 |
| Franchise relationships | 15 years | 613,289 | 418 | 94,631 | 518,240 |
| National accounts | 15 years | 3,138 | 148 | 424 | 2,566 |
| Insurance company relationships | 15 years | 2,300 | - | 358 | 1,942 |
| Customer relationships | 3-10 years | 17,848 | - | 4,594 | 13,254 |
| Franchise rights | 1-7 years | 12,200 | - | 3,495 | 8,705 |
| Developed technology | 3 years | 720 | - | 436 | 284 |
| Copyrights | 5 years | 143 | - | 66 | 77 |
| Total definite-lived intangibles | | $ 1,650,828 | $ 10,814 | $ 215,604 | $ 1,424,410 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | - | $ 1,314 |

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Amortization expense was $96,830 and $96,710 for the years ended December 31, 2024 and 2023, respectively. Estimated amortization expense for the subsequent five years is as follows:

| | |
|---|---|
| Years ending December 31, | |
| 2025 | $ 95,561 |
| 2026 | 95,463 |
| 2027 | 94,618 |
| 2028 | 92,964 |
| 2029 | 91,718 |
| Thereafter | 855,410 |
| | $ 1,325,738 |

***Goodwill***

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the parent by KKR and from the Company's acquisitions on September 1, 2021, and any subsequent acquisitions.

The changes in the carrying amount of goodwill are as follows:

| | December 31, | |
|---|---|---|
| | **2024** | 2023 |
| Balance at beginning of period | **$ 1,741,101** | $ 2,154,115 |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | **(1,922)** | 4,577 |
| Goodwill impairment | **-** | (417,591) |
| Balance at end of period | **$ 1,739,179** | $ 1,741,101 |

## 5. Equity-based Compensation

In September 2021, Nest Management LP, a co-investor with KKR, created a profits interest plan which provides for profits interest award grants of Nest Holdings LP and its subsidiaries. A total of 202,843,686 profits interests units were approved to be granted under the plan.

On October 27, 2021, and certain dates thereafter, Nest Management LP granted awards under the plan. The profits interests are exercisable only to the extent they are vested, and do not expire. Generally, vesting of a portion of the profits interests (50%) is subject to the passage of time; the remaining (50%) vest based on achievement of defined financial criteria upon a liquidity event of the Company. Based on continuous employment, time-based profits interest units vest 20% annually, for each of five years.

The Company accounts for equity-based compensation in accordance with ASC 718, Compensation-Stock Compensation, which requires the fair value of equity-based payments to be recognized in the consolidated statements as compensation expense over the requisite service period. For time-based awards, compensation expense is recognized on a straight-line basis, net of forfeitures which are recognized as they occur, over the requisite service period for awards that actually vest. For performance-based awards, compensation expense is estimated based on

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achievement of performance conditions and is recognized over the requisite service period for awards that actually vest. Equity-based compensation expense is recorded in the equity-based compensation line in the consolidated statements of operations.

The average grant date fair value of awards under the Nest Management LP profits interest plan was determined using Monte-Carlo simulation, and was $0.36 per unit for awards in the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023 no units were both vested and exercisable.

Equity-based compensation expense recorded for the years ended December 31, 2024 and 2023 was $3,130 and $4,194, respectively. As of December 31, 2024, unamortized stock compensation expense to be recognized in future years was $9,707.

| | Number of Underlying Units |
|---|---|
| Outstanding – December 31, 2022 | 138,245,959 |
| Granted | 16,124,890 |
| Forfeited | (32,158,970) |
| Redeemed | - |
| Outstanding – December 31, 2023 | 122,211,879 |
| Granted | 48,017,602 |
| Forfeited | (36,223,635) |
| Redeemed | - |
| Outstanding – December 31, 2024 | 134,005,848 |
| Vested and Exercisable – December 31, 2024 | - |

## 6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2024 and 2023, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years.

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A summary of trade notes receivable as of December 31 is as follows:

| | **2024** | 2023 |
|---|---|---|
| Amounts due within one year, net of allowance for credit losses of $1,167 and $464 as of December 31, 2024 and 2023, respectively | $ **7,776** | $ 9,777 |
| Amounts due after one year, net of allowance for credit losses of $2,105 and $2,155 as of December 31, 2024 and 2023, respectively | **13,577** | 15,894 |
| Total trade notes receivable, net | $ **21,353** | $ 25,671 |

An analysis of the changes in trade notes receivable is as follows:

| | Year Ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| Gross trade notes receivable, beginning of period | $ **28,290** | $ 30,228 |
| Principal payments received | **(17,660)** | (16,605) |
| Notes issued | **14,978** | 15,243 |
| Net write-offs | **(946)** | (574) |
| Foreign currency translation | **(37)** | (2) |
| Gross trade notes receivable, end of period | **24,625** | 28,290 |
| Allowance for credit losses | **(3,272)** | (2,619) |
| Net trade notes receivable, end of period | $ **21,353** | $ 25,671 |

An analysis of the changes in the trade notes receivable allowance is as follows:

| | Year Ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| Allowance, beginning of period | $ **2,619** | $ 1,874 |
| Provision for credit losses | **1,600** | 1,303 |
| Net write-offs | **(946)** | (574) |
| Foreign currency translation | **(1)-** | 16 |
| Allowance, end of period | $ **3,272** | $ 2,619 |

Scheduled future maturities of trade notes receivable are as follows:

| | |
|---|---|
| *Years ending December 31,* | |
| 2025 | $ 8,943 |
| 2026 | 5,208 |

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| | | |
|---|---|---|
| 2027 | | 4,086 |
| 2028 | | 2,957 |
| 2029 | | 2,011 |
| Thereafter | | 1,420 |
| | $ | 24,625 |

## 7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Land | **$ 2,561** | $ 1,720 |
| Building and improvements | **36,403** | 31,157 |
| Machinery and equipment | **10,690** | 8,843 |
| Hardware | **8,564** | 6,519 |
| Software | **54,907** | 40,940 |
| Furniture and fixtures | **2,033** | 4,234 |
| Vehicles | **12,151** | 9,428 |
| Vehicles under financing lease | **25,150** | 19,028 |
| Total property and equipment | **152,459** | 121,869 |
| Less accumulated depreciation | **(60,301)** | (32,732) |
| Property and equipment – net | **$ 92,158** | $ 89,137 |

Depreciation expense was $26,846 and $20,219 for the years ended December 31, 2024 and 2023, respectively.

## 8. Leases

The Company's primary operating lease commitments consist of leases for office and retail space for its company-operated stores and corporate offices. The Company leases vehicles under financing lease agreements expiring at various dates through 2029.

We determine whether an agreement contains a lease at inception based on our right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Company does not to recognize a right-of-use asset and a lease liability for leases with an initial term of twelve months or less. Lease liabilities represent the present value of future lease payments and the right-of-use (ROU) assets represent our right to use the underlying assets for the respective lease terms. The Company does not separate lease and non-lease components for new and modified leases after the adoption date, and instead accounts for each separate lease component of a contract and its associated non-lease components as a single lease component.

The operating lease liability is measured as the present value of the unpaid lease payments and the ROU asset is derived from the calculation of the operating lease liability. Other than for leased vehicles, our leases do not generally provide an implicit rate and we use our incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow over a similar term, on a collateralized basis in a similar economic environment.

Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses allocated on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as lease expense in the period incurred. The ROU asset is adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities.

The components of lease cost are as follows (in thousands):

| | December 31, | |
|---|---|---|
| | **2024** | **2023** |
| Operating lease cost | $ **7,149** | $ 7,855 |
| Variable lease cost | **324** | 272 |
| Finance lease cost: | | |
| Amortization of right-of-use assets | **7,849** | 5,079 |
| Interest on lease obligations | **1,088** | 720 |
| Total lease cost | $ **16,411** | $ 13,926 |

The table below presents additional information related to the Company's leases:

| | December 31, | |
|---|---|---|
| | **2024** | **2023** |
| Weighted average remaining lease term (in years): | | |
| Operating leases | **5.1** | 5.2 |
| Finance leases | **2.5** | 3.2 |
| Weighted average discount rate: | | |
| Operating leases | **4.2**% | 3.4% |
| Finance leases | **6.3**% | 6.1% |

Other information related to leases, including supplemental disclosures of cash flow information, is as follows (in thousands):

| | For the Years Ended December 31, 2024 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | **$ 7,359** | $ 7,857 |
| Operating cash flows from finance leases | **861** | 572 |
| Financing cash flows from finance leases | **4,749** | 3,455 |
| Right-of-use assets obtained in exchange for operating lease liabilities | **1,876** | 2,620 |

Maturities of lease liabilities are as follows as of December 31, 2024 (in thousands):

| Years ending December 31, | Operating leases | Finance leases | Total |
|---|---|---|---|
| 2025 | $ 6,132 | $ 6,692 | $ 12,823 |
| 2026 | 5,057 | 6,941 | 11,998 |
| 2027 | 3,423 | 2,854 | 6,277 |
| 2028 | 2,902 | 1,134 | 4,035 |
| 2029 | 2,029 | 210 | 2,240 |
| Thereafter | 4,089 | - | 4,089 |
| Total lease payments | $ 23,631 | $ 17,831 | $ 41,462 |
| Less: Interest | 2,591 | 1,612 | 4,203 |
| Total lease liabilities | $ 21,040 | $ 16,219 | $ 37,258 |
| Less: Current lease liabilities | 5,401 | 5,941 | 11,342 |
| Non-current lease liabilities | $ 15,639 | $ 10,278 | $ 25,917 |

Rent expense for operating leases was $7,149 for the year ended December 31, 2024. Total lease cost was $16,411 for the year ended December 31, 2024, including finance lease costs and variable lease costs. Rent expense for operating leases was $7,855 for the year ended December 31, 2023. Total lease cost was $13,926 for the year ended December 31, 2023, including finance lease costs and variable lease costs.

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## 9. Income Taxes

The income tax benefit is as follows:

| For the years ending December 31, | 2024 | 2023 |
|---|---|---|
| Current: | | |
| Federal | $ 10,911 | $ 16,845 |
| State | 2,002 | 2,958 |
| Foreign | (202) | 766 |
| Total current | 12,710 | 20,569 |
| Deferred: | | |
| Federal | (18,525) | (32,983) |
| State | (979) | (5,619) |
| Foreign | (1,147) | (5,757) |
| Total deferred | (20,651) | (44,359) |
| Total income tax benefit | $ (7,941) | $ (23,790) |

A reconciliation of the income tax benefit at statutory rates to the income tax benefit at effective is as follows:

| For the years ending December 31, | 2024 | 2023 |
|---|---|---|
| Federal income taxes at statutory rate | $ (9,882) | $ (97,180) |
| State taxes | 602 | (3,282) |
| Permanent differences | 1,452 | 77,266 |
| Foreign currency adjustment | 6 | 55 |
| Tax rate change | - | (258) |
| Deferred balance adjustment | 63 | 1,653 |
| Tradename sale to SPV | - | (914) |
| Other NOL | 29 | - |
| Payables adjustment | (1,581) | (1,130) |
| Other | 1,370 | - |
| Total income tax benefit | $ (7,941) | $ (23,790) |

The Company's effective income tax rate is 16.87% and 5.14% for the years-ended December 31, 2024 and 2023, respectively. The Company's overall global effective income tax rate differs from the statutory US Federal income tax rate of 21.00% due to state income taxes and the state income tax rate change applied to the Company's net US deferred tax liabilities, , and adjustments to the beginning of the tax period accounts.

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The components of deferred income tax assets and liabilities as of December 31 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable allowance | $ **777** | $ 540 |
| Accrued expenses | **439** | 1,670 |
| Notes receivable allowance | **794** | 820 |
| Net operating loss carryforwards | **599** | 513 |
| Interest expense limitation | **43,200** | 32,083 |
| Deferred revenue | **15,342** | 13,850 |
| Operating lease liability | **4,669** | 6,569 |
| Other | **3,358** | 3,423 |
| Total deferred tax assets | **69,178** | 59,468 |
| Deferred tax liabilities: | | |
| Prepaid expenses | **(1,052)** | (562) |
| Property and equipment | **(10,093)** | (8,946) |
| Intangible assets and goodwill | **(250,731)** | (263,703) |
| Interest rate swap | **(6)** | (6) |
| Operating lease right-of use assets | **(5,007)** | (6,845) |
| Other | **(1,927)** | (186) |
| Total deferred tax liabilities | **(268,816)** | (280,248) |
| Net deferred tax liabilities | $ **(199,638)** | $ (220,780) |

For the periods ended December 31, 2024 and 2023, no change was recorded for uncertain tax provisions, and the balance was ($641). As of December 31, 2024, no interest or penalty has been accrued or recognized by the Company related to ASC 740-10 Income Taxes.

($000's)

The Company reported net operating losses in the following jurisdictions as of December 31:

| Jurisdiction | | 2024 | | 2022 | Expiration |
|---|---|---|---|---|---|
| US Federal | $ | **-** | $ | - | Indefinite |
| US State | | **17,100** | | 17,085 | Various |
| United Kingdom | | **-** | | - | Indefinite |
| Germany | | **-** | | - | Indefinite |
| Austria | | **-** | | - | Indefinite |
| Canada | | **-** | | 91 | 20 Years |
| Total | $ | **17,100** | $ | 17,176 | |

The Company files a US consolidated federal income tax return for Nest Holdings, Inc. and Subsidiaries which includes Neighborly Company. State returns are filed on either a separate company or consolidated return basis. The company also files separate returns where required for the various LLC entities. The Company's subsidiaries file income tax returns in Canada, Germany, the UK and Austria.

The Company files US state income tax returns in nearly every state in the US. Many of the state return filings reflect net operating loss carryovers computed on a post-apportionment basis, while several states compute operating loss carryovers on a pre-apportionment basis. The US state income tax effect of the net operating loss carryforwards, net of federal income tax, amounted to $1,048 and $938 at December 31, 2024 and 2023, respectively. The state net operating losses have varying carryover periods. The Company expects to fully utilize all net operating loss carryovers prior to expiration.

The Company has no current or pending IRS examinations. US Federal income tax returns for years ended August 31, 2021, December 31, 2021, December 31, 2022, and December 31, 2023 remain open for examination. State income tax returns remain open for similar years, and several states having a longer statute remain open for examination. The Company has timely filed all federal and state income tax returns.

The UK entities have no prior or pending tax examinations with HMRC. The UK corporation tax process is one of self-assessment. Following filing of the tax return, HMRC has a period of (usually) 12 months in which to raise formal inquiries. These can range from simple information requests to detailed technical challenges over treatments adopted in the tax return. HMRC has made no requests. The December 31, 2023, corporate tax returns remain open for examination. The UK entities have timely filed all corporate income tax returns.

The German entities are currently under review by the BZSt. The statute of limitations for examination is four (4) years from the end of the year in which the return was filed. Tax returns for years ended December 31, 2020, and forward remain open for examination. The German entities have timely filed all corporate income tax returns.

The US and foreign entities operate under transfer pricing agreements that control the pricing of intercompany management services, interest and royalties.

The Company has both the intent and ability to reinvest foreign earnings, therefore deferred tax liabilities have not been recorded on either unremitted earnings, components of other comprehensive income, or applicable foreign withholding taxes.

## 10. Related Party Transactions

On September 1, 2021, a Monitoring Agreement was entered into with Kohlberg Kravis Roberts & Co and Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Monitoring Agreement. For the years ended December 31, 2024 and 2023, the Company recognized management and board fees and expenses of $3,641 and $4,638, respectively, in the Management and board fees and expenses line item in the Company's consolidated statements of operations. Additionally, the Company paid $750 to a related party in the year ended December 31, 2024 for services related to the 2024 VFN Facility. These costs are included in general and administrative expenses on the Consolidated Statement of Operations.

## 11. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2024 and 2023. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

## 12. Employee Benefit Plan

The Company sponsors a 401(k) plan covering the majority of its employees. Plan participants may contribute up to 70% (subject to Internal Revenue Service limitations) of their annual compensation before taxes for investment in several specified alternatives. Employees are fully vested with respect to their contributions. The Company may match a percentage of employee contributions as determined at the discretion of the Board of Directors. Company contributions recognized totaled $2,939 and $2,599 for the years ended December 31, 2024, and 2023, respectively.

## 13. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through March 31, 2024, which was the date the Company's financial statements were available to be issued.

# Neighborly Company and Subsidiaries

Consolidated Financial Statements
As of December 31, 2023 and 2022 and
for the years ended December 31, 2023 and 2022

# Neighborly Company and Subsidiaries

Consolidated Financial Statements
As of December 31, 2023 and 2022 and
for the years ended December 31, 2023 and 2022

# Neighborly Company and Subsidiaries

## Contents

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## Report of Independent Auditors

**To the Board of Directors and Stockholders of**
**Neighborly Company and Subsidiaries**

### Opinion

We have audited the consolidated financial statements of Neighborly Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 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 of 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 GAAS 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 GAAS, we:

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

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

Ernst & Young LLP

Dallas, Texas
April 1, 2024

# Consolidated Financial Statements

# Neighborly Company and Subsidiaries

## Consolidated Balance Sheets
## ($000's)

| *As of December 31,* | | **2023** | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | $ | **43,416** | $ | 55,741 |
| Restricted cash | | **28,636** | | 26,363 |
| Trade accounts receivable – net | | **44,566** | | 43,474 |
| Trade notes receivable - current portion – net | | **9,777** | | 8,461 |
| Inventories | | **4,007** | | 4,632 |
| Income tax receivable | | **1,880** | | 358 |
| Prepaid selling expenses - current | | **3,959** | | 3,143 |
| Other current assets | | **2,839** | | 8,898 |
| Total current assets | | **139,080** | | 151,070 |
| **Property and equipment - net** | | **89,137** | | 71,442 |
| **Operating lease right of use assets** | | **27,227** | | 27,904 |
| **Prepaid selling expenses - less current portion** | | **19,104** | | 16,882 |
| **Trade notes receivable - less current portion - net** | | **15,894** | | 19,893 |
| **Intangible assets - net** | | **1,425,724** | | 1,525,073 |
| **Goodwill** | | **1,741,101** | | 2,154,115 |
| **Other non-current assets** | | **2,128** | | 2,766 |
| **Total assets** | **$** | **3,459,395** | $ | 3,969,145 |

# Neighborly Company and Subsidiaries

## Consolidated Balance Sheets (continued)
## ($000's, except share and per share amounts)

| *As of December 31,* | | **2023** | | 2022 |
|---|---|---|---|---|
| **Liabilities and Stockholder's Equity** | | | | |
| **Current liabilities** | | | | |
| Trade accounts payable | $ | **15,962** | $ | 22,199 |
| Accrued liabilities | | **56,589** | | 62,940 |
| Deferred revenue - current | | **17,760** | | 15,688 |
| Current portion of long-term debt | | **10,488** | | 10,627 |
| Current portion of operating lease liabilities | | **6,925** | | 6,681 |
| Current portion of finance lease obligations | | **4,426** | | 2,659 |
| Total current liabilities | | **112,150** | | 120,794 |
| **Long-term debt - less current portion** | | **1,451,356** | | 1,175,523 |
| **Operating lease obligations - less current portion** | | **21,302** | | 22,141 |
| **Finance lease obligations - less current portion** | | **10,187** | | 4,053 |
| **Deferred tax liabilities** | | **220,780** | | 261,098 |
| **Deferred revenue - less current portion** | | **73,850** | | 64,676 |
| **Other non-current liabilities** | | **1,696** | | 1,971 |
| **Commitments and Contingencies (Notes 8 and 11)** | | | | |
| **Stockholder's equity** | | | | |
| Common stock-par value $0.01 per share; 100 shares authorized, issued and outstanding | | **-** | | - |
| Additional paid-in capital | | **2,100,435** | | 2,420,959 |
| Accumulated deficit | | **(489,405)** | | (50,587) |
| Accumulated other comprehensive loss | | **(42,956)** | | (51,483) |
| **Total stockholder's equity** | | **1,568,074** | | 2,318,889 |
| **Total liabilities and stockholder's equity** | $ | **3,459,395** | $ | 3,969,145 |

*See accompanying notes to consolidated financial statements*

# Neighborly Company and Subsidiaries

## Consolidated Statements of Operations and Comprehensive Income (Loss)
## ($000's)

| *For the years ended December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| **Revenues and income** | | | | |
| Franchise service fees | $ | **194,731** | $ | 176,281 |
| Franchise sales fees | | **38,441** | | 20,655 |
| Sales of products and services | | **288,146** | | 263,318 |
| Advertising and promotional fund revenue | | **53,320** | | 50,870 |
| Other revenue | | **39,026** | | 38,056 |
| Total revenues and income | | **613,664** | | 549,180 |
| **Cost of Sales** | | | | |
| Products and services | | **169,627** | | 154,815 |
| Gross Profit | | **444,037** | | 394,365 |
| Selling expense | | **26,179** | | 21,506 |
| General and administrative expense | | **196,985** | | 172,713 |
| Advertising and promotional fund expense | | **58,124** | | 54,235 |
| Equity-based compensation expense | | **4,194** | | 3,414 |
| Depreciation and amortization | | **116,929** | | 104,943 |
| Management and board fees and expenses | | **4,638** | | 5,207 |
| Transaction costs | | **-** | | 3,067 |
| Loss on impairment of goodwill and tradenames | | **428,286** | | 51,454 |
| Bad debt expense | | **2,812** | | 2,398 |
| **Operating loss** | | **(394,110)** | | (24,572) |
| **Other expenses** | | | | |
| Interest expense | | **68,756** | | 45,552 |
| Total other expenses | | **68,756** | | 45,552 |
| **Net loss before income taxes** | | **(462,866)** | | (70,124) |
| **Income tax benefit** | | **(23,790)** | | (34,378) |
| **Net loss** | | **(439,076)** | | (35,746) |
| **Other comprehensive income/(loss)** | | | | |
| Foreign currency translation adjustment, before tax | | **8,527** | | (45,261) |
| Income tax expense/(benefit) related to items of other comprehensive income/(loss) | | **2,132** | | (11,315) |
| Other comprehensive income/(loss), net of tax | | **6,395** | | (33,946) |
| **Comprehensive loss** | $ | **(432,681)** | $ | (69,692) |

*See accompanying notes to consolidated financial statements.*

# Neighborly Company and Subsidiaries

## Consolidated Statements of Changes in Stockholder's Equity
## ($000's, except share amounts)

| | *Common Stock Shares* | *Common Stock Amount* | *Additional Paid - In Capital* | *Accumulated Deficit* | *Accumulated Other Comprehensive Income (Loss)* | *Total* |
|---|---|---|---|---|---|---|
| Balance – December 31, 2021 | 100 | $ - | $ 2,576,318 | (14,841) | $ (6,222) | $ 2,555,255 |
| Distribution to parent | - | - | (431,965) | - | - | (431,965) |
| Equity contribution | - | - | 241,794 | - | - | 241,794 |
| Equity contribution for acquisitions | - | - | 31,398 | - | - | 31,398 |
| Equity-based compensation | - | - | 3,414 | - | - | 3,414 |
| Foreign currency translation adjustment | - | - | - | - | (45,261) | (45,261) |
| Net loss | - | - | - | (35,746) | - | (35,746) |
| **Balance - December 31, 2022** | **100** | **$ -** | **$ 2,420,959** | **$ (50,587)** | **$ (51,483)** | **$ 2,318,889** |
| Adoption of accounting principle | | | | 258 | | 258 |
| Distribution to parent | - | - | (324,718) | - | - | (324,718) |
| Equity-based compensation | - | - | 4,194 | - | - | 4,194 |
| Foreign currency translation adjustment | - | - | - | - | 8,527 | 8,527 |
| Net loss | - | - | - | (439,076) | - | (439,076) |
| **Balance - December 31, 2023** | **100** | **$ -** | **$ 2,100,435** | **$ (489,405)** | **$ (42,956)** | **$ 1,568,074** |

*See accompanying notes to consolidated financial statements.*

# Neighborly Company and Subsidiaries

## Consolidated Statements of Cash Flows
## ($000's)

| *For the years ended December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss | $ | (439,076) | $ | (35,746) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 116,929 | | 104,943 |
| Amortization of deferred financing costs | | 4,164 | | 1,447 |
| Loss on impairment of goodwill and tradenames | | 428,286 | | 51,454 |
| Bad debt expense | | 2,812 | | 2,398 |
| Notes received | | (15,243) | | (13,059) |
| Collections of notes receivable | | 16,605 | | 13,965 |
| Deferred income taxes | | (44,346) | | (44,898) |
| (Gain) loss on disposal of assets | | - | | (538) |
| Equity-based compensation | | 4,194 | | 3,414 |
| Changes in assets and liabilities, net of business acquisitions: | | | | |
| Trade accounts receivable | | (1,403) | | (11,523) |
| Inventories | | 626 | | (1,281) |
| Prepaid selling expenses and other assets | | 3,722 | | (3,903) |
| Trade accounts payable | | (6,249) | | 4,116 |
| Accrued liabilities | | (8,512) | | 8,264 |
| Other non-current liabilities | | (275) | | (203) |
| Income tax receivable | | (1,519) | | (1,530) |
| Change in operating lease assets and liabilities | | 3,535 | | 2,347 |
| Deferred revenue | | 11,246 | | 6,045 |
| Net cash provided by operating activities | | 75,496 | | 85,712 |
| **Investing activities** | | | | |
| Acquisitions, net of cash received | | - | | (254,373) |
| Purchase of property, equipment and other assets | | (27,931) | | (18,930) |
| Net cash used in investing activities | | (27,931) | | (273,303) |
| **Financing activities** | | | | |
| Equity contribution | | - | | 241,794 |
| Distributions paid | | (324,718) | | (431,965) |
| Deferred financing costs paid | | (13,866) | | (9,380) |
| Proceeds from revolver | | 25,000 | | - |
| Payments on principal portion of finance lease liabilities | | (3,455) | | (1,773) |
| Payments on long-term borrowings | | (14,323) | | (11,679) |
| Proceeds from long-term borrowings | | 275,000 | | 410,915 |
| Net cash provided by/(used in) financing activities | | (56,362) | | 197,912 |
| Effect of foreign currency translation on cash | | (1,255) | | (1,002) |
| **Net increase (decrease) in cash and restricted cash** | | (10,052) | | 9,319 |
| **Cash and restricted cash -** Beginning of period | | 82,104 | | 72,785 |
| **Cash and restricted cash -** End of period | | 72,052 | | 82,104 |
| **Supplemental cash flow disclosures:** | | | | |
| Cash paid (refunds received) for income taxes | $ | 15,829 | $ | 3,734 |
| Cash paid for interest | $ | 60,258 | $ | 40,950 |
| Non-cash equity contribution for acquisitions | $ | - | $ | 31,398 |

*See accompanying notes to consolidated financial statements.*

## 1. Organization and Description of Business

### *Organization and Description of Business*

Neighborly Company and Subsidiaries ("we", "our", "Neighborly" and the "Company") is a Delaware corporation and is the parent company of a number of franchisors and related supporting businesses operating in the United States (the "US") and internationally which include the following companies: Mr. Rooter, Rainbow International, Mr. Electric, Aire Serv, Mr. Appliance, Glass Doctor, Grounds Guys, Molly Maid, Mr. Handyman, Five Star Painting, Mosquito Joe, Real Property Management, Window Genie, HouseMaster, Dryer Vent Wizard, ShelfGenie, Precision Door Service, Restoration 1, Junk King, Lawn Pride, ZorWare, Drain Doctor, Locatec, Countrywide, Bright and Beautiful, Dream Doors, Greensleeves, and ProTradeNet.

In addition, the Company owns and operates non-franchisor entities as follows: Portland Glass, which offers auto, home, and business glass repair and replacement through company owned stores located in Maine, Vermont, and New Hampshire; Pimlico Plumbers, which offers repair and maintenance services, concentrated in central London; Plumb Enterprises, which offers full plumbing, drain and sewer cleaning services, excavation, and repairs to customers in Colorado; and Lawn Pride, which offers lawn care and maintenance services through the application of fertilizer, as well as pest control, in Indiana.

### *Acquisition of the Company*

On June 29, 2021, Kohlberg Kravis and Roberts ("KKR"), and associated co-investors formed Nest Bidco Inc. which, on September 1, 2021, purchased 100% of the shares of Balcones Holdco, Inc., the parent company of Neighborly, from TDG Investment Holdings, LP. Nest Bidco Inc. is an indirectly wholly owned subsidiary of Nest Holdings LP, which is the ultimate parent company of the newly formed business. The transaction was effected to add Neighborly to KKR's investment portfolio, and allows Neighborly to gain access to KKR's capital and resources.

### *Acquisitions*

During 2023, the company made no acquisitions.

During 2022, the Company acquired Lawn Pride in August, Greensleeves in October and Junk King in November, and repurchased three of its previously franchised Mr. Rooter territories in March, each of which operates in the home services industry. The purchase price of the acquisitions of $290,364, comprised of $258,870 of cash, consideration payable of $96, and $31,398 of rollover equity, has been allocated to the assets acquired and liabilities assumed by the Company based on independent valuation studies and management estimates of their fair value in accordance with FASB ASC Topic 805, Business Combinations, on the date of acquisition. The Company acquired 100% ownership of these entities, or acquired certain assets, to gain control and access to the intellectual property of each.

($000's)

*The total purchase price was allocated as follows:*

| | | |
|---|---|---|
| Working capital | $ | 4,326 |
| Capital lease obligations | | (613) |
| Other long-term assets | | 2,507 |
| Property and equipment | | 10,486 |
| Tradenames | | 80,287 |
| Developed technology | | 320 |
| Franchise relationships | | 9,830 |
| Franchise rights | | 5,400 |
| Customer relationships | | 12,400 |
| National accounts | | 830 |
| Goodwill | | 168,868 |
| Other long term debt | | (3,712) |
| Deferred tax liability | | (565) |
| Total consideration transferred | $ | 290,364 |

For the period ending December 31, 2022, the goodwill recognized is attributable to intangible assets not qualifying for separate recognition. The Company currently expects to be able to deduct goodwill of $135,695 for tax purposes. Transaction costs totaling $3,067 were incurred at closing and are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

## 2. Summary of Significant Accounting Policies

***Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted.

The Company adopted ASU 2016-13 using the modified retrospective adoption method on January 1, 2023, which was retroactively applied as of the first day of 2023. Upon adoption of this guidance, the Company recognized a decrease to its allowance for credit losses of $0.2 million and a corresponding adjustment to accumulated deficit, net of tax.

### *Principles of Consolidation and Variable Interest Entities*

The accompanying consolidated financial statements as of December 31, 2023 and 2022 include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

FASB ASC Topic 810-10, Consolidation, applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such an entity is referred to as a variable interest entity ("VIE"). FASB ASC Topic 810-10 requires the consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity, if any, that has the power to direct activities of a VIE that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Neighborly Assetco LLC ("Assetco") is a direct, wholly owned subsidiary of Neighborly Issuer LLC (the "Issuer"), which is a special purpose Delaware limited liability company and a direct, wholly owned subsidiary of Neighborly SPV Guarantor LLC (the "SPV Guarantor"), which is a special purpose Delaware limited liability company that is an indirect, wholly owned subsidiary of Neighborly (the "Manager").

Assetco's subsidiaries are comprised of a number of franchisors and related supporting businesses operating in the US and internationally and include the following businesses: Aire Serv SPV LLC, Mr. Electric SPV LLC, The Grounds Guys SPV LLC, Rainbow International SPV LLC, Glass Doctor SPV LLC, Mr. Appliance SPV LLC, Mr. Rooter SPV LLC, Molly Maid SPV LLC, Mr. Handyman SPV LLC, Five Star Painting SPV LLC, Window Genie SPV LLC, Real Property Management SPV LLC, Mosquito Joe SPV LLC, HouseMaster SPV LLC, Dryer Vent Wizard SPV LLC, ShelfGenie SPV LLC, Precision Door Service SPV LLC, Junk King SPV LLC, and Lawn Pride SPV LLC (each an "SPV Franchisor" and together the "SPV Franchisors") and ProTradeNet SPV LLC, Neighborly Service Solutions SPV LLC, Back Office SPV LLC, G-O Manufacturing SPV LLC, Zorware SPV LLC, NBLY Co Ops CO SPV LLC, NBLY Co Ops WA SPV LLC, NBLY Co Ops AZ SPV LLC, NBLY Co Ops IN SPV LLC, Trench Right SPV LLC, Trench Right WA SPV LLC, Dig Boss SPV LLC, NBLY Logistics SPV LLC, and Pimlico SPV Limited (each a "Non-Franchisor SPV Entity" and together the "Non-Franchisor SPV Entities"), each of which is a direct, wholly owned subsidiary of Assetco.

Assetco holds all the equity interests in the SPV Franchisors and the Non-Franchisor SPV Entities, certain intellectual property, certain license agreements and certain vendor agreements. Each SPV Franchisor holds the tradenames and the franchise agreements related to such brand and any product supply agreements or vendor agreements related to such brand. The Non-Franchisor SPV Entities hold certain tradenames, certain product supply agreements, certain vendor agreements and the office service agreements.

Neighborly SPV Guarantor LLC, Neighborly Issuer LLC, and Neighborly Assetco LLC (collectively with the SPV Franchisors and the Non-Franchisor SPV Entities are referred to as "Securitization Entities") were formed in connection with a financing transaction (the "Securitization Transaction"), which was completed on March 25, 2021 and on subsequent dates thereafter (see Note 3).

The Company has determined that the Securitization Entities qualify as VIE's and that Neighborly is the primary beneficiary, having both power and benefits, of the Securitization Entities and accordingly, consolidation is concluded.

***Reclassifications***

Certain reclassifications have been made to conform prior year balances to the current year presentation. Payments on principal of finance lease liabilities have been included in financing activities in the accompanying Consolidated Statements of Cash Flow. None of the reclassifications affected our net loss in the prior year.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Revenue Recognition, Accounts Receivable, Notes Receivable, and Allowances***

The Company's primary sources of revenue are as follows:

- Franchise service fees from existing franchise owners based on a percentage of each franchise owner's gross sales. These fees generally range from 2% to 15% of the franchise owner's weekly sales, depending upon the particular franchise concept and upon various other factors;

- Franchise sales fees generated from the sale of new franchise territories and the sale of additional franchise territories to existing franchise owners;

- Sales of products and services to unrelated third parties;

- Advertising and promotional fund revenue represents marketing, advertising and promotional ("MAP") fund fees collected from existing franchise owners. These fees are typically a percentage of each franchise owner's gross sales and vary depending upon the particular franchise concept and various other factors;

- Other revenue consists of incentives earned from services performed for unrelated third parties and interest generated from notes receivable.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. Our performance obligations under franchise agreements consist of providing a license of our brand's intellectual property, a list of approved suppliers, certain training programs, an operations manual, and to maintain the MAP fund. These performance obligations are highly interrelated and we do not consider them to be individually distinct, and therefore account for them as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property. Revenue related to franchise agreements is recognized on a straight-line basis over the term of the agreement, with the exception of variable or sales-based royalties, MAP fund fees collected and revenue allocated to goods and services and other variable fees which are recognized as the underlying sales occur and performance obligations are satisfied.

In the event a franchise agreement is terminated, without a corresponding agreement executed by the same franchise owner, any remaining deferred fees are recognized in the period of termination.

The Company periodically extends credit to entities for the purchase of franchises. These entities are typically controlled by individuals who operate their businesses as an owner/manager. Generally, the notes receivable are collateralized by the related franchise territory rights. The Company also extends unsecured credit to its franchise owners for unpaid franchise service fees. The Company places notes receivable on nonaccrual status when payment is ninety days past due, and ceases to recognize revenue from interest on the note until such time as the note is no longer past due. Interest on trade notes receivable is recorded as revenue when earned. Each entity's ability to perform is dependent upon the economic condition of the business. The Company maintains ongoing credit evaluations of its franchise owners.

The Company adopted ASU 2016-13, Financial Instruments - Credit Losses, on January 1, 2023, which was retroactively applied as of the first day of 2023, as further described above. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based upon past loss experience, known and inherent risks in the accounts, adverse situations that may affect a franchise owner's ability to repay, and current economic conditions.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

Franchise service fee revenues represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.

We have determined we act as the principal in the transaction related to the MAP fund contributions and expenditures. MAP fund contributions and expenditures are reported on a gross basis in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Our obligation related to these funds is to administer the MAP fund, keep unused MAP fees in segregated bank accounts and use MAP fees for certain activities related to the marketing and promotion of the individual brands. As noted above, we have concluded the advertising services provided to franchise owners are highly interrelated with the franchise rights and not a distinct performance obligation; therefore, revenues from MAP fund fees are recognized as advertising and promotion fund revenue when the related sales occur based on the application of the sales-based royalty exception within ASC 606, Revenue from Contracts with Customers.

($000's)

Revenues from product sales are recognized upon transfer of title, when delivered to the customer, when the work is performed, or orders are shipped. Incentives earned are recognized as services are performed.

*Contract Balances*

The contract liabilities which we classify as "deferred revenue" consist primarily of the unamortized portion of initial franchise fees that are currently being recognized into revenue, amounts related to pending agreements, or other deferred revenues not related to franchise agreements. Contract deferred franchise revenue represents our remaining performance obligations to our franchise owners, as we account for our highly interrelated obligations as a single performance obligation, which collectively represent the obligation to provide a license for the right to use our brand's intellectual property excluding amounts of variable consideration related to sale-based royalties and advertising. The other deferred revenues not related to the franchise agreements are included in current deferred revenue.

The components of the change in deferred revenue are as follows:

| *For the years ended December 31,* | **2023** | 2022 |
|---|---|---|
| Balance at beginning of period | **$ 80,364** | $ 72,091 |
| Fees received from franchise owners | **49,188** | 26,170 |
| Franchise sales fee revenue recognized | **(38,441)** | (20,655) |
| Deferred revenue from acquisitions | **-** | 3,497 |
| Other changes in deferred revenue | **499** | (739) |
| Balance at end of period | **91,610** | 80,364 |
| Less: current portion | **17,760** | 15,688 |
| Deferred revenue noncurrent | **$ 73,850** | $ 64,676 |

**($000's)**

Revenue deferred as of December 31, 2022 and recognized in the period from January 1, 2023 through December 31, 2023 was $20,133. Revenue deferred as of December 31, 2021 and recognized in the period from January 1, 2022 through December 31, 2022 was $12,893.

As of December 31, 2023, the deferred revenue expected to be recognized for each of the next five years and in the aggregate is as follows:

| *Years ending December 31,* | | |
|---|---|---|
| 2024 | $ | 17,760 |
| 2025 | | 11,841 |
| 2026 | | 11,538 |
| 2027 | | 11,088 |
| 2028 | | 10,370 |
| Thereafter | | 29,013 |
| | $ | 91,610 |

Direct, incremental selling expenses incurred when the franchise agreement is executed are recorded as a contract asset and amortized over the life of the agreement consistent with the recognition of the deferred revenue. Contract assets are included in current and non-current prepaid selling expenses in the accompanying Consolidated Balance Sheets. For the year ended December 31, 2023, $8,883 of costs were paid and expense of $5,845 is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). For the year ended December 31, 2022, $6,843 of costs were paid and expense of $5,584 was recognized. The ending asset for deferred contract costs as of December 31, 2023 was $23,063, of which $3,959 was current. The ending asset for deferred contract costs as of December 31, 2022 was $20,025, of which $3,143 was current.

### *Advertising*

The Company expenses advertising costs as incurred. Advertising expense was $28,772 for the year ended December 31, 2023 and was $22,669 for the year ended December 31, 2022. Advertising expense is included in general and administrative expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

### *Inventories*

Inventories consist of products to be sold and are stated at the lower of cost (first-in, first-out method) or net realizable value.

### *Property and Equipment*

With the exception of land, which is not depreciated, property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which are generally as follows: buildings (30 years) and building improvements (5-10 years), capped at the lease life for leasehold improvements; machinery, equipment, and vehicles (5-10 years); furniture and fixtures (5 years); and hardware and software (3 years). Additions, renewals, and betterments are capitalized; maintenance and repairs which do not extend the useful life of the asset are expensed as incurred.

Management evaluates long-lived assets used in operations for impairment when indicators of impairment are present. Impairment losses are recorded in the amount that carrying value exceeds fair market value when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. No impairment losses for property and equipment were recorded for the year ended December 31, 2023.

*Goodwill*

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. The Company tests goodwill annually for impairment, or earlier if events or changes in circumstances indicate that impairment may exist. Management's impairment tests are generally performed as of October 1st annually. The Company's current goodwill balance resulted from the acquisition of the Company as of September 1, 2021, and from the Company's acquisitions in the successor period, as discussed in Note 1.

The Company performed a qualitative assessment of its goodwill as of October 1, 2023 and concluded that indicators of impairment existed for certain of its reporting units, based on trends in financial performance. Additionally, upon measurement using present value techniques including the income approach and the market approach, the Company's weighted average cost of capital increased, due to increasing interest rates, combined with operating performance, unfavorably impacting the calculated fair value of those reporting units. Accordingly, a goodwill impairment charge of $417,591 was recorded in 2023.

*Intangible Assets*

Intangible assets consist of tradenames, franchise relationships, national accounts, insurance company relationships, customer relationships, re-acquired franchise rights, developed technology, copyrights, and domain name, and are stated at their estimated fair value as of the date of acquisition, less subsequent amortization. The Company's intangible assets are definite lived, other than domain name, which is indefinite lived.

For definite lived intangible assets, when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, the Company evaluates the definite lived intangible assets for impairment by comparing the carrying value to the anticipated future undiscounted cash flows expected to be generated from the use of the intangible assets. If the carrying amount is not recoverable, a loss is recorded in the amount the carrying value exceeds the fair market value of the assets. Impairment expense of $10,695 was recorded in the year ended December 31, 2023, and none was recorded in the year ended December 31, 2022.

Tradenames are amortized over their estimated useful life, which ranges from three years to 20 years, using the straight-line method. Franchise relationships, national accounts relationships, and insurance company relationships are amortized over their estimated useful lives of 15 years, using the straight-line method. Customer relationships are amortized over their estimated useful life of three to 10 years, using the straight-line method. Reacquired franchise rights are amortized over the remaining life of the reacquired agreements, between one to seven years, using the straight-line method. Copyrights are amortized over their estimated useful life of five years, using the straight-line method. Developed technology is amortized over their estimated useful life of three years, using the straight-line method.

Domain names are stated at their estimated fair value at the date of acquisition, and are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing. The Company performed a qualitative assessment of its indefinite lived intangible assets as of October 1, of 2023 and 2022 and concluded it is not more likely than not that the fair value of its domain names is less than the carrying amount and, as such, a quantitative impairment test was not considered necessary.

### *Income Taxes*

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in tax expense in the period that includes the enactment date.

The Company establishes valuation allowances in accordance with the provisions of FASB ASC Topic 740, Income Taxes. The Company reviews the adequacy of any valuation allowance and recognizes tax benefits only when it is more likely than not that the benefits will be realized.

The Company measures, classifies, and discloses uncertain tax benefits in accordance with FASB ASC Topic 740-10, Income Taxes-Overall. The Company has elected to classify interest and penalties related to uncertain tax benefits as a component of income tax expense.

### *Equity-based Compensation*

The Company accounts for equity-based compensation under FASB ASC Topic 718, Compensation-Stock Compensation. This pronouncement requires the measurement of all equity-based payments to employees using a fair-value-based method and the recording of such expense in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). The Company participates in an equity-based employee compensation plan, which is described more fully in Note 5.

### *Foreign Currency Translation*

Consolidated entities that have a functional currency that differs from the Company's reporting currency include our foreign subsidiaries, which are in Canada, the United Kingdom (the "UK"), Germany and Austria. Foreign currency denominated assets and liabilities are translated using the exchange rates at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Where amounts denominated in a foreign currency are converted into US dollars by remittance or repayment, the realized exchange differences are included in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), primarily in general and administrative expense, and was immaterial in all periods presented.

### *Cash and Restricted Cash*

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

($000's)

Cash consists primarily of cash on hand and cash on deposit. Restricted cash includes funds held for the MAP funds and securitized cash held for principal and interest payments on deposit related to the Securitization Transaction.

Cash and restricted cash as of December 31, consists of the following:

| | | **2023** | | 2022 |
|---|---|---|---|---|
| Cash | $ | **43,416** | $ | 55,741 |
| Restricted Cash: | | | | |
| Whole business securitization | | **21,903** | | 17,422 |
| MAP funds | | **6,733** | | 8,941 |
| Total cash and restricted cash | $ | **72,052** | $ | 82,104 |

The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

***Fair Value of Financial Instruments and Non-financial Assets***

In accordance with FASB ASC 820, Fair Value Measurements, certain assets and liabilities carried at fair value are categorized based on the level of judgment associated with the inputs used to measure their fair value. The standard establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities at the measurement date.

*Level* 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life.

*Level* 3 - Inputs are unobservable and therefore reflect management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The tradenames, systems in place, and developed technology were valued using the relief from royalty method and the franchise relationships, customer relationships, national account relationships, and insurance company relationships were valued using the multi-period excess earnings method in the periods acquired, except for those tradenames remeasured in 2023 as a result of impairment testing as discussed above. Rollover equity was valued using a combination of Level 2 observable inputs including EBITDA multiples and public company comparables as well as discounted cash flow analysis of future projections in the period issued. The future projections and estimates used to fair value the assets acquired in acquisitions, as well as those used in our long-lived asset impairment testing, are considered Level 3 inputs.

## 3. Debt Agreements

Through its wholly owned subsidiary, Neighborly Issuer LLC (the "Issuer"), the Company entered into the Securitization Transaction which was completed on March 25, 2021. In conjunction with the

Securitization Transaction, the Issuer issued $800 million Series 2021-1 3.584% Fixed Rate Senior Secured Notes (the "Series 2021-1 Senior Notes"). The Series 2021-1 Senior Notes have an anticipated repayment date of April 30, 2028, and a final maturity date of April 30, 2051. Scheduled principal payments of $2 million and interest are paid quarterly. As of December 31, 2023, $780 million was outstanding on the Series 2021-1 Senior Notes. As of December 31, 2022, $788 million was outstanding on the Series 2021-1 Senior Notes.

Additionally, the Securitization Transaction provided for a $10 million variable rate Delayed Draw Class A-1-LR Senior Note ("Series 2021-1 Class A-1 Notes"), with a final maturity date of April 30, 2051, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at the Secured Overnight Financing Rate (SOFR) plus 300 basis points. As of December 31, 2023, no borrowings had been made on the Series 2021-1 Class A-1 Notes.

The Securitization Transaction also provided for a $30 million variable rate Class A-1-VFN Senior Note (the "2021 VFN facility"), with a maturity date of April 30, 2026, and two one-year extension options. Interest on borrowings is paid quarterly at SOFR, plus 266 basis points. For the year ended December 31, 2023, the Company had no borrowings on the facility. As of December 31, 2023, issued and undrawn letters of credit under the VFN facility were $16.95 million. Undrawn letters of credit under the VFN facility incur interest at a rate of 2.66%, which is payable quarterly. As of December 31, 2023, availability on the VFN facility was $13.05 million, and no borrowings were outstanding. As of December 31, 2022, issued and undrawn letters of credit under the VFN facility were $11.47 million. As of December 31, 2022, availability on the VFN facility was $18.53 million, and no borrowings were outstanding.

On January 19, 2022, the Company, through the Issuer, issued $410 million Series 2022-1 3.695% Fixed Rate Senior Secured Notes (the "Series 2022-1 Senior Notes") through a second whole business securitization transaction (the "Second Securitization Transaction"). The Series 2022-1 Senior Notes have an anticipated repayment date of January 30, 2029, and a final maturity date of January 30, 2052. Scheduled principal payments of $1.03 million and interest are paid quarterly. As of December 31, 2023, $402.83 million was outstanding on the Series 2022-1 Senior Notes. As of December 31, 2022, $406.93 million was outstanding on the Series 2022-1 Senior Notes.

Additionally, the Second Securitization Transaction provided for a $4 million variable rate Delayed Draw Class A-1-LR Senior Note(the "Series 2022-1 Class A-1 Notes"), with a final maturity date of January 30, 2052, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to Prime plus 300 basis points. As of December 31, 2023, no draws had been made on the Series 2022-1 Class A-1 Notes.

In connection with the Second Securitization Transaction, issued and undrawn letters of credit on the 2021 VFN facility increased to $11.47 million as of January 19, 2022 from $7.3 million as of December 31, 2021. In connection with the Third Securitization Transaction, issued and undrawn letters of credit on the 2021 VFN facility increased to $16.95 million as of February 3, 2023 from $11.47 million as of December 31, 2022.

In conjunction with the Second Securitization Transaction, $10,353 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the straight-line method, which material approximates the effective interest rate method. For the years ended December 31, 2023 and 2022, respectively, a total of $1,510 and $1,447 of previously capitalized deferred financing costs related to the Second Securitization Transaction were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

On February 3, 2023, the Company, through its indirect, wholly owned subsidiary, Neighborly Issuer LLC, issued $275 million Series 2023-1 7.308% Fixed Rate Senior Secured Notes (the "Series 2023-1 Senior Notes") through a third whole business securitization transaction (the "Third Securitization Transaction"). The Series 2023-1 Senior Notes have an anticipated repayment date of January 30, 2028, and a final maturity date of January 30, 2053. Scheduled principal payments of $687.5 and interest are paid quarterly. As of December 31, 2023, $272.94 million was outstanding on the Series 2023-1 Senior Notes.

Additionally, the Third Securitization Transaction provided for a $5.03 million variable rate Delayed Draw Class A-1-LR Senior Note (the "Series 2023-1 Class A-1 Notes"), with a final maturity date of January 30, 2053, which is only available for limited purposes and may not be drawn by the Issuer. Interest on draws is paid weekly at a rate equal to SOFR plus 300 basis points. As of December 31, 2023, no draws had been made on the Series 2023-1 Class A-1 Notes.

The Third Securitization Transaction also provided for a $125 million variable rate Class A-1-VFN Senior Note (the "2023 VFN facility"), with a maturity date of January 30, 2026, with two one-year extension options. Interest on borrowings is paid quarterly at SOFR, plus 350 basis points. As of December 31, 2023, borrowings outstanding on the 2023 VFN facility were $25 million, and availability was $100 million.

In conjunction with the Third Securitization Transaction, $14,177 in transaction fees were capitalized as deferred financing costs, to be amortized over the anticipated term of the notes using the effective interest method. For the year ended December 31, 2023, a total of $2,654 of previously capitalized deferred financing costs related to the Third Securitization Transaction were amortized to interest expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Series 2023-1 Senior Notes issued in conjunction with the securitization transaction are secured by substantially all assets of the Securitization Entities and guaranteed by the Securitization Entities. Proceeds were distributed to Neighborly's parent company to extinguish debt incurred by the parent to fund the Company's acquisitions.

The Series 2021-1 Senior Notes, the Series 2022-1 Senior Notes, the Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, the Series 2023-1 Class A-1 Notes, and VFN facility described above issued in conjunction with the Securitization Transaction, the Second Securitization Transaction, and the Third Securitization Transaction (together, the "Securitization Transactions") are secured by substantially all assets of Neighborly Issuer LLC and the other Securitization Entities, and guaranteed by the Issuer and such Securitization Entities, each of which is a bankruptcy remote entity and which owned substantially all of the Company's US intellectual property including tradenames, franchise agreements, national account relationships and systems-in-place, as well as the UK tradenames as of the date of issuance. The restrictions placed on the Issuer and its subsidiaries require that interest and scheduled principal payments on the Series 2021-1 Senior Notes, Series 2022-1 Senior Notes, Series 2023-1 Senior Notes, the Series 2021-1 Class A-1 Notes, the Series 2022-1 Class A-1 Notes, and the Series 2023-1 Class A-1 Notes be paid prior to any residual distributions to the Manager, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and scheduled principal amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Issuer and its subsidiaries is generally remitted to the Manager in the form of a distribution. The Manager also receives a fee for the services it provides to the Securitization Entities that is senior to debt service. The Securitization Transactions require, among other things, maintenance of minimum debt-service coverage ratio levels and additional incurrence of indebtedness and scheduled amortization requirements are subject to compliance with maximum leverage ratio levels. As of December 31, 2023 and 2022, the Issuer was in compliance with all debt-service coverage covenants.

($000's)

The Company's long-term debt and trade notes receivable bear interest at market rates. Thus, management believes their carrying amounts approximate fair value.

Debt as of December 31, consists of the following:

| | **2023** | 2022 |
|---|---|---|
| Series 2021-1 Senior Notes | **$ 780,000** | $ 788,000 |
| Series 2022-1 Senior Notes | **402,825** | 406,925 |
| Series 2023-1 Senior Notes | **272,938** | - |
| Series 2021-1-VFN Senior Notes | **25,000** | - |
| Vehicle notes acquired | **-** | 131 |
| Deferred financing costs – net | **(18,919)** | (8,906) |
| Total debt | **1,461,844** | 1,186,150 |
| Less current portion | **10,488** | 10,627 |
| Long-term debt | **$ 1,451,356** | $ 1,175,523 |

Future maturities of long-term debt as of December 31, 2023, are as follows:

| *Years ending December 31,* | |
|---|---|
| 2024 | $ 10,488 |
| 2025 | 10,532 |
| 2026 | 10,577 |
| 2027 | 10,621 |
| 2028 | 13,191 |
| Thereafter | 1,406,435 |
| | $ 1,461,844 |

($000's)

## 4. Intangible Assets and Goodwill

Intangible assets as of December 31, 2023, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Impairment | Accumulated Amortization | Net Amount |
|---|---|---|---|---|---|
| Tradenames | 3-20 years | $ 1,001,190 | $ 10,814 | $ 111,600 | $ 878,776 |
| Franchise relationships | 15 years | 613,289 | - | 94,631 | 518,658 |
| National accounts | 15 years | 3,138 | - | 424 | 2,714 |
| Insurance company relationships | 15 years | 2,300 | - | 358 | 1,942 |
| Customer relationships | 3-10 years | 17,848 | - | 4,594 | 13,254 |
| Franchise rights | 1-7 years | 12,200 | - | 3,495 | 8,705 |
| Developed technology | 3 years | 720 | - | 436 | 284 |
| Copyrights | 5 years | 143 | - | 66 | 77 |
| Total definite-lived intangibles | | $ 1,650,628 | $ 10,814 | $ 215,604 | $ 1,424,410 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | $ - | $ 1,314 |

Intangible assets as of December 31, 2022, consisted of the following:

| | Useful Life | Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| Tradenames | 3-20 years | $ 995,347 | $ 60,525 | $ 934,822 |
| Franchise relationships | 15 years | 610,292 | 53,481 | 556,811 |
| National accounts | 15 years | 3,121 | 213 | 2,908 |
| Insurance company relationships | 15 years | 2,300 | 204 | 2,096 |
| Customer relationships | 3-10 years | 17,583 | 1,512 | 16,071 |
| Franchise rights | 1-7 years | 12,200 | 1,777 | 10,423 |
| Developed technology | 3 years | 720 | 196 | 524 |
| Copyrights | 5 years | 135 | 31 | 104 |
| Total definite-lived intangibles | | $ 1,641,698 | 117,939 | $ 1,523,759 |

| | Useful Life | Gross Amount | Accumulated Impairment | Net Amount |
|---|---|---|---|---|
| Domain name | Indefinite | $ 1,314 | - | $ 1,314 |
| Total indefinite-lived intangibles | | $ 1,314 | $ - | $ 1,314 |

($000's)

Amortization expense was $96,710 for the year ended December 31, 2023 and $90,997 for the year ended December 31, 2022. Estimated amortization expense for the subsequent five years is as follows:

| *Years ending December 31,* | |
|---|---|
| 2024 | $ 96,420 |
| 2025 | 95,598 |
| 2026 | 95,500 |
| 2027 | 94,654 |
| 2028 | 93,001 |
| Thereafter | 949,237 |
| | $ 1,424,410 |

***Goodwill***

The Company has assigned goodwill to its reporting units based on fair valuation analysis completed for the acquisition of the parent by KKR and from the Company's acquisitions on September 1st 2021, and with subsequent acquisitions, as discussed in Note 1.

The changes in the carrying amount of goodwill are as follows:

| *For the years ending December 31,* | **2023** | 2022 |
|---|---|---|
| Balance at beginning of period | **$ 2,154,115** | $ **2,069,311** |
| Goodwill recorded from acquisitions | **-** | **168,868** |
| Net goodwill adjustments from prior year acquisitions | **-** | **(5,432)** |
| Adjustment to goodwill for unrealized gain/loss on foreign currency | **4,577** | **(27,178)** |
| Goodwill impairment | **(417,591)** | **(51,454)** |
| Balance at end of period | **$ 1,741,101** | $ **2,154,115** |

## 5. Equity-based Compensation

In September 2021, Nest Management LP, a co-investor with KKR, created a profits interest plan which provides for profits interest award grants of Nest Holdings LP and its subsidiaries. A total of 202,843,686 profits interests units were approved to be granted under the plan.

On October 27, 2021, and certain dates thereafter, Nest Management LP granted awards under the plan. The profits interests are exercisable only to the extent they are vested, and do not expire. Generally, vesting of a portion of the profits interests (50%) is subject to the passage of time; the remaining (50%) vest based on achievement of defined financial criteria upon a liquidity event of the Company. Based on continuous employment, time-based profits interest units vest 20% annually, for each of five years.

($000's)

The Company accounts for equity-based compensation in accordance with ASC 718, Compensation-Stock Compensation, which requires the fair value of equity-based payments to be recognized in the consolidated statements as compensation expense over the requisite service period. For time-based awards, compensation expense is recognized on a straight-line basis, net of forfeitures which are recognized as they occur, over the requisite service period for awards that actually vest. For performance-based awards, compensation expense is estimated based on achievement of performance conditions and is recognized over the requisite service period for awards that actually vest. Equity-based compensation expense is recorded in the equity-based compensation line in the consolidated statements of operations.

The average grant date fair value of awards under the Nest Management LP profits interest plan was determined using Monte-Carlo simulation, and was $0.36 per unit for awards in the year ended December 31, 2023 and was $0.35 per unit for awards in the year ended December 31, 2022. As of December 31, 2023 and 2022 no units were both vested and exercisable.

As of December 31, 2023, the weighted average remaining contractual life of outstanding time-based awards is 3.2 years. As of December 31, 2022, the weighted average remaining contractual life of outstanding time-based awards is 4.0 years. Equity-based compensation expense recorded for the year ended December 31, 2023 was $4,194, and 2022 was $3,414. As of December 31, 2023, unamortized stock compensation expense to be recognized in future years was $11,021.

| | Number of Underlying Units |
|---|---|
| Outstanding – December 31, 2021 | **122,030,131** |
| Granted | 22,750,879 |
| Forfeited | (6,535,051) |
| Redeemed | - |
| Outstanding – December 31, 2022 | 138,245,959 |
| Granted | 16,124,890 |
| Forfeited | (32,158,970) |
| Redeemed | - |
| Outstanding – December 31, 2023 | 122,211,879 |
| Vested and Exercisable – December 31, 2023 | - |

## 6. Trade Notes Receivable

The Company periodically receives notes from the sale of new franchises. The rights to the related franchise territory sold generally collateralize these notes. The Company also from time-to-time receives notes for delinquent franchise service fees. Such notes, as of December 31, 2023 and 2022, bear interest at rates typically ranging from 9% to 12% and generally require equal monthly installments over a life of one to ten years.

## ($000's)

A summary of trade notes receivable as of December 31 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Amounts due within one year, net of allowance for credit losses of $117 as of December 31, 2023 and allowance for doubtful accounts of $230 as of December 31, 2022 | $ | **9,777** | $ | 8,461 |
| Amounts due after one year, net of allowance for credit losses of $542 as of December 31, 2023 and allowance for doubtful accounts $466 as of December 31, 2022 | | **15,894** | | 19,893 |
| Total trade notes receivable, net | $ | **25,671** | $ | 28,354 |

An analysis of the changes in trade notes receivable is as follows:

| *For the years ending December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| Gross trade notes receivable, beginning of period | $ | **29,050** | $ | 29,211 |
| Trade notes receivable from acquisitions | | **-** | | 1,982 |
| Principal payments received | | **(16,605)** | | (13,965) |
| Notes issued | | **15,243** | | 13,059 |
| Net write-offs | | **(1,356)** | | (1,178) |
| Foreign currency translation | | **(2)** | | (59) |
| Gross trade notes receivable, end of period | | **26,330** | | 29,050 |
| Allowance for credit losses | | **(659)** | | - |
| Allowance for doubtful accounts | | **-** | | (696) |
| Net trade notes receivable, end of period | $ | **25,671** | $ | 28,354 |

**($000's)**

An analysis of the changes in the trade notes receivable allowance is as follows:

| *For the years ending December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| Allowance, beginning of period | $ | **696** | $ | 441 |
| Provision for credit losses | | **1,303** | | - |
| Provision for bad debt | | **-** | | 1,413 |
| Net write-offs | | **(1,356)** | | (1,178) |
| Foreign currency translation | | **16** | | 20 |
| Allowance, end of period | $ | **659** | $ | 696 |

Scheduled future maturities of trade notes receivable are as follows:

| *Years ending December 31,* | | |
|---|---|---|
| 2024 | $ | 9,894 |
| 2025 | | 5,193 |
| 2026 | | 4,125 |
| 2027 | | 2,991 |
| 2028 | | 2,146 |
| Thereafter | | 1,981 |
| | $ | 26,330 |

## 7. Property and Equipment

A summary of property and equipment as of December 31 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Land | $ | **1,720** | $ | 1,720 |
| Building and improvements | | **31,157** | | 32,536 |
| Machinery and equipment | | **8,843** | | 1,186 |
| Hardware | | **6,519** | | 4,616 |
| Software | | **40,940** | | 20,253 |
| Furniture and fixtures | | **4,234** | | 7,531 |
| Vehicles | | **9,428** | | 11,288 |
| Vehicles under financing lease | | **19,028** | | 7,940 |
| Total property and equipment | | **121,869** | | 87,070 |
| Less accumulated depreciation | | **(32,732)** | | (15,628) |
| Property and equipment – net | $ | **89,137** | $ | 71,442 |

Depreciation expense was $20,219 for the year ended December 31, 2023 and $13,946 for the year ended December 31, 2022.

## 8. Leases

The Company's primary operating lease commitments consist of leases for office and retail space for its company-owned stores and corporate offices. The Company leases vehicles under financing lease agreements expiring at various dates through 2027.

We adopted ASC 842 effective January 1, 2022 using the modified retrospective adoption method, which resulted in no adjustment to opening retained earnings.

We utilized the modified retrospective option available in ASC 842, which allowed the continued application of the legacy guidance in ASC 840, including disclosure requirements, in the comparative periods presented in the year of adoption. The Company elected not to separate lease and non-lease components for new and modified leases after the adoption date, and instead will account for each separate lease component of a contract and its associated non-lease components as a single lease component. The Company elected not to recognize a right-of-use asset and a lease liability for leases with an initial term of twelve months or less.

We determine whether an agreement contains a lease at inception based on our right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. Lease liabilities represent the present value of future lease payments and the right-of-use (ROU) assets represent our right to use the underlying assets for the respective lease terms.

The operating lease liability is measured as the present value of the unpaid lease payments and the ROU asset is derived from the calculation of the operating lease liability. Other than for leased vehicles, our leases do not generally provide an implicit rate and we use our incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow over a similar term, on a collateralized basis in a similar economic environment.

Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses allocated on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as lease expense in the period incurred. The ROU asset is adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities.

The components of lease cost are as follows (in thousands):

| *For the years ending December 31,* | | **2023** | | 2022 |
|---|---|---|---|---|
| Operating lease cost | $ | **7,855** | $ | 7,406 |
| Variable lease cost | | **272** | | 365 |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | | **5,079** | | 2,635 |
| Interest on lease obligations | | **720** | | 290 |
| Total lease cost | $ | **13,926** | $ | 10,696 |

The table below presents additional information related to the Company's leases:

| *As of December 31,* | **2023** | 2022 |
|---|---|---|
| Weighted average remaining lease term (in years): | | |
| Operating leases | **5.2** | 5.6 |
| Finance leases | **3.2** | 2.7 |
| Weighted average discount rate: | | |
| Operating leases | **3.4**% | 3.1% |
| Finance leases | **6.1**% | 6.0% |

Other information related to leases, including supplemental disclosures of cash flow information, is as follows (in thousands):

| *For the years ending December 31,* | | 2023 | 2022 |
|---|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | | |
| Operating cash flows from operating leases | $ | **7,857** | 6,567 |
| Operating cash flows from finance leases | | **572** | 184 |
| Financing cash flows from finance leases | | **3,455** | 1,773 |
| Right-of-use assets obtained in exchange for operating lease liabilities | | **2,620** | 8,507 |

Maturities of lease liabilities are as follows as of December 31, 2023 (in thousands):

| *Years ending December 31,* | | Operating leases | | Finance leases | | Total |
|---|---|---|---|---|---|---|
| 2024 | $ | 7,795 | | 5,051 | | 12,846 |
| 2025 | | 7,092 | | 3,919 | | 11,011 |
| 2026 | | 5,031 | | 4,953 | | 9,985 |
| 2027 | | 3,342 | | 1,764 | | 5,106 |
| 2028 | | 2,611 | | 465 | | 3,075 |
| Thereafter | | 5,435 | | - | | 5,435 |
| Total lease payments | $ | 31,306 | $ | 16,152 | $ | 47,458 |
| Less: Interest | | 3,079 | | 1,539 | | 4,618 |
| Total lease liabilities | $ | 28,227 | $ | 14,613 | $ | 42,840 |
| Less: Current lease liabilities | | 6,925 | | 4,426 | | 11,351 |
| Non-current lease liabilities | $ | 21,302 | $ | 10,187 | $ | 31,489 |

Rent expense for operating leases was $7,855 for the year ended December 31, 2023. Total lease cost was $13,926 for the year ended December 31, 2023, including finance lease costs and variable lease costs. Rent expense for operating leases was $7,406 for the year ended December 31, 2022. Total lease cost was $10,696 for the year ended December 31, 2022, including finance lease costs and variable lease costs.

**($000's)**

## 9. Income Taxes

The provision for income taxes is as follows:

| *For the years ending December 31,* | | **2023** | | 2022 |
|---|---|---|---|---|
| Current: | | | | |
| Federal | $ | **16,845** | $ | 5,208 |
| State | | **2,958** | | 1,121 |
| Foreign | | **766** | | 4,191 |
| Total current | | **20,569** | | 10,520 |
| Deferred: | | | | |
| Federal | | **(32,983)** | | (30,205) |
| State | | **(5,619)** | | (5,763) |
| Foreign | | **(5,757)** | | (8,930) |
| Total deferred | | **(44,359)** | | (44,898) |
| Total tax benefit | $ | **(23,790)** | $ | (34,378) |

A reconciliation of the provision for income taxes at statutory rates to the provision for income taxes at effective is as follows:

| ***For the years ending December 31,*** | | 2023 | | **2022** |
|---|---|---|---|---|
| Federal income taxes at statutory rate | $ | **(97,180)** | $ | (14,726) |
| State taxes | | **(3,282)** | | (3,758) |
| Permanent differences | | **77,266** | | 10,304 |
| Foreign currency adjustment | | **55** | | (2,473) |
| Tax rate change | | **(258)** | | (1,098) |
| Deferred balance true-up | | **1,653** | | (435) |
| Tradename sale to SPV | | **(914)** | | (22,187) |
| Payables true-up | | **(1,130)** | | (40) |
| Other | | **-** | | 35 |
| Total tax benefit | $ | **(23,790)** | $ | (34,378) |

($000's)

The Company's effective income tax rate is 5.14% for the year-ended December 31, 2023. The Company's effective income tax rate is 49.03% for the year-ended December 31, 2022. The Company's overall global effective income tax rate differs from the statutory US Federal income tax rate of 21.00% due to state income taxes and the state income tax rate change applied to the Company's net US deferred tax liabilities, impairments of GAAP goodwill for which no deferred income tax assets or liabilities are provided, as well as the US deferred income tax impact of the purchase of the Pimlico tradename by a Non-Franchisor SPV Entity within the Securitization Entities from a non-securitization entity, and true-ups to the beginning of the tax period accounts.

The components of deferred income tax assets and liabilities as of December 31 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable allowance | **$ 540** | $ 355 |
| Accrued expenses | **1,670** | 1,765 |
| Notes receivable allowance | **820** | 855 |
| Net operating loss carryforwards | **513** | 1,234 |
| Interest expense limitation | **32,083** | 18,462 |
| Deferred revenue | **13,850** | 13,084 |
| Operating lease liability | **6,569** | 7,912 |
| Other | **3,423** | 2,363 |
| Total deferred tax assets | **59,468** | 46,030 |
| Deferred tax liabilities: | | |
| Prepaid expenses | **(562)** | (901) |
| Property and equipment | **(8,946)** | (5,284) |
| Intangible assets and goodwill | **(263,703)** | (293,005) |
| Interest rate swap | **(6)** | (6) |
| Operating lease right-of use assets | **(6,845)** | (7,696) |
| Other | **(186)** | (236) |
| Total deferred tax liabilities | **(280,248)** | (307,128) |
| Net deferred tax liabilities | **$ (220,780)** | $ (261,098) |

For the periods ended December 31, 2023 and 2022, no change was recorded for uncertain tax provisions, and the balance was ($641). As of December 31, 2022, no interest or penalty has been accrued or recognized by the Company related to ASC 740 Income Taxes.

**($000's)**

The Company reported net operating losses in the following jurisdictions as of December 31:

| Jurisdiction | | 2023 | | 2022 | Expiration |
|---|---|---|---|---|---|
| US Federal | $ | - | $ | - | Indefinite |
| US State | | **17,085** | | 15,371 | Various |
| United Kingdom | | - | | - | Indefinite |
| Germany | | - | | 1,462 | Indefinite |
| Austria | | - | | 12 | Indefinite |
| Canada | | **91** | | - | 20 Years |
| Total | $ | **17,176** | $ | 16,845 | |

The Company files a US consolidated federal income tax return for Nest Holdings, Inc. and Subsidiaries which includes Neighborly Company. State returns are filed on either a separate company or consolidated return basis. The company also files separate returns where required for the various LLC entities. The Company's subsidiaries file income tax returns in Canada, Germany, the UK and Austria.

The Company files US state income tax returns in nearly every state in the US. Many of the state return filings reflect net operating loss carryovers computed on a post-apportionment basis, while several states compute operating loss carryovers on a pre-apportionment basis. The US state income tax effect of the net operating loss carryforwards, net of federal income tax, amounted to $872 and $810 at December 31, 2023 and 2022, respectively. The state net operating losses have varying carryover periods. The Company expects to fully utilize all net operating loss carryovers prior to expiration.

The Company has no current or pending US income tax examinations. US Federal income tax returns for years ended December 31, 2020, August 31, 2021, December 31, 2021, and December 31, 2022 remain open for examination. State income tax returns remain open for similar years, and several states having a longer statute remain open for examination. The Company has timely filed all federal and state income tax returns. The Company underwent a federal income tax audit for the year ended December 31, 2014. The audit was closed during June 2018 with no adjustments reported.

The UK entities have no prior or pending income tax examinations with Her (now, His) Majesty's Revenue and Customs ("HMRC"), the UK's tax, payments and customs authority. The UK corporation income tax process is one of self-assessment. Following filing of the tax return, HMRC has a period of (usually) 12 months in which to raise formal inquiries. These can range from simple information requests to detailed technical challenges over treatments adopted in the tax return. HMRC has made no requests. The UK December 31, 2022 corporate tax returns remain open for examination. The UK entities have timely filed all corporate income tax returns.

The German entities have no prior or pending income tax examinations with Bundeszentralamt für Steuern ("BZSt"), Germany's federal tax office. The statute of limitations in Germany for examination is four years from the end of the year in which the return was filed. The Germany entities' tax returns for years ended December 31, 2019 and forward remain open for examination. The German entities have timely filed all corporate income tax returns.

As of December 31, 2019 (Predecessor), the Company maintained a valuation allowance of $2,009. The valuation allowance represented a reserve against certain UK net deferred tax assets for which the Company believed the "more likely than not" criterion for recognition purposes could not be met. For the year ended December 31, 2020 (Predecessor), the Company recorded a valuation allowance release with respect to these UK net deferred tax assets, on the basis of the Company's reassessment of the "more likely than not" criterion. As of each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. In the period from January 1, 2021 through August 31, 2021 (Predecessor) the Company began utilizing net operating losses in the UK tax jurisdiction and continued to do so in the period from September 1, 2021 through December 31, 2021 (Successor). The Company fully utilized all remaining net operating losses in the year ended December 31, 2022, and no valuation allowance remains. The net operating losses comprised the majority of the UK net deferred tax asset balance.

The US and foreign entities operate under transfer pricing agreements that control the pricing of intercompany management services, interest and royalties.

The Company has both the intent and ability to reinvest foreign earnings, therefore deferred tax liabilities have not been recorded on either unremitted earnings, components of other comprehensive income, or applicable foreign withholding taxes.

## 10. Related Party Transactions

On September 1, 2021, a Monitoring Agreement was entered into with Kohlberg Kravis Roberts & Co and Harvest Partners under which the Company will pay certain fees and expenses under the terms of the Monitoring Agreement. For the period ending December 31, 2023, the Company recognized fees and expenses of $4,638 which is included in board fees and expenses. For the period ending December 31, 2022, the Company recognized fees and expenses of $5,747 of which $4,517 is included in board fees and expenses and $1,230 in deferred debt issuance costs, which is a reduction to long-term debt, in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

## 11. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in FASB ASC Topic 450, Contingencies. Accordingly, no liabilities have been accrued for these matters as of December 31, 2023 and 2022. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

## 12. Employee Benefit Plan

The Company sponsors a 401(k) plan covering the majority of its employees. Plan participants may contribute up to 70% (subject to Internal Revenue Service limitations) of their annual compensation before taxes for investment in several specified alternatives. Employees are fully vested with respect to their contributions. The Company may match a percentage of employee contributions as determined at the discretion of the Board of Directors. Company contributions recognized totaled $2,599 for the year ended December 31, 2023, and $2,261 for the year ended December 31, 2022.

## 13. Subsequent Events

In preparation of its financial statements, the Company considered subsequent events through April 1, 2024, which was the date the Company's financial statements were available to be issued.

# EXHIBIT D

# PARENT GUARANTEE

GUARANTEE OF PERFORMANCE

For value received, NEIGHBORLY ASSETCO LLC, a Delaware limited liability company, (the "Guarantor"), located at 1010 North University Parks Drive, Waco, Texas 76707, absolutely and unconditionally guarantees to assume the duties and obligations of **ShelfGenie SPV LLC, a Delaware limited liability company, located at 1010 North University Parks Drive, Waco, Texas 76707** (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Waco, Texas on the 1st day of April, 2025.

Guarantor: NEIGHBORLY ASSETCO LLC

By: ______________________________

Michael Davis, Chief Executive Officer

## EXHIBIT E

## CURRENT FRANCHISEES
## IN THE UNITED STATES AS OF DECEMBER 31, 2024

***Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.***

| Territory State | # of Units | Franchisee / Principal Owner | Phone Number | Address | City, State, Zip Code |
|---|---|---|---|---|---|
| Alabama | 2 | Rose, Charlie: Individually | 615-970-6299 | 302 N Thompson St | Shelbyville, TN 37160 |
| Arizona | 2 | Panneton, Christopher Leo; Panneton Teresa Lynn | 623-229-7536 | 3920 North 190th Drive | Litchfield Park, AZ 85340 |
| Arizona | 3 | Sanchez, Jeffrey Alan; Sanchez, Sabrina Ann | 866-409-2706 | 10327 E. Thornbush Circle | Phoenix, AZ 85086 |
| California | 4 | Galvan, Ruben; Galvan, Irma | 760-814-9936 | 1186 Lauren Place | San Marcos, CA 92078 |
| Colorado | 4 | Hanley, Caitlin | 303- 94-1127 | 5224 County Road 166 | Elizabeth, CO 80107 |
| Colorado | 3 | Levy, Benjamin Karl | 360-510-1411 | 170 Cherrywood Lane | Louisville, CO 80027 |
| Connecticut | 5 | Modica, Alejandro: Lookout Solutions, LLC | 203-644-2052 | 7 Lookout Rd | Norwalk, CT 06850 |
| Florida | 9 | Grothe, Michael: 24 Squared, Inc. | 941-321-8863 | 7282 55th Ave E, Unit 187 | Bradenton, FL 34203 |
| Florida | 10 | Chevrier, Bret: MJCHEV, Inc. | 772-678-0648 | 700 NE Savanna Vista | Jensen Beach, FL 34957 |
| Florida | 1 | Bergstrom, Michael D. | 850-766-8320 | 3156 Tipperary Dr | Tallahassee, FL 32309 |
| Florida | 10 | Dorris, Chris and Tresa: Coastal South, Inc. | 843-321-8568 | 77 Fording Ct | Bluffton, SC 29910 |
| Georgia | 10 | VanLeuven, Julie: VanLeuven, Inc. | 770-380-1994 | 5920 Magnolia Mill Ct | Peachtree Corners, GA 30092 |
| Georgia | 2 | Dorris, Chris and Tresa: Coastal South, Inc. | 843-321-8568 | 77 Fording Ct | Bluffton, SC 29910 |
| Idaho | 2 | Higgins, Jake and Rachel: Higgins Home Services, LLC | 208-830-7433 | 2378 Track Rd | Melba, ID 83641 |
| Illinois | 8 | Levin, Marc: MLL Home Solutions, Inc. | 847-602-5132 | 1775 Vermont Dr | Elk Grove Village, IL 60007 |
| Illinois | 4 | Curtis, David Louis: DLC Precision Services, Inc. | 630-863-1313 | 4220 Linden Tree Lane | Glenview, IL 60026 |
| Illinois | 1 | Johnson, Norman and Julie | 507-271-3432 | 5 Chippiannock Trl | Rock Island, IL 60007 |

| Territory State | # of Units | Franchisee / Principal Owner | Phone Number | Address | City, State, Zip Code |
|---|---|---|---|---|---|
| Indiana | 4 | Enslin, Edward and Karen: EdKar, LLC | 317-922-8088 | 301 East Carmel Dr, Suite E-800 | Carmel, IN 46032 |
| Iowa | 2 | Johnson, Norman and Julie | 507-271-3432 | 5 Chippiannock Trail | Rock Island, IL 61201 |
| Kansas | 3 | Fox, Caroline | 816-510-7923 | 414 E 63rd St | Kansas City, MO 64110 |
| Kentucky | 2 | Livingston, Katherine Grace; Livingston, Branden Lee; Livingston Solutions, L.L.C. | 601-540-7902 | 516 Maryland Ave., Unit 126 | Lexington, KY 40508 |
| Kentucky | 3 | Weddle, Ryan Christopher; Weddle, Jessica, Stewart | 866-409-2706 | 2327 Carlton Terrace | Louisville, KY 40205 |
| Maryland | 5 | Stevenson, Julie: JCS Business Group LLC | 410-937-8432 | 9202 Waycross Road | Ellicott City, MD 21042 |
| Maryland | 1 | Parker, William Joseph | 304-283-5049 | 317 Tice Road | Falling Waters, WV 25419 |
| Maryland | 3 | Silva, Janel & Victor: AVLIS1010 Solutions, Inc. | 410-207-6703 | 1514 Benvenue Court | Severn, MD 21144 |
| Massachusetts | 12 | Collette, William & Nancy | 617-388-2317 | 4 Pig Rock Lane | Marblehead, MA 01945 |
| Michigan | 4 | McCullough, Clifford: Smart Home Solutions, Inc. | 248-891-8157 | 2820 South River Road | Harrison Township, MI 48045 |
| Michigan | 4 | Dill, Adam Karl | 248-775-9545 | 1336 Yosemite Valley Drive | Milford, MI 48381 |
| Missouri | 2 | Fox, Caroline; Organized KC LLC | 816-510-7923 | 414 E. 63rd St. | Kansas City, MO 64110 |
| Nebraska | 2 | Starkey, Nicholas: Barrington Enterprises, LLC | 402-659-4676 | 4509 South 143rd St, Suite 3 | Omaha, NE 68137 |
| New York | 3 | Modica, Alejandro: Lookout Solutions, LLC | 203-644-2052 | 7 Lookout Rd | Norwalk, CT 06850 |
| New York | 2 | Montali, Andrea Carla | 646-339-8346 | 3211 Crescent Street | Astoria, NY 11106 |
| North Carolina | 7 | Dunn Jr., Robert Wynne | 866-409-2706 | 8604 Bournemouth Drive | Raleigh, NC 27615 |
| North Carolina | 2 | Wright, Okeyma: Wright Family Business Group, LLC | 336-402-3272 | 5164 Reidsville Rd, #158 | Walkertown, NC 27051 |
| North Carolina | 1 | Barefoot, Wes and Kelly; and Sampson, Luke; Barefoot Shelving, LLC | 910-547-9595 | 1132 Shipyard Blvd. | Wilmington, NC 28412 |
| North Carolina | 6 | Vasquez, Maxwell and Carrie | 704-287-5529 | 373 Miners Cove Way | Fort Mills, SC 29708 |
| Ohio | 8 | Egbers, Marianne and Joe: Egbers Solutions, LLC | 859-816-4273 | 202 Pelly Road | Independence, KY 41051 |

| Territory State | # of Units | Franchisee / Principal Owner | Phone Number | Address | City, State, Zip Code |
|---|---|---|---|---|---|
| Ohio | 4 | Saunders, Michael: Saunders Business Ventures, Inc. | 937-243-5848 | 677 Hidden Springs Dr | Lewis Center, OH 43035 |
| Ohio | 3 | Pazgan, Dave: DJE Management Consulting, LLC | 330-760-2990 | 5590 Champion Creek Blvd | Medina, OH 44256 |
| Oregon | 6 | Anekonda, Thimmappa: TVNS Ventures, Inc. | 503-468-3424 | 1424 Greentree Cir | Lake Oswego, OR 97034 |
| Pennsylvania | 1 | Pazgan, Dave: DJE Management Consulting, LLC | 330-760-2990 | 5590 Champion Creek Blvd | Medina, OH 44256 |
| Pennsylvania | 4 | Hostetler, Justin Tyler | 866-409-2706 | 992 Buck Hollow Road | Mohnton, PA 19540 |
| Pennsylvania | 2 | Robards, Douglas Kent | 866-409-2706 | 669 Eagles View | Lancaster, PA 17601 |
| South Carolina | 5 | Dorris, Chris and Tresa: Coastal South, Inc. | 843-321-8568 | 77 Fording Ct | Bluffton, SC 29910 |
| South Carolina | 3 | Dawson, Scott David | 315-456-8957 | 203 Meeting Place | Greenville, SC 29615 |
| South Carolina | 1 | Barefoot, Wes and Kelly; and Sampson, Luke | 910-547-9595 | 1132 Shipyard Blvd. | Wilmington, NC 28412 |
| Tennessee | 2 | Williams, Cindy: Individually | 901-233-2425 | 1462 Hwy 301 South | Lake Cormorant, MS 38641 |
| Tennessee | 4 | Holliday, Dave and Kelli: Bigger Stuff, LLC | 865-805-2466 | 7628 Davidson Rd. | Chattanooga, TN 37421 |
| Tennessee | 4 | Rose, Charlie: Individually | 615-970-6299 | 302 N Thompson St | Shelbyville, TN 37160 |
| Texas | 6 | Parker, Steven and Jewell: Parker Resource Group, Inc. | 512-963-9699 | 7505 Antrim Trail | Austin, TX 78754 |
| Texas | 3 | Sedlak, John & Allison | 210-268-7360 | 8375 Tradition Trail | Boerne, Texas 78015 |
| Texas | 6 | Hoke, Craig: SG Dallas, LLC | 580-504-4282 | 3512 Lakota Ct | Granbury, TX 76048 |
| Texas | 16 | Creswell, Linda: Lindee's Centsable Solutions, Inc. | 903-814-3981 | 17526 Ridge Top Dr | Houston, TX 77090 |
| Virginia | 5 | Yoder, Jeff: Xeris Corp. | 703-855-5666 | 1904 Whiteoaks Drive | Alexandria, VA 22306 |
| Virginia | 8 | Edelblut, Tommy: Bowerton, Inc. | 804-363-9414 | 9315 Crossover Dr | Mechanicsville, VA 23116 |
| Virginia | 1 | Parker, William Joseph | 304-283-5049 | 317 Tice Road | Falling Waters, WV 25419 |
| Washington | 14 | Goel, Rajit; Rajgarhia, Rajat; Khurana, Jitin; Ravishankar, Anhilash | 951-892-5896 | 15790 Redmond Way #1178 | Redmond, WA 98052 |

| Territory State | # of Units | Franchisee / Principal Owner | Phone Number | Address | City, State, Zip Code |
|---|---|---|---|---|---|
| Wisconsin | 6 | Lueck, Brent: BL-Solutions, LLC | 414-510-4467 | 13140 Green Bay Rd. | Mequon, WI 53097 |
| Wyoming | 1 | Jarvie Thomas Dean; Marquez-Jarvie, Cindy Marie | 307-871-4753 | 1760 New Mexico Street | Green River, WY 82935 |

## FRANCHISEES IN THE UNITED STATES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT ARE NOT YET OPERATIONAL AS OF DECEMBER 31, 2024

*Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.*

| State | # of Units | Franchisee / Principal Owner | Phone Number | Address | City, State and Zip Code |
|---|---|---|---|---|---|
| Utah | 4 | Oliver, James & Jensen, Tyler | 385-216-0685 | 15220 S Wildhorse Way | Bluffdale, UT 84065 |

## COMPANY-OWNED LOCATIONS IN THE UNITED STATES AS OF DECEMBER 31, 2024

*Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.*

| State | # of Units | Location Name | Telephone | Address | City, State, and Zip Code |
|---|---|---|---|---|---|
| Florida | 1 | Corporate Market of Miami #1 (SHG00508): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Florida | 1 | Corporate Market of Miami #2 (SHG00740): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Florida | 1 | Corporate Market of Miami #3 (SHG00741): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Florida | 1 | Corporate Market of Miami #4 (SHG00967): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Georgia | 1 | Corporate Market of Fayetteville #1 (SHG00974): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |

| State | # of Units | Location Name | Telephone | Address | City, State, and Zip Code |
|---|---|---|---|---|---|
| Georgia | 1 | Corporate Market of Fayetteville #2 (SHG00975): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Georgia | 1 | Corporate Market of Fayetteville #3 (SHG00976): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 7 East (SHG00799): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 7 West (SHG007800): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 8 North (SHG007801): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 8 South (SHG007802): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 9 (SHG00849): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 10 (SHG00850): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Illinois | 1 | Corporate Market of Chicago 11 (SHG00851): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Pennsylvania | 1 | Corporate Market of Allentown 1 (SHG00874): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Utah | 1 | Corporate Market of Salt Lake City 1 (SHG00874): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Utah | 1 | Corporate Market of Salt Lake City 2 (SHG00875): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |

| State | # of Units | Location Name | Telephone | Address | City, State, and Zip Code |
|---|---|---|---|---|---|
| Utah | 1 | Corporate Market of Salt Lake City 3 (SHG00876): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Utah | 1 | Corporate Market of Salt Lake City 4 (SHG00877): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |
| Utah | 1 | Corporate Market of Salt Lake City 5 (SHG00878): Attention Charles Allison, VP or Operations ShelfGenie | 254-214-7419 | 1010 N. University Parks Drive | Waco, Texas 76707 |

**EXHIBIT F**

**FRANCHISEES IN THE UNITED STATES WHO LEFT THE SYSTEM IN THE PAST 12 MONTHS AS OF DECEMBER 31, 2024**

***Note: This list is arranged alphabetically by state and then alphabetically by cities in each state.***

****Indicates franchisee left the system as a result of transferring their franchise agreement.***

***^Indicates that franchisee remained in the system owning other franchise units as of December 31, 2024.***

| State | # of Units | Principal Owner | Telephone | Address | City, State, Zip Code |
|---|---|---|---|---|---|
| Florida | 5 | Dahn, Bryan | 305-333-8678 | 501 Three Islands Blvd, Unit 303 | Hallandale Beach, FL 33009 |
| Florida | 1* | Odom, David | 850-322-0404 | 11294 Buck Lake Road | Tallahassee, FL 32317 |
| Georgia | 3 | Balasubramaniam, Sanjay | 770-668-6723 | 210 Ascalon Court | Johns Creek, GA 30005 |
| Georgia | 1* | Balasubramaniam, Sanjay | 770-668-6723 | 210 Ascalon Court | Johns Creek, GA 30005 |
| Indiana | 3 | Albright, Jonathon R. | 260-417-5836 | 10226 Lake Tahoe Court | Fort Wayne, IN 40804 |
| Iowa | 2 | Stevens, Adam | 641-295-9584 | 2932 48th Place | Des Moines, IA 50310 |
| Massachusetts | 12* | Cohen, Jeffrey & Iskenderian, Raffi | 617-699-8098 | 51 Silver Hill Road | Sudbury, MA 01776 |
| Minnesota | 8 | Elgin, Kevin | 612-481-9152 | 81 Congress St | St Paul, MN 55107 |
| Texas | 3* | Nicosia, Rick: Thorough-Clean, LLC | 210-601-5883 | 120 Kendall Ridge | Boerne, TX 78015 |
| Washington | 12* | Regala, Alan: Regala Enterprises, LLC | 650-641-0051 | 5055 38th Ave NE | Seattle, WA 98105 |

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

# EXHIBIT G

# DEVELOPMENT AGREEMENT

# SHELFGENIE®

## Development Agreement

**SHELFGENIE®**

**DEVELOPMENT AGREEMENT**



**EXHIBITS**

**SHELFGENIE®**

**DEVELOPMENT AGREEMENT**

This Development Agreement (this "**Agreement**") is entered into on ____________________________ (the "**Effective Date**") by and between **SHELFGENIE SPV LLC** ("**Franchisor**," "**us**" or "**we**"), and ____________________________ ("**Developer**" or "**you**").

RECITALS

A. We have developed a system for establishing and operating businesses identified by the Marks (as defined below) and engaged in the sale, repair, service, and installation of garage doors and operators, equipment, components and supplies, including installation, upgrades and remodeling, and performance of related services and repairs, pursuant to certain standards and specifications ("**Business**" or "**Businesses**").

B. We own the **SHELFGENIE®** service mark and other marks ("**Marks**"), as well as other intellectual property used in connection with the operation of a Business.

C. You wish to obtain certain development rights to operate multiple Businesses in accordance with the methods and processes developed by us in connection with the franchise (the "**System**") and wish to obtain franchises from us for that purpose.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, agree as follows:

## 1. GRANT OF RIGHTS; RESERVATION OF RIGHTS

1.1 We hereby grant you the right, and you hereby accept the obligation, pursuant to the terms and conditions of this Agreement, to develop multiple Businesses within the area described in **Schedule A** to this Agreement (the "**Development Area**"; the Development Area specifically excludes any geographic territory that has previously been granted to another franchisee operating under the Marks as of the Effective Date, as set forth in Schedule A). Any existing Businesses that you or an Approved Affiliate (as defined herein) may operate as of the Effective Date or that you may acquire through a Franchisor approved transfer from another existing franchisee, whether inside or outside the Development Area, do not count towards the satisfaction of the Development Schedule.

1.2 You agree to develop the number of Businesses specified in **Schedule B** to this Agreement within the timeframes identified in **Schedule B** (the "**Development Schedule**"). Time is of the essence for the development of each Business in accordance with the Development Schedule. Each Business must be developed and operated pursuant to a separate Franchise Agreement that you or an Approved Affiliate enter into with us pursuant to Section 2 below. Each Business developed hereunder shall be located in the part of the Development Area specifically identified for such Business in **Schedule A** to this Agreement.

1.3 So long as you are in compliance with your obligations under this Agreement, neither we nor our affiliates will operate or grant a franchise for the operation of a Business under the Marks and the System, other than your right to develop Businesses pursuant to this Agreement, in the Development Area, during the term of this Agreement, except as provided in Section 1.4(i)(B). We and our affiliates retain all rights not specifically granted to you, including the rights set forth in Section 1.4 below.

1.4. Except as expressly limited by Section 1.3, we and our affiliates may engage in any activity whatsoever on any terms and conditions we deem advisable whenever and wherever we or they desire. We and our affiliates retain all rights whatsoever not expressly granted herein, including, but not limited to:

(i) the right to establish and operate, and to grant to others the right to establish and operate similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Development Area (A) under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate or (B) under the Marks, but if inside the Development Area, then only pursuant to programs set forth in the Operations Manual;

(ii) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those provided at the Businesses, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including internet or similar electronic media) both inside and outside the Development Area and on any terms and conditions we deem appropriate;

(iii) the right to establish and operate, and to grant to others the right to establish and operate businesses offering dissimilar products and services, both inside and outside the Development Area, under the Marks and on any terms and conditions we deem appropriate;

(iv) the right to establish and operate, and to grant others the right to establish and operate a SHELFGENIE® Business located anywhere outside the Development Area under any terms and conditions we deem appropriate and regardless of their proximity to the Businesses or their actual or threatened impact on sales at the Businesses;

(v) (a) the right, directly or through an authorized third party (including, another franchisee), to advertise, solicit, enter into contracts with and service Key Accounts (as defined in our franchise agreement) in any area, including in the Development Area, upon such terms as we negotiate from time to time; or (b) further, if (i) you, or an Approved Affiliate, refuse or, in our sole judgment, are not qualified, interested or available to perform services or otherwise cannot or do not perform services for any customer located within the Development Area, including a Key Account, (ii) you or an Approved Affiliate request assistance in the performance of services to a customer, or (iii) a customer, orally or in writing, specifically requests services within the Development Area from a different franchisee or another third party, we have the right to authorize another franchisee (or designate or authorize a corporate employee or any other third party) to perform services for or sell products to the applicable customers inside the Development Area. You agree that you will not be entitled to any compensation for sales or services performed inside the Development Area by someone other than you or an Approved Affiliate as contemplated under this paragraph;

(vi) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area); and

(vii) the right to be acquired (in whole or in part and regardless of the form of transaction), by a business providing products and services similar to those provided at the Businesses, or by another business, even if such business operates, franchises and/or licenses a business(es) that competes with you in the Development Area.

1.5 You have no right under this Agreement to license others to use in any manner the Marks or the System. This Agreement is not a franchise agreement and does not grant to you any right to use in any manner our Marks or System. All of your or an Approved Affiliate's rights and obligations related to the operation of a franchised Business shall be governed by the Franchise Agreement executed for such Business, pursuant to Section 2 below.

## 2. <u>DEVELOPMENT OBLIGATIONS</u>

2.1 You (or an entity approved by us in writing, which is wholly controlled by you (hereafter an "**Approved Affiliate**")) will operate each Business developed hereunder under a separate franchise agreement (and related documents) with us. With respect to each Business to be developed hereunder, you (or, if applicable, an Approved Affiliate) shall execute prior to each Opening Deadline (as defined in Schedule B) our then-current form of franchise agreement and related documents (collectively, the "**Franchise Agreement**").

2.2. You (or an Approved Affiliate) shall develop, open, and maintain in operation Businesses in accordance with the Development Schedule. If you fail to comply with the Development Schedule (subject to any cure periods included herein), we have the right to terminate this Agreement pursuant to Section 5.2 hereof.

2.3 You may not develop a Business unless, (i) you notify us of your intention to develop the particular Business and send us all information necessary to complete the Franchise Agreement for the particular Business, and (ii) all of the following conditions have been met (these conditions apply to each Business to be developed in the Development Area):

A. <u>Your Submission of Information</u>. You must furnish to us, at least 90 days prior to the Opening Deadline, a franchise application for the proposed Business, financial statements and other information regarding you (or, if applicable, an Approved Affiliate), the operation of any of your other Businesses within the Development Area and the development and operation of the proposed Business as we may reasonably require.

B. <u>Your Submission of Proposed Site</u>. You must find a proposed site for the Business which you reasonably believe to conform to our site selection guidelines and standards (as modified by us from time to time) and submit to us location information (together with evidence of compliance with our site selection guidelines) at least 60 days prior to the Opening Deadline. After you submit the location information to us, we will approve your site in accordance with our standard procedures as long as it meets our site selection guidelines and standards. We agree not to unreasonably withhold consent to a proposed site.

C. <u>Your Compliance with Our Then-Current Standards for Multi-Unit Franchisees</u>. You must receive written confirmation from us that you (or, if applicable, an Approved Affiliate) meet our then-current expansion criteria and standards for multi-unit franchisees. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your (or, if applicable, an Approved Affiliate's) Business, and to preserve and enhance the reputation and goodwill of all businesses operating under the Marks and the goodwill of the Marks.

D. Good Standing. You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us or any of our affiliates. You also must have satisfied, on a timely basis, all monetary and other material obligations under the Franchise Agreements for all of your existing Businesses or any other franchised businesses operating under any other Neighborly Brands.

2.4 You recognize and acknowledge that this Agreement requires you to open Businesses in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Businesses likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to the execution of this Agreement. You are obligated to open all the Businesses on or before the dates set forth on the Development Schedule (subject to any cure periods included herein), regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Businesses, or (iii) any other circumstances, financial or otherwise; provided that such development obligation deadlines may be adjusted for any delay caused by a Force Majeure Event (as defined below).

2.5 You agree to comply with all applicable laws and regulations in connection with the performance of your obligations hereunder.

## 3. DEVELOPMENT FEE, INITIAL FRANCHISE FEES, AND OTHER FEES

3.1 In consideration of the development rights granted herein, you agree to pay to us upon execution of this Agreement a development fee of _______________ ($___________) (the "Development Fee"), receipt of which is hereby acknowledged, which has been fully earned and is non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. At the time you (or an Approved Affiliate) sign the Franchise Agreements for each Business opened in accordance with the Development Schedule, you will also be required to pay us a discounted initial franchise fee of $2,500 for each territory (i.e., $5,000 for each executive franchise Business) in accordance with the terms of the Franchise Agreement.

3.2 Following the opening of each Business, you (or an Approved Affiliate) shall pay ongoing license fees and marketing fund contributions in accordance with the terms of each Franchise Agreement.

## 4. TERM

The term of this Agreement will commence on the Effective Date and shall expire, unless sooner terminated in accordance with the terms of this Agreement, on the date when you have open and in operation all of the Businesses required by the Development Schedule (the "**Term**"). Upon expiration of the Term, you shall have no further rights or obligations (except any obligations that expressly or by their nature survive expiration or termination) under this Agreement.

## 5. DEFAULT

5.1 The rights and territorial protections granted to you in this Agreement have been granted in reliance on the terms and conditions of this Agreement, including the condition that you comply with the Development Schedule. You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Business developed hereunder is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal or constable.

5.2 If you fail to meet your obligations under the Development Schedule, such action shall constitute a default under this Agreement, upon which we may terminate the rights granted in Section 1.2 hereof, effective one hundred and twenty (120) days following written notice from us so long as you have not cured said default to our satisfaction within such one hundred and twenty (120) days from the issuance of the written default notice. You shall not be deemed to have defaulted under or breached this Agreement, including the Development Schedule, for any failure or delay in performance to the extent such failure or delay is caused by a Force Majeure Event which occurs after the Effective Date and which could not have been avoided by the exercise of due care. A "**Force Majeure Event**" means: (a) acts of God, including flood, fire, or earthquake; (b) war, invasion, terrorist acts, riot, or other civil unrest; (c) government order or actions; (d) embargoes or blockades; (e) strikes (except those caused by employees or agents); or (f) any other similar events beyond your reasonable control.

5.3 Except as otherwise provided in Sections 5.1 and 5.2 above, if you fail to comply with any term and/or condition of this Agreement, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, we may terminate this Agreement by giving you written notice of termination stating the nature of such default 30 days prior to the effective date of termination; provided, however, that you may avoid termination by initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the 30-day cure period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to the right to develop new Businesses) shall terminate without further notice to you effective immediately following the expiration of the 30-day cure period or such longer period as applicable law may require. Notwithstanding the foregoing, if you are in default under any Franchise Agreement, the provisions of this Section 5.3 shall not be construed to grant any cure period that is in addition to, or longer than, any cure period applicable to such breach under the Franchise Agreement, and any cure period, if applicable, shall be as set forth in the Franchise Agreement.

5.4 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto. A default under any Franchise Agreement executed hereunder shall be deemed a default under this Agreement, and our termination of any Franchise Agreement executed hereunder due to your (or an Approved Affiliate's) uncured default shall give us the right to immediately terminate this Agreement for cause.

5.5 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

5.6 Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate and all remaining rights granted to you to develop Businesses under this Agreement will automatically be revoked and will be null and void. You shall have no right to establish or operate any Business for which a Franchise Agreement has not been executed by us at the time of termination. You will not be entitled to any refund of the Development Fee paid pursuant to Section 3.1. Upon termination or expiration of this Agreement, we will be entitled to develop and operate, or to franchise others to develop and operate, Businesses in the Development Area, except as may be otherwise provided under any Franchise Agreement then in effect between us and you. You may continue to operate, pursuant to the terms of the applicable Franchise Agreement(s), any Business open and operating at the time of the termination of this Agreement, unless the separate Franchise Agreement for such Business is terminated in accordance with the terms of such Franchise Agreement. All of your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

## 6. TRANSFERS

6.1 We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.

6.2 This Agreement is entered into by us with specific reliance upon your experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may not transfer your development rights under this Agreement separate and independent from Franchise Agreements for Businesses in the Development Area, although you are not required to transfer all of your Franchise Agreements as part of the transfer of development rights. The transfer of your development rights is subject to our prior written consent, which consent will not be unreasonably withheld, a payment of a transfer fee of $20,000, and our agreement with you on which Businesses will be included in any such transfer. Accordingly, the assignment terms and conditions of the applicable Franchise Agreements, including a separate transfer fee per Franchise Agreement (as set forth in the Franchise Agreement), will apply to the transfer of your rights under this Agreement.

## 7. COVENANTS; GUARANTY

7.1 You covenant that during the term of this Agreement, you shall retain a managing principal ("**Managing Principal**") who will devote sufficient time, energy and best efforts to the establishment and operation of the Businesses to be developed hereunder.

7.2 You and we acknowledge and agree that that the non-competition and restrictive covenants within Section 9 of the Franchise Agreements apply to you and this Agreement and thus are incorporated herein by reference. Any reference to Territory in the non-competition and restrictive covenants within Section 9 of the Franchise Agreements shall mean the Development Area for purposes of this Agreement.

7.3 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 7 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 7.

7.4 You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 7. You agree to pay all costs and expenses (including reasonable attorneys' fees and expert fees) incurred by us in connection with the enforcement of this Section 7 and any of our other rights under this Agreement.

7.5 You acknowledge that your violation of the terms of this Section 7 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 7.

7.6 If you are a business entity, all persons and entities that, as of the date of this Agreement hold, or during the term of this Agreement become holders of, 5% or more of the Developer's ownership interests must personally guarantee Developer's performance hereunder to us by executing the personal guarantee attached hereto as **Schedule C**. If two (2) or more persons are the Developer or guarantors, their obligations and liability to us shall be joint and several.

## 8. NOTICES

Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally, in electronic form via email to an authorized email address or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by a reputable overnight service, and addressed as follows:

(i) If intended for us, addressed to SHELFGENIE SPV LLC, 1010 North University Parks Drive, Waco, Texas 76707, Attn: President; with a copy to the General Counsel at grayson.brown@nbly.com; 1010 North University Parks Drive, Waco, Texas 76707;

(ii) If intended for you, addressed to you at the following address: ____________________________, email: _________________; Attn: _____________________;

or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

## 9. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

9.1 You are an independent contractor. You are not Franchisor's agent, partner, employee or a participant in a joint venture and have no authority to hold yourself out as such to third parties. You do not have any authority to bind or obligate Franchisor. We are not and shall not be liable for any of your acts, omissions, debts or other obligations.

9.2 You are responsible for all loss or damage and for all contractual liability to third parties arising out of or incurred in connection with your obligations under this Agreement and for all claims or demands for damage directly or indirectly related thereto. You agree to defend, indemnify and hold harmless Franchisor and its employees of and from and with respect to any such claim, loss or damage resulting from your performance or failure to perform or comply with your obligations under this Agreement. This indemnification obligation under this Agreement is separate from any indemnification obligations set forth in any Franchise Agreement, which obligations remain in full force and effect.

## 10. APPROVALS AND WAIVERS

10.1 Whenever this Agreement requires the prior approval or consent of Franchisor, you shall make a written request within the time specified hereunder, and if no time is specified, then a timely written request to us therefor. A request for approval shall be deemed denied unless or until we grant our written approval.

10.2 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

10.3 No delay, waiver, omission or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you under any of the terms, provisions, covenants, or conditions hereof, shall constitute a waiver by us to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. Subsequent acceptance by us of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding breach by you of any terms, provisions, covenants, or conditions of this Agreement.

## 11. ENTIRE AGREEMENT AND AMENDMENT

11.1 This Agreement is the entire agreement between Developer and Franchisor with respect to the subject matter of this Agreement. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter herein.

11.2 No modifications to this Agreement shall have any effect unless such modification is in writing and signed by you and by Franchisor’s authorized officer.

## 12. NON-WAIVER OF BREACH

The failure of either party hereto to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party’s rights thereafter to enforce each and every term and condition of this Agreement.

## 13. DISPUTE RESOLUTION

13.1 Governing Law. The parties agree that the execution of this Agreement and the acceptance of its terms occurred in the state of Texas. The parties further agree that the performance of material obligations arising under the Agreement, including but not limited to, your payment of monies due hereunder, shall occur in the state of Texas. Accordingly, subject to our rights under federal trademark laws and the parties’ rights under the Federal Arbitration Act in accordance with Section 13.2, this Agreement, the parties’ rights under this Agreement, and the relationship between the parties under this Agreement are governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Texas (excluding any conflicts of laws principles).

13.2 Mediation, Litigation and Arbitration.

a. Mediation. Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted in Section 13.2b below), the parties must first meet to mediate the dispute. The mediation will be held in McLennan County, Texas. Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association (the "**AAA**") in accordance with its then-current rules for mediation of commercial disputes unless the parties agree otherwise in writing. The mediator will be appointed in accordance with the rules and regulations of the AAA unless the parties agree on a mediator in writing within 10 days after either party gives written notice of mediation. The mediation hearing will be held within 20 days after the mediator has been appointed. Each party will bear its own costs and expenses for the mediation and will be responsible to pay 50% of the mediator's costs and expenses.

b. Exceptions to Mediation. Notwithstanding Section 13.2a. or any other provision of this Agreement, the parties agree that the following claims will not be subject to mediation and may be brought in any court of competent jurisdiction, subject to Sections 13.1 and 13.2c:

   i. any action for temporary, preliminary or permanent injunctive relief, ex parte seizure, specific performance, writ of attachment, or other equitable relief necessary to enjoin any harm or threat of harm to such party's tangible or intangible property, including trademarks, service marks and other intellectual property, confidential and/or trade secret information, or noncompetition covenants. Developer specifically acknowledges that its breach or threatened breach of any of its obligations under this Agreement, including but not limited to Sections 6 and 7, would cause irreparable harm to our tangible and/or intangible property. Developer understands that irreparable harm is an injury for which monetary damages are not an adequate remedy. Therefore, upon any such breach or threatened breach by Developer, in addition to any other rights or remedies that may be available to Franchisor at law, equity or otherwise, Developer acknowledges that Franchisor will be entitled to equitable relief, including an injunction, restraining order or specific performance, without any requirement to prove irreparable harm. In addition, Developer hereby waives any right to request that a bond be issued as security (except for a nominal bond not to exceed $100);

   ii. any action in ejectment or for possession of any interest in real or personal property; and

   iii. any action related solely to the collection of moneys owed to Franchisor or its affiliates under this Agreement or any related agreement. "**Moneys owed**" also includes attorneys' fees incurred in the collection of moneys owed, including through the judicial process.

c. Litigation; Venue. Any dispute between Developer and Franchisor or any of their respective affiliates, including without limitation, Developer's owners and guarantors, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the Developer's obligations hereunder (collectively, "**Dispute**"), including disputes not resolved through mediation, must be brought in the state or federal district court located in McLennan County, Texas. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts and specifically waive any objection to the jurisdiction and venue of such courts. The parties specifically waive the right to remove any action brought in the state court of McLennan County, Texas to a federal district court. The provisions of this Section will survive the termination of this Agreement. The parties are aware of and acknowledge the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

d. Arbitration. If a court of competent jurisdiction determines that Section 13.3 (Jury Waiver) and/or Section 13.4 (No Class or Consolidated Actions) is invalid or unenforceable with respect to the Dispute, then and only then, notwithstanding any other provision of this Agreement to the contrary, the Dispute must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the AAA pursuant to its then-current commercial arbitration rules and procedures. The arbitration must take place in McLennan County, Texas. The arbitration must be conducted by a single arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five years of significant experience in franchise law. The court shall decide the gateway issue of arbitrability. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If this limitation on joinder of or class action certification of claims within arbitration is held to be unenforceable, then this entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts. A judgment may be entered upon the arbitration award in any court of competent jurisdiction. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) except as provided in Section 13.5, assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that Franchisor sets. Each party will bear its own costs and expenses for the arbitration and will be responsible to pay 50% of the arbitrator's fees and costs (including arbitrator's and AAA's fees and costs); provided that the prevailing party will be entitled to reimbursement of its fees and costs under Section 13.5.

13.3 **Jury Waiver**. **ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT AND CLAIMS ARISING OUT OF THE PARTIES' RELATIONSHIP**.

13.4 **No Class or Consolidated Actions. ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY THE DEVELOPER ON AN INDIVIDUAL BASIS AND MAY NOT BE COMBINED OR CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER DEVELOPER OR FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION.**

13.5 **Compensatory Damages; Attorney's Fees**. Except with respect to indemnification obligations hereunder relating to third party claims and except for damages under the Lanham Act, Developer and Franchisor and their respective affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any consequential, indirect, special, punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained. Notwithstanding anything herein to the contrary, each party waives, to the fullest extent permitted by law, the right to claim any punitive or exemplary damages against the other. Further, the prevailing party in any dispute shall be awarded its reasonable attorneys' fees and expert fees.

13.6 **Statute of Limitations**. All suits must be filed within one (1) year after the event(s) giving rise to the claim or the suit will be forever barred based on this agreed one (1) year statute of limitations.

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

DEVELOPER:

[_________________________]

By: _______________________________________

Name, title:

_________________________________________

Date

FRANCHISOR:

SHELFGENIE SPV LLC

A Delaware Limited Liability Company

By: _______________________________________

___________________, President

_________________________________________

Date

**SHELFGENIE®**

**DEVELOPMENT AGREEMENT**

**Schedule A**

**DEVELOPMENT AREA**

Each Business developed under this Development Agreement shall be located in the following area (the "Development Area", as more specifically described in Section 1.1 of this Agreement):

**Development Area: ________________________________**

Maps are attached.

**INITIALED:**

**FRANCHISOR: ______ DEVELOPER: ______**

**SHELFGENIE**

**DEVELOPMENT AGREEMENT**

**Schedule B**

**DEVELOPMENT SCHEDULE**

Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule for the Development Area as set forth below:

| By Date ("Opening Deadline"): | Cumulative Total Number of Businesses Which Developer Shall Have Opened and in Operation: |
|---|---|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

**Development Area:**

1.

2.

**INITIALED:**

**FRANCHISOR: ______ DEVELOPER: ______**

**SHELFGENIE DEVELOPMENT AGREEMENT**

**Schedule C**

**PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND**

**PERSONALLY BY THE TERMS AND CONDITIONS**

**OF THE DEVELOPMENT AGREEMENT**

In consideration of the execution of the Development Agreement by SHELFGENIE SPV LLC ("us" or "we"), and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Development Agreement, to be paid, kept and performed by the developer, including without limitation the dispute resolution provisions of the Development Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Development Agreement, including without limitation the provisions in Sections 8, 14 and 16, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Development Agreement containing the identical terms and conditions of the Development Agreement.

Each of the undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the developer or any other person as a condition of liability.

In addition, each of the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the developer or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by developer's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Development Agreement, or any amendment or extension of the Development Agreement, with or without notice to the undersigned. It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

DEVELOPER: ___________________________

PERSONAL GUARANTORS:

_________________________________________

_________________, individually

Address
City, State, Zip Code

Telephone

**DEVELOPMENT AGREEMENT**

**STATE SPECIFIC AMENDMENTS**

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF CALIFORNIA**

This Addendum to the Development Agreement is entered to this _____ day of _____________, 20___, between **SHELFGENIE SPV LLC** ("we", "us" or Franchisor") and __________________________________________ ("you" or "Franchisee") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Development Agreement shall be amended as follows:

   a. Under California Corporations Code Section 31512, any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order related to that law is void.

   b. Section 5.1 of the Development Agreement which terminates the Development Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.)*.

   c. Section 7.2 of the Development Agreement incorporates a covenant not to compete which extends beyond the expiration or termination of the Development Agreement; this covenant may not be enforceable under California law.

   d. Section 13.1 of the Development Agreement is amended to provide that in the event of a conflict of law, California Law will prevail.

   e. Section 13.2 of the Development Agreement requires litigation to be conducted in the State of Texas; the requirement may not be enforceable under California law.

2. 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.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California Investment Law and/or the California Franchise Relations Act are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:_________________________________

Name:_______________________________

Title:_______________________________

Developer:______________________

By:_________________________________

Name:_______________________________

Title:_______________________________

By:_________________________________

Name:_______________________________

Title:_______________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF ILLINOIS**

This Addendum to the Development Agreement is entered into this ___ day of _____________, 20__, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ______________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Development Agreement for SHELFGENIE SPV LLC shall be amended as follows:

a. Illinois law governs the franchise agreements.

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

c. Franchisee's rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

2. 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.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:___________________________________

Name:_________________________________

Title:_________________________________

Developer:________________________

By:____________________________________

Name:__________________________________

Title:__________________________________

By:____________________________________

Name:__________________________________

Title:__________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF INDIANA**

This Addendum to the Development Agreement is entered into this ___ day of _____________, 20__, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ______________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2.5, the Development Agreement for SHELFGENIE SPV LLC shall be amended as follows:

    a. Section 13.1 is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law, 23-2-2.7, will prevail.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:____________________________________

Name:__________________________________

Title:__________________________________

Developer:________________________

By:____________________________________

Name:__________________________________

Title:__________________________________

By:____________________________________

Name:__________________________________

Title:__________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF MARYLAND**

This Addendum to the Development Agreement is entered into this ____ day of __________, 20___, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ___________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann. Bus. Reg. §§14-201 et seq., the Development Agreement shall be amended as follows:

a. Section 3.1 of the Development Agreement is amended to add the following at the end of the section: "Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has imposed a fee deferral requirement. Therefore, Developer will not be required to pay the initial fees due to Franchisor and/or its affiliates, including the Development Fee, the Initial Franchise Fee and any other fees, until Franchisor has completed all its pre-opening obligations to Developer and Developer begins operating its first franchise business."

b. Section 5.1 of the Development Agreement which terminates the Development Agreement upon bankruptcy of the Developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

c. Any general release of claims signed by Developer shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

d. Section 13.1 of the Development Agreement states that the laws of the State of Texas govern; however, in the event of a conflict of laws, to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

e. Section 13.2 of the Development Agreement requires litigation to be conducted in the State of Texas; the requirement shall not limit any rights Developer may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

f. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. 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.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

Unless expressly amended by this Addendum, all other provisions of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:____________________________________

Name:__________________________________

Title:___________________________________

Developer:________________________

By:____________________________________

Name:__________________________________

Title:___________________________________

By:____________________________________

Name:__________________________________

Title:___________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF MINNESOTA**

This Addendum to the Development Agreement is entered into this ___ day of _____________, 20__, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ______________________________ ("you" or "Developer") to amend and revise said Development Agreement as follows:

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Development Agreement agree as follows:

   a. Sections 5.1, 5.2 and 5.3 shall be amended to add that with respect to franchises governed by Minnesota law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that a Developer be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

   b. Minn. Rule 2860.4400(D) prohibits a Franchisor from requiring a franchisee to assent to a general release.

   c. Section 13.1 shall be amended to add that Franchisor shall not in any way abrogate or reduce Developer's rights as provided for under the Minnesota Franchise Law including the right to submit matters to the jurisdiction of the courts of Minnesota.

   d. In addition, Section 13.6 shall be amended to state that any claim concerning the Business or this Agreement or any related agreement will be barred unless an action for the claim is commenced within three (3) years from the date on which Developer or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

   e. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Developer's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. 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.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:____________________________________

Name:_________________________________

Title:__________________________________

Developer:________________________

By:____________________________________

Name:_________________________________

Title:__________________________________

By:____________________________________

Name:_________________________________

Title:__________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF NEW YORK**

This Addendum to the Development Agreement is entered into this ____ day of __________, 20___, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ___________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 et seq., the Development Agreement is amended as follows:

   a. Under Section 6.1, we will not transfer and assign our rights and obligations under the Development Agreement unless the transferee will be able to perform our obligations under the Development Agreement, in our good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

   b. Any release of claims shall exclude claims arising under the General Business Laws of the State of New York.

   c. Section 13.1 of the Development Agreement states that the franchise must be governed by the laws of the state in which our principal business is then located. This requirement will not be considered a waiver of any right conferred upon the Developer by Article 33 of the General Business Laws.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum is inconsistent with any terms or conditions of the Development Agreement or exhibits or attachments thereto, the terms of this Addendum govern.

3. Unless expressly amended by this Addendum, all other terms of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Addendum on the date written below.

**SHELFGENIE SPV LLC**

By:____________________________________

Name:__________________________________

Title:___________________________________

Developer:________________________

By:____________________________________

Name:__________________________________

Title:___________________________________

By:____________________________________

Name:__________________________________

Title:___________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Development Agreement is entered into this ___ day of _____________, 20__, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ______________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the North Dakota Franchise Investment Law, the Development Agreement for SHELFGENIE SPV LLC shall be amended as follows:

(a) Section 7.2 of the Development Agreement is amended to add:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

(c) Section 13.1 of the Development Agreement is amended to add:

Notwithstanding the foregoing, the Development Agreement will be governed by North Dakota law.

(d) Section 13.2 of the Development Agreement is amended to add:

Notwithstanding the foregoing, any claim arising under the North Dakota Franchise Investment Law shall be litigated in the State of North Dakota.

(e) Section 13.3 of the Development Agreement regarding waiver of jury trial is deleted in its entirety.

(f) Section 13.5 of the Development Agreement is amended to delete the waiver of the right to seek or recover punitive damages.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law applicable to the provisions are met independently of this Addendum. To the extent that this Addendum shall be deemed inconsistent with any terms or conditions of the Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

3. Unless expressly amended by this Addendum, all other terms of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:_____________________________________

Name:__________________________________

Title:___________________________________

Developer:_________________________

By:_____________________________________

Name:__________________________________

Title:___________________________________

Developer:_________________________

By:_____________________________________

Name:__________________________________

Title:___________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF RHODE ISLAND**

This Addendum to the Development Agreement is entered into this ___ day of _____________, 20__, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and _______________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the Rhode Island Franchise Investment Act, the Development Agreement for SHELFGENIE SPV LLC shall be amended as follows:

(a) Section 13.1 of the Development Agreement is amended to add:

Notwithstanding the foregoing, the Development Agreement will be governed by Rhode Island law.

(b) Section 13.2 of the Development Agreement is amended to add:

Notwithstanding the foregoing, any claim arising under the Rhode Island Franchise Investment Act shall be litigated in the State of Rhode Island.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act applicable to the provisions are met independently of this Addendum. To the extent that this Addendum shall be deemed inconsistent with any terms or conditions of the Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

3. Unless expressly amended by this Addendum, all other terms of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:_____________________________________

Name:__________________________________

Title:___________________________________

Developer:_________________________

By:______________________________________

Name:___________________________________

Title:____________________________________

By:______________________________________

Name:___________________________________

Title:____________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Development Agreement is entered into this ____ day of __________, 20___, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ___________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. In recognition of the requirements of the Virginia Retail Franchising Act, Va. Code §§13.1-557 et seq., the Development Agreement shall be amended as follows:

a. Section 5.4 states that the Franchisor may terminate the Development Agreement if the Developer commits a default under any franchise agreement with Franchisor; this provision may not be enforceable if the grounds for default or termination do not constitute "reasonable cause" as that term is defined in the Virginia Retail Franchising Act or laws of Virginia.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Virginia Retail Franchising Act applicable to the provisions are met independently of this Addendum. To the extent that this Addendum shall be deemed inconsistent with any terms or conditions of the Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

3. Unless expressly amended by this Addendum, all other terms of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:_____________________________________

Name:___________________________________

Title:____________________________________

Developer:________________________

By:_____________________________________

Name:___________________________________

Title:____________________________________

By:____________________________________

Name:__________________________________

Title:___________________________________

**ADDENDUM TO THE DEVELOPMENT AGREEMENT**
**SHELFGENIE SPV LLC**

**FOR THE STATE OF WISCONSIN**

This Addendum to the Development Agreement is entered into this ____ day of __________, 20___, between **SHELFGENIE SPV LLC** ("we", "us" or "Franchisor") and ___________________________ ("you" or "Developer") to amend and revise the Development Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07, will supersede any conflicting terms of the Development Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

3. Unless expressly amended by this Addendum, all other terms of the Development Agreement remain unchanged.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

**SHELFGENIE SPV LLC**

By:_____________________________________

Name:__________________________________

Title:___________________________________

Developer:________________________

By:_____________________________________

Name:__________________________________

Title:___________________________________

**EXHIBIT H**

**RENEWAL ADDENDUM WITH TERMINATION OF ORIGINAL FRANCHISE AGREEMENT AND RELEASE**

This RENEWAL ADDENDUM WITH TERMINATION OF FRANCHISE AGREEMENT AND RELEASE (this "Addendum") is entered into by and between SHELFGENIE SPV LLC, a Delaware limited liability company having a principal place of business at 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor"), and ______________, individually, having an address of ____________________________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a franchise agreement dated as of ___ pursuant to which Franchisor has granted Franchisee a right and obligation to establish and operate a ShelfGenie® franchise using the Marks and the System in and for the Territory (the "Original Franchise Agreement"); and

WHEREAS, on the terms set forth below, Franchisor and Franchisee desire to terminate and cancel the Original Franchise Agreement; and

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a franchise agreement pursuant to which Franchisor has granted Franchisee a renewal license, granting Franchisee the right and obligation to continue operation of the franchise using the Marks and the System in and for the Territory (the "Agreement"); and

[WHEREAS, Franchisee acknowledges and agrees that Franchisee's execution of the Agreement is pursuant to Franchisee's last renewal option under the Original Franchise Agreement and Franchisee has no further rights of renewal; and]

WHEREAS, the parties have agreed to alter the terms stated in the Agreement, as provided herein to reflect the parties' intentions and the terms of renewal stated in the Original Franchise Agreement.

NOW, THEREFORE, that for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Original Franchise Agreement is hereby terminated by mutual agreement, except for Franchisee's indemnification obligations thereunder.

2. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified specifically herein.

3. Franchisee agrees that the renewal fee will be collected via electronic ACH from Franchisee's bank account at signing of the Agreement, and Franchisee hereby represents and warrants to Franchisor that all necessary action for the execution of this Addendum has been taken.

4. If Franchisee is executing the Agreement at least 60 days prior to the expiration date of the then-current term of the Original Franchise Agreement (such expiration date, the "Original FA Expiration Date"), then Section 4.A, <u>Term</u>, of the Agreement is hereby amended so that the term of the Agreement is the time period from the Effective Date of the Agreement until the Original FA Expiration Date, plus 5

years. (For example, if the Agreement was signed 12 months before the Original Franchise Agreement expires, the term of the Agreement would be 6 years).

[Because Franchisee is hereby exercising its last renewal option under the Original Franchise Agreement, Section 4.B (Renewal Term and Conditions of Renewal) of the Original Franchise Agreement is hereby deleted.]

5. Section 8.A, Initial Franchise Fee, is amended to provide that no initial franchise fee shall be due upon execution of the Agreement.

6. Section 8.B, License Fee, is amended to provide that Franchisee must report and pay a weekly License Fee (or minimum license fee) beginning the 1st week of the Agreement's term, at the rate stated in the Agreement.

7. Franchisee, for itself and each of its past and present heirs, executors, administrators, representatives, affiliates, directors, officers, owners, successors and assigns and on behalf of any other party claiming an interest through Franchisee, in their corporate and individual capacities (collectively "Releasor"), hereby releases and forever discharges Franchisor and each of its predecessors, successors, affiliates, subsidiaries, assigns, past and present officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, actions, causes of action, suits, debts, obligations, liabilities, sums of money, costs and expenses, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, vested or contingent, which the Releasor ever had, now has or which Releasor hereinafter can, will or may have, against Releasees related to, arising from, for, upon or by reason of any matter, cause or thing whatsoever related to the Original Franchise Agreement and the business operated thereunder or any other agreement between Releasor and Releasees, or the relationship between Releasor and Releasees, through the Effective Date (collectively, the "Claims"), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Original Franchise Agreement or any other related agreement between the Releasor and Releasees or the relationship between Releasor and Releasees through and including the Effective Date. For avoidance of doubt, the Releasor does not release Releasees from any obligations arising by virtue of the Agreement and any claims arising from the Releasees' failure to comply with those obligations or the Franchise Disclosure Document furnished to Franchisee as part of entering into the Agreement and the franchise laws that apply to the specific offer, sale and signing of the Agreement.

The release of the Claims as set forth above is intended by the Releasor to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Releasees regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Releasor acknowledges that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasor acknowledges that Releasor has had adequate opportunity to gather all information necessary to enter into this Addendum and to grant the releases contained herein, and needs no further information or knowledge of any kind that would otherwise influence the decision to enter into this Addendum. The Releasor, for itself and its heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waives, relinquishes and abandons each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasor acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

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

This release is and shall be and remain a full, complete and unconditional general release. The Releasor acknowledges and agrees that this release is an essential, integral and material term of this Addendum. The Releasor further acknowledges and agrees that no violation of this Addendum shall void the release set forth herein.

8. Notwithstanding the releases contained herein, all rights and obligations created under this Addendum will specifically survive the execution of this Addendum and the releases contained herein.

9. Each person executing this Addendum on behalf of any of the parties hereto represents and warrants that he or she has been fully empowered to execute this Addendum and that all necessary action has been taken.

10. The provisions of this Addendum shall inure to the benefit of and be binding upon the heirs, successors and assigns in interest of the parties.

11. Each of the parties hereto represents and warrants to each other party that it has not heretofore assigned or transferred, or purported to assign or transfer to any person, entity or corporation whatsoever, any of the claims released hereunder. Each party agrees to indemnify and hold harmless each other party against any claim, demand, debt, obligation, liability, cost, expense, right of action or cause of action based on, arising out of, or in connection with any such transfer or assignment or purported transfer or assignment.

12. If any provision of this Addendum shall for any reason be held violative of any applicable law, governmental rule or regulation, or if said agreement is held to be unenforceable or unconscionable, then the invalidity of such specific provisions herein shall not be held to invalidate the remaining provisions of this Addendum.

**< SIGNATURES APPEAR ON THE NEXT PAGE >**

Signed on this ___________ day of _________________, 20__ (the "Effective Date").

FRANCHISEE:

___________________________________
_________________________, individually

Accepted as of the ________ day of __________________, 20__, in Waco, Texas.

FRANCHISOR:

SHELFGENIE SPV LLC

BY: ________________________________

## EXHIBIT I

## GENERAL RELEASE

This GENERAL RELEASE (this "Release") is made and executed by [NAME], individually ("you"), as of _________________ ("Effective Date").

WHEREAS, you entered into a franchise agreement dated ________ with SHELFGENIE SPV LLC ("us"), and [*describe facts*].

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, affiliates, directors, officers, owners, successors and assigns and on behalf of any other party claiming an interest through you, in their corporate and individual capacities (collectively "Releasor"), hereby releases and forever discharges us and each of our predecessors, successors, affiliates, subsidiaries, assigns, past and present officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, actions, causes of action, suits, debts, obligations, liabilities, sums of money, costs and expenses, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, vested or contingent, which the Releasor ever had, now has or which Releasor hereinafter can, will or may have, against Releasees related to, arising from, for, upon or by reason of any matter, cause or thing whatsoever, through the Effective Date (collectively, the "Claims"), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of any agreement between the Releasor and Releasees or the relationship between Releasor and Releasees through and including the Effective Date.

The release of the Claims as set forth above is intended by the Releasor to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Releasees regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Releasor acknowledges that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasor acknowledges that Releasor has had adequate opportunity to gather all information necessary to enter into this Release and to grant the releases contained herein, and needs no further information or knowledge of any kind that would otherwise influence the decision to enter into this Release. The Releasor, for itself and its heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waives, relinquishes and abandons each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasor acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his favor at the time of

> executing the release, which if known by him must have materially affected his settlement with the debtor or released party."

This Release is and shall be and remain a full, complete and unconditional general release.

_______________________________________
Name, individually

STATE OF _________________ §
§
COUNTY OF ________________ §

I hereby certify that before me, a notary public, personally appeared [NAME] who made oath in due form of law that s/he was executing the foregoing General Release for the purposes therein contained.

As witness, my hand and Notarial Seal on __________________, 20___.

_______________________________________
Notary Public

My Commission Expires: __________________

## EXHIBIT J

## PROTRADENET AGREEMENT

WHEREAS, _______________, individually, having an address of ____________________________________ ("Franchisee," sometimes referred to as "Contractor") is a Franchisee of **SHELFGENIE SPV LLC** , a Delaware limited liability company, having an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor," sometimes referred to as "Trading Partner"), the trading partner of **PROTRADENET SPV LLC** ("PROTRADENET") having an address of 1010 N. University Parks Drive, Waco, TX 76707 and Franchisee desires to participate in discounts, rebates, incentives and other benefits ("Programs") negotiated by PROTRADENET with selected vendors, manufacturers and distributors ("Vendors");

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is acknowledged by all parties, the parties hereto agree to the following terms and conditions:

1. **Term and Default.** The term of this Agreement shall commence on _______________________ and end on December 31 of this year and the Agreement will automatically renew for an additional one (1) calendar year period each year thereafter, commencing on January 1 of next year and each January 1st thereafter, unless earlier terminated in accordance with this Agreement. Notwithstanding the foregoing, PROTRADENET may terminate this Agreement at any time, with or without cause, for any reason whatsoever upon providing the other party written notice of intent to terminate the Agreement and this agreement will automatically terminate upon expiration or termination of the franchise agreement by and between Franchisee and Franchisor with no notice of termination required. In any case, PROTRADENET may terminate this Agreement at any time upon notice to Franchisee if Franchisee is in default of his Franchise Agreement with Franchisor or if Franchisee has failed to comply with the terms and conditions of participation in this Program as set forth in this Agreement, on the website of PROTRADENET or as specified by Franchisor. Upon any termination of this agreement neither PROTRADENET nor any of its affiliates will have any liability to Franchisee or any other party.

2. **PROTRADENET Administration.** PROTRADENET or Franchisor may, but are not required to, return a portion of the fees paid to PROTRADENET from Vendors on behalf of purchases made by Franchisee ("Rebates") directly to Franchisee if Franchisee meets certain conditions, such as Vendor terms and conditions, attendance at Franchisor annual meetings, and other criteria as established by Vendor, PROTRADENET or Franchisor. All fees or Rebates not returned to franchisees may be retained by PROTRADENET or Franchisor and used to cover administrative costs, or promote Franchisor's system and brand. The allocation of these Rebates may change at the sole discretion of PROTRADENET. Accordingly, subject to the terms and conditions set forth in this Agreement, PROTRADENET agrees to process Program Rebates when paid by Vendor within terms as agreed upon by Franchisor. PROTRADENET will pay Franchisor or Franchisee directly, at the discretion of Franchisor. Franchisor reserves the right to deny Program Rebates otherwise due to Franchisee if Franchisor deems Franchisee not qualified for a Rebate(s). PROTRADENET may also withhold or deny Program Rebates if terms of the Program are not met.

3. **Franchisee Exclusion from Vendor Program.** Franchisee acknowledges the Vendor's right to exclude Franchisee from the Program for failure to meet Vendor's terms or for other reasons at the Vendor's discretion.

4. **Access and Release of Information.** Franchisee authorizes PROTRADENET to provide information including, but not limited to, Franchisee's Federal Tax Identification Number "FTIN") and purchase orders, invoices, payments, purchase history or other purchasing information to its Vendors

regarding Franchisee, and Franchisee authorizes PROTRADENET to request, and Vendors to provide, information manually or electronically regarding purchase orders, invoices, payments, purchase history or other purchasing information from Vendors for the purpose of administration of the Program. Franchisee hereby releases PROTRADENET and its parent, affiliates, past and present members, officers, employees, agents, successors and assigns from any liability whatsoever with regard to PROTRADENET providing Franchisee's confidential information, including Franchisee's FTIN, to Vendors or Franchisor pursuant to this Agreement.

5. **Confidentiality.** Franchisee acknowledges the proprietary and confidential nature of PROTRADENET's, Franchisors' and Vendor's Program details and shall use this information only for the purposes of inquiry or purchasing of VENDOR's products and services from the Program. Franchisee shall not provide PROTRADENET's, Franchisors' and/or Vendor's confidential Program information to a third party. This section shall survive the expiration or termination of this Agreement.

6. **Vendors.** Vendors may be added or removed from the Program at any time. Franchisee will receive written, email, or website notification of a change in Vendor status from PROTRADENET or Franchisor. Franchisors have SOLE DISCRETION over whether or not they choose to participate in a Vendor Program and offer that Program to their franchisees.

7. **Miscellaneous**

7.1 **No Guarantee of Rebates.** PROTRADENET does not guarantee any Vendor rebates or payments by Vendors. If PROTRADENET does not receive payment from the Vendor, rebates will not be paid.

7.2 **No Guarantee of Accuracy.** PROTRADENET makes no guarantee of accuracy or uninterrupted delivery of the data exchanged using the e-commerce web solution software as a part of the Program. It is the responsibility of the Franchisee to notify PROTRADENET or Vendor if the purchasing information represented on the e-commerce website is incorrect. Franchisee must notify PROTRADENET within sixty (60) days of the transaction date if the purchasing information is missing or invalid.

7.3 **Effective Date.** This Agreement shall become effective on the date that it is signed by PROTRADENET.

8. **Electronic Invoicing.** Franchisee agrees by its signature below to receive invoices from any Vendor electronically that offers this service though the PROTRADENET e-commerce platform.

9. **Electronic Promotions.** Franchisee agrees by its signature below to receive electronic or email based promotions from PROTRADENET.

10. **Additional Terms and Conditions.** Franchisee agrees by its signature below to abide by all of the terms and conditions on the website of PROTRADENET, www.PROTRADENET.com, www.PROTRADENET.com and www.PROTRADENET.net, which include but are not limited to:

Terms of Use and Privacy Policy

These terms and conditions may be modified and additional terms and conditions added at the sole discretion of Franchisor or PROTRADENET.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives whose signatures appear below.

Signed on this ___________ day of _________________, 20__.

**FRANCHISEE**:

________________________________

___________________________, individually

Accepted as of this _____ day of _________________, 20__, in Waco, Texas.

**PROTRADENET**:

PROTRADENET SPV. LLC

BY:__________________________________
Luke Stanton, President

# EXHIBIT K

## SOFTWARE LICENSE AGREEMENT

This Software License Agreement (this "**Agreement**") is entered into as of __________________________, by and between ShelfGenie SPV LLC, a Delaware limited liability company ("**ShelfGenie**"), and ____________________ ("**Licensee**").

## RECITALS

A. ShelfGenie and Licensee entered into that certain franchise agreement dated ________________________ (the "**Franchise Agreement**").

B. Pursuant to the Franchise Agreement, Licensee has been granted a franchise to operate a business that designs and installs customized solutions for new and existing cabinets, pantries and other structures identified by the trade name and service mark "SHELFGENIE".

C. ShelfGenie and its affiliates have developed proprietary customer relations management software known as WishPortal™ ("**Software**") which ShelfGenie makes available to its franchisees through its web site located at www.shelfgenie.com (the "**Site**");

D. The Franchise Agreement requires Licensee to use and have access to the Software to be used as part of the franchised business; and

E. Licensee wishes to obtain a non-exclusive license to use the Software, and ShelfGenie is willing to grant such non-exclusive license to Licensee on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties agree as follows:

**1. *Software*.**

1.1 License Grant. Subject to Licensee's compliance with the terms and conditions of this Agreement, ShelfGenie hereby grants Licensee a limited, personal, revocable, non-transferable, non-exclusive license during the term of this Agreement, to use the Software for internal business purposes and permit users authorized by Licensee ("**Users**") to use the Software for internal business purposes. The Software will be made available to Licensee under this Agreement in object code only; no source code is provided to Licensee under this Agreement.

1.2 Delivery and Acceptance. Following execution of this Agreement, ShelfGenie shall enable Licensee to download the Software from the Site, or shall otherwise make the Software available to Licensee. The Software (and any future Software updates or upgrades that ShelfGenie may make available to Licensee from time-to-time and which are included in the defined term "Software") will be deemed accepted upon ShelfGenie making the Software (or the relevant update or upgrade) available to Licensee.

1.3 Restrictions. Licensee may not, and will not permit or induce any third party (including, without limitation, any User) to: (i) decompile, reverse engineer, disassemble or otherwise attempt to reconstruct or discover the source code, underlying ideas or algorithms of any components of the Software; (ii) alter, modify, translate, adapt in any way, or prepare any derivative work based upon the Software; (iii) rent, lease, network, loan, pledge, encumber, sublicense, sell, distribute, disclose, assign or otherwise transfer the Software or any copy thereof; (iv) use the Software in commercial timesharing, rental or other sharing arrangements; or (v) remove any proprietary notices from the Software or any related documentation or other materials furnished or made available hereunder. In addition, Licensee agrees to comply with all applicable local, state, national, and international laws, rules and regulations applicable to Licensee's use of the Software.

1.4 Proprietary Rights. ShelfGenie or its licensors retain all right, title and interest in and to the Software and related documentation and materials, including, without limitation, all patent, copyright, trademark, and trade secret rights, embodied in, or otherwise applicable to the Software, whether such rights are registered or unregistered, and wherever in the world those rights may exist. Licensee shall not commit any act or omission, or permit or induce any third party to commit any act or omission inconsistent with ShelfGenie's or its licensors' rights, title and interest in and to the Software and the intellectual property rights embodied therein or applicable thereto. All materials embodied in, or comprising the Software, including, but not limited to, graphics, user and visual interfaces, images, code, applications, and text, as well as the design, structure, selection, coordination, expression, "look and feel", and arrangement of the Software and its content, and the trademarks, service marks, proprietary logos and other distinctive brand features found in the Software ("**ShelfGenie Marks**"), are all owned by ShelfGenie or its licensors. This Agreement does not grant Licensee any license to use the ShelfGenie Marks. Title to the Software shall not pass from ShelfGenie to Licensee, and the Software and all copies thereof shall at all times remain the sole and exclusive property of ShelfGenie. There are no implied rights or licenses in this Agreement. All rights are expressly reserved by ShelfGenie.

1.5 Third Party Software. ShelfGenie may in its sole discretion, make available third party software ("**Third Party Software**") embedded in, or otherwise provided with, the Software. Third Party Software is expressly excluded from the defined term "Software" as used throughout this Agreement. Licensee's use of the Third Party Software is subject to the applicable third party license terms which can be viewed at each third party's website, and such Third Party Software is not licensed to Licensee under the terms of this Agreement. If Licensee does not agree to abide by the applicable license terms for the Third Party Software, then Licensee may not access or use the Software or the Third Party Software.

1.6 Inspection. ShelfGenie shall have the right to review Licensee's use of the Software (consistent with ShelfGenie's inspections rights under the Franchise Agreement) to verify Licensee's compliance with the terms of this Agreement.

**2. *Fees & Payment Terms*.**

2.1 Software License Fees. Licensee shall pay ShelfGenie a fee of One Thousand Dollars ($1,000.00) at the time this Agreement is executed. Licensee shall pay ShelfGenie a monthly fee by the 10th day of each month during the term of this Agreement (the "**Software Fee**"). This Software Fee is for support, maintenance and access to the Software. The Software Fee is currently Three Hundred Dollars ($300.00) per month, plus One Hundred Dollars ($100.00) per month, per Business for up to 3 users (i.e., per each two or more Territory Business for Executive franchise; or per Owner/Operator franchise), plus $100 per month for each additional user over 3 users; this fee is capped at $500 per month per Business, regardless of number of users. This fee may change in the future due to ShelfGenie's licensors' or other third-party vendors' price increases.

2.2 Payment Terms. All payments under this Agreement shall be made in currently available funds and payments may be made by check, wire transfer, or by such other means as ShelfGenie may specify from time-to-time. All fees are payable in U.S. currency. All fees specifically exclude (and Licensee is responsible for) any and all applicable sales, use and other taxes, other than taxes based on ShelfGenie's income. Any amounts due under this Agreement which are not paid within thirty (30) calendar days of their due date shall be subject to a late payment charge of the lower of: (i) one and one half percent (1.5%) per month (and shall thereafter bear interest at a rate of eighteen percent (18%) per annum until paid); and (ii) the highest interest rate permitted by applicable law. Each party is responsible for its own expenses under this Agreement. All fees payable under this Agreement are non-refundable. ShelfGenie will not issue any invoices for the fees due hereunder unless expressly requested by Licensee; provided however, that all fees are automatically due as set forth in this Section 3 irrespective of the date of issue of any invoice.

**3. *Term & Termination*.**

3.1 Term. Subject to termination as set forth in this Section 3, the term of this Agreement will commence on the Effective Date and will continue for as long as any Software is being provided to Licensee under this Agreement. ShelfGenie may cease providing the Software at any point during the term of this Agreement upon sixty (60) days' prior written notice to Licensee.

3.2 Termination.

(a) Either party may terminate this Agreement immediately without further notice if the other party breaches its obligations under this Agreement and does not remedy such breach within thirty (30) calendar days of the date on which the breaching party receives written notice of such breach from the non-breaching party.

(b) Either party may terminate this Agreement upon written notice to the other party: (i) upon the institution by the other party of insolvency, receivership or bankruptcy proceedings or any other act of bankruptcy or proceedings for the settlement of its debts; (ii) upon the institution of bankruptcy proceedings against the other Party, which are not dismissed or otherwise resolved in its favor within ninety (90) days thereafter; (iii) upon the other Party making a general assignment for the benefit of creditors, whether voluntary or involuntary, or calling a general meeting of the party's creditors for purposes of compromising any of the party's debts; or (iv) upon the other party dissolving, liquidating, winding up, or ceasing to conduct business in the ordinary course.

(c) ShelfGenie may terminate this Agreement immediately, if Licensee willfully and maliciously commits a material breach of Section 1.3 (Restrictions). Additionally, in the event the Franchise Agreement is terminated, this Agreement shall automatically terminate at the same time.

3.3 Effects of Termination. Upon the termination of this Agreement for any reason: (i) the licenses granted under this Agreement in respect of the Software shall immediately terminate and Licensee shall cease to use Software and shall cease making the Software or any services available to Users; (ii) Licensee shall pay to ShelfGenie the full amount of any outstanding fees due hereunder; and (iii) within ten (10) calendar days of such termination, Licensee shall destroy or return all confidential and/or proprietary information of ShelfGenie in its possession, and will not make or retain any copies of such information in any form. Notwithstanding the foregoing, the following terms shall survive the termination of this Agreement, together with any other terms which by their nature are intended to survive such termination: Sections 1.3 (Restrictions), 1.4 (Proprietary Rights), 2 (Fees & Payment Terms), 3.3 (Effects of Termination), 4 (Confidentiality), 5.2 (Disclaimer of Warranties), 6 (Indemnification), 7 (Limitation of Liability), 9 (Governing Law & Jurisdiction), 10 (Notices), and 11 (General Provisions).

**4. *Confidentiality*.**

4.1 General. If Licensee (the "**Receiving Party**") obtains access to Confidential Information (as defined below) of ShelfGenie or any of its affiliates or parent (the "**Disclosing Party**") in connection with the negotiation or performance of this Agreement, the Receiving Party agrees: (a) not to directly or indirectly disclose the Confidential Information to any third party except as contemplated by this Agreement; and (b) to use the Confidential Information only to perform its obligations and exercise its rights under this Agreement. The Receiving Party shall use best efforts and the highest degree of care to protect the Confidential Information of the Disclosing Party from unauthorized disclosure or access. The Receiving Party shall immediately notify the Disclosing Party of any actual or suspected loss or unauthorized use, disclosure of or access to the Disclosing Party's Confidential Information of which it becomes aware and take all steps reasonably requested by the Disclosing Party to limit, stop or otherwise prevent such loss or unauthorized use, disclosure or access.

4.2 Confidential Information. "**Confidential Information**" shall mean for purposes of this Agreement: (a) all information about or belonging to the Disclosing Party or a third party that is disclosed or otherwise becomes known to the Receiving Party in connection with this Agreement and that is not a matter of public knowledge; (b) all trade secrets, customer information and intellectual property owned or licensed by the Disclosing Party; (c) all personal information about individuals contained in the Disclosing Party's records (including names, addresses, social security numbers, and credit card and other financial information); and (d) the Software.

4.3 Exclusions. Any particular information of the Disclosing Party shall not be considered Confidential Information if it: (a) was previously rightfully known by the Receiving Party free of any obligation to keep it confidential; (b) is or becomes publicly known through no wrongful act of the Receiving Party or any third party with a duty of confidentiality; (c) is independently developed by the Receiving Party without reference to the Confidential Information of the Disclosing Party; or (d) is subject to disclosure pursuant to a subpoena, judicial or governmental requirement, or order, provided that the Receiving Party has given the Disclosing Party sufficient prior notice of such subpoena, requirement, or order, to permit the Disclosing Party a reasonable opportunity to object to the subpoena, requirement, or order and to allow the Disclosing Party the opportunity to seek a protective order or other appropriate remedy.

## 5. *Warranties & Disclaimer of Warranties.*

5.1 General Representations and Warranties. Each party represents and warrants to the other party that: (i) it has the full power and authority to enter into this Agreement and to carry out its obligations under this Agreement; and (ii) it has complied, and will in the future comply, with all applicable laws, rules and regulations in connection with the execution, delivery and performance of this Agreement.

5.2 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS SECTION 6: (I) THE SOFTWARE ARE PROVIDED TO LICENSEE ON AN "AS IS" BASIS, WITH ANY AND ALL FAULTS, AND WITHOUT ANY WARRANTY OF ANY KIND; AND (II) SHELFGENIE EXPRESSLY DISCLAIMS ALL REPRESENTATIONS, WARRANTIES AND CONDITIONS WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, AND NON-INFRINGEMENT OF THIRD PARTY RIGHTS. SHELFGENIE DOES NOT WARRANT THAT THE SOFTWARE WILL MEET LICENSEE'S OR ITS USERS' REQUIREMENTS, OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE SOFTWARE WILL BE CORRECTED. LICENSEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE USE OF THE SOFTWARE AND ALL RESULTS OF SUCH USE IS SOLELY AT LICENSEE'S AND ITS USERS' OWN RISK. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY SHELFGENIE OR ITS AUTHORIZED REPRESENTATIVES SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF ANY WARRANTY. SOME JURISDICTIONS MAY NOT ALLOW THE EXCLUSION AND/OR LIMITATION OF IMPLIED WARRANTIES OR CONDITIONS, OR ALLOW LIMITATIONS ON HOW LONG AN IMPLIED WARRANTY LASTS, SO THE ABOVE LIMITATIONS OR EXCLUSIONS MAY NOT APPLY TO LICENSEE. IN SUCH EVENT, SHELFGENIE'S WARRANTIES AND CONDITIONS WITH RESPECT TO THE SOFTWARE WILL BE LIMITED TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW IN SUCH JURISDICTION.

## 6. *Indemnification.*

6.1 Indemnification. Licensee hereby agrees to indemnify, defend and hold harmless ShelfGenie and its parents, affiliates, subsidiaries, licensors, and third party service providers, and its and their respective officers, directors, employees, agents, representatives, and contractors (each, a "**ShelfGenie Party**"), from and against any and all liability and costs (including, without limitation, attorneys' fees and costs) incurred by any ShelfGenie Party in connection with any actual or alleged claim arising out of, or relating to: (i) Licensee's breach of this Agreement, or violation of any applicable law, rule or regulation and (ii) Licensee's gross negligence, fraudulent misrepresentation or willful misconduct.

6.2 Procedure. Counsel Licensee selects for the defense or settlement of a claim must be consented to by ShelfGenie prior to counsel being engaged to represent any ShelfGenie Party. Licensee and Licensee's counsel will cooperate as fully as reasonably required, and provide such information as reasonably requested, by ShelfGenie in the defense or settlement of any claim. ShelfGenie reserves the right, at its own expense, to assume the exclusive defense or settlement, and control of any matter otherwise subject to indemnification by Licensee. Licensee shall not in any event, consent to any judgment, settlement, attachment, or lien, or any other act adverse to the interests of any ShelfGenie Party without the prior written consent of each relevant ShelfGenie Party.

## 7. *Limitation of Liability.*

7.1 Consequential Damages Waiver. UNDER NO CIRCUMSTANCES, SHALL ANY SHELFGENIE PARTY BE LIABLE TO LICENSEE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE, RELIANCE, OR CONSEQUENTIAL DAMAGES, (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION AND THE LIKE) ARISING OUT OF OR RELATING TO THE USE AND/OR INABILITY TO USE THE SOFTWARE, REGARDLESS OF THE LEGAL THEORY UPON WHICH ANY CLAIM FOR SUCH DAMAGES IS BASED AND EVEN IF A SHELFGENIE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

7.2 Limitation of Damages. WITHOUT LIMITING THE FOREGOING, IN NO EVENT SHALL THE SHELFGENIE PARTIES' TOTAL CUMULATIVE LIABILITY TO LICENSEE FOR ALL DAMAGES, LOSSES AND CAUSES OF ACTION (WHETHER IN CONTRACT, TORT, INCLUDING NEGLIGENCE AND STRICT LIABILITY, OR OTHERWISE) EXCEED THE TOTAL AMOUNT OF FEES PAID BY LICENSEE TO SHELFGENIE DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO THE SHELFGENIE PARTIES' LIABILITY.

7.3 Failure of Essential Purpose. THE PARTIES AGREE THAT THESE LIMITATIONS SHALL APPLY EVEN IF THIS

AGREEMENT OR ANY LIMITED REMEDY SPECIFIED HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

7.4 Jurisdictional Issues. Some jurisdictions may not allow the exclusion or limitation of incidental, special, consequential, or other damages, so the above limitations or exclusions may not apply to Licensee. In such event, the liability of the ShelfGenie Parties for such damages with respect to the Software will be limited to the greatest extent permitted by applicable law in such jurisdiction.

**8. *Export*.** *Licensee acknowledges that the laws and regulations of the United States of America and foreign jurisdictions may restrict the export and re-export of certain commodities and technical data of United States of America origin, including the Software. Licensee agrees that it will not export or re-export the Software without the appropriate United States or foreign government licenses or permits.*

**9. *Governing Law & Jurisdiction*.** *This Agreement will be construed and enforced in all respects in accordance with the laws of the state of Georgia, without reference to its choice of law rules. Any action or proceeding permitted to be brought in court, shall be brought in the state courts located in the state and county in which ShelfGenie's principal place of business is located or the federal courts of the state and district in which ShelfGenie's principal place of business is located. For any action or proceeding permitted to be brought in court, Licensee consents to the jurisdiction of the state courts located in the state and county in which ShelfGenie's principal place of business is located and the federal courts of the state and district in which ShelfGenie's principal place of business is located. The parties hereto waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The exclusive choice of jurisdiction and venue does not preclude the enforcement by either party hereto of any judgment obtained in such jurisdiction, in any appropriate jurisdiction. Notwithstanding anything in this Agreement to the contrary, ShelfGenie may seek injunctive or other equitable relief in any court of competent jurisdiction to protect any actual or threatened misappropriation or infringement of its intellectual property rights or those of its licensors, and Licensee hereby submits to the exclusive jurisdiction of such courts and waives any objection thereto on the basis of improper venue, inconvenience of the forum or any other grounds. Licensee agrees that any breach of the license restrictions or other infringement or misappropriation of the intellectual property rights of ShelfGenie or its licensors will result in immediate and irreparable damage to ShelfGenie for which there is no adequate remedy at law. The United Nations Convention on Contracts for the International Sale of Goods in its entirety is expressly excluded from this Agreement, including, without limitation, application to the Software provided hereunder. Furthermore, this Agreement will not be governed or interpreted in any way by referring to any law based on the Uniform Computer Information Transactions Act (UCITA) or any other act derived from or related to UCITA.*

**10. *Notices*.** *All notices permitted or required under this Agreement shall be in writing and shall be delivered by personal delivery, e-mail, or by certified or registered mail, return receipt requested, and shall be deemed given upon personal delivery, five (5) business days after deposit in the U.S. mail, or upon confirmation of transmission if sent by e-mail. Notices shall be sent to each party at their respective addresses as set forth in this Agreement, as such contact information may be updated by each party from time-to-time pursuant to this Section 10.*

**11. *General Provisions*.** *Licensee shall not assign this Agreement or transfer any of its rights hereunder, or delegate the performance of any of its duties or obligations arising under this Agreement, whether by merger, acquisition, sale of assets, operation of law, or otherwise, without the prior written consent of ShelfGenie. Any purported assignment in violation of the preceding sentence is null and void. Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the parties thereto. Except as otherwise specified in this Agreement, this Agreement may be amended or supplemented only by a writing that refers explicitly to this Agreement and that is signed on behalf of both parties. No waiver will be implied from conduct or failure to enforce rights. No waiver will be effective unless in a writing signed on behalf of the party against whom the waiver is asserted. If any term of this Agreement is found invalid or unenforceable that term will be enforced to the maximum extent permitted by law and the remainder of this Agreement will remain in full force. The parties are independent contractors and nothing contained herein shall be construed as creating an agency, partnership, or other form of joint enterprise between the parties. This Agreement represents the entire agreement between the parties relating to its subject matter and supersedes all prior and/or contemporaneous representations, discussions, negotiations and agreements, whether written or oral. Except for Licensee's payment obligations hereunder, neither party shall be liable to the other party or any third party for failure or delay in performing its obligations under this Agreement when such failure or delay is due to any cause beyond the control of the party concerned, including, without limitation, acts of God, governmental orders or restrictions, fire, or flood, provided that upon cessation of such events such party shall thereupon promptly perform or complete the performance of its obligations hereunder. Except as otherwise expressly provided in this Agreement, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either party at law, in equity or otherwise. All capitalized terms used in this Agreement or in any notice given under or in connection with this Agreement have the same meaning in this Agreement or notice as in the Franchise Agreement, unless expressly defined otherwise in this Agreement. This Agreement may be entered into in one or more counterparts, each of which will be deemed an original, and all of which taken together shall constitute one and the same instrument.*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

FRANCHISEE:

_______________________________________________
___________________, individually

_______________________________________________
Date

FRANCHISOR:

SHELFGENIE SPV LLC
A Delaware Limited Liability Company

BY: ___________________________________________

_______________________________________________
Date

**EXHIBIT L**

**ASSIGNMENT AND CONSENT AGREEMENT**

## ASSIGNMENT AND CONSENT AGREEMENT

This Assignment and Consent Agreement (this "Agreement") is made effective as of the date Franchisor signs below (the "Effective Date") and is entered into by and among [ ] ("Franchisee"), and [ ] (a "Franchisee Principal(s)") (Franchisee and Franchisee Principal(s) collectively referred to as "Assignor"), [ ] ("Assignee"), and ShelfGenie SPV LLC, a Delaware limited liability company having a principal place of business at 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor"). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Old Franchise Agreement (as defined below).

## RECITALS

A. Franchisor and Assignor are parties to a ShelfGenie® Franchise Agreement dated [ ] (the "Old Franchise Agreement"), pursuant to which Assignor was granted the right to operate a ShelfGenie® business in the following territory: ____________________________ (the "Franchised Business").

B. Assignor desires to assign to Assignee all right, title and interest in the Franchised Business, including the franchise rights for the Franchised Business (the "Assignment"); Assignee wishes to accept the Assignment and, as of the Effective Date, assume all of the duties, obligations, and liabilities of Assignor related thereto by entering into a purchase and sale agreement with Assignor and by signing a franchise agreement with Franchisor.

C. Simultaneously herewith, Franchisor and Assignee are entering into an Assignment and Consent Agreement, dated as of the Effective Date (the "Assignee Agreement"), which Assignee Agreement documents Assignee's obligations with respect to the Assignment.

D. Assignor represents that there is no dispute related to the offer and sale of the Old Franchise Agreement or Franchised Business, and further represents that Assignor has no claims against Franchisor under applicable laws.

E. In consideration of Assignor's request for the Assignment and the representations set forth in Recital C above, Franchisor is willing to consent to the Assignment as of the Effective Date, subject to the provisions stated below, and Assignor agrees to settle all known and unknown disputes it may have against Franchisor, if any, that exist as of the Effective Date.

## AGREEMENTS

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment and Assumption. Assignor assigns to Assignee all right, title and interest in and to the Franchised Business, including the franchise rights for the Franchised Business. Assignee unconditionally assumes and accepts the Assignment of the Franchised Business, including the franchise rights for the Franchised Business, and agrees to be bound by all duties, obligations, and liabilities of the Assignor related thereto, including without limitation all of Assignor's customer obligations, including all warranty work and service plans obligations.

2. Signing of Current Form of Franchise Agreement. As a condition of Franchisor's consent to the Assignment, Assignee agrees to sign Franchisor's then-current form of franchise agreement (the "New Franchise Agreement"). Assignee acknowledges that the terms and conditions of the New Franchise

Agreement may be different than the terms and conditions of the Old Franchise Agreement. Prior to the Effective Date, Assignee shall deliver to Franchisor two signed copies of the New Franchise Agreement, along with the executed copies of this Agreement.

3. Termination of Old Franchise Agreement. All parties agree that the Old Franchise Agreement is terminated as of the effective date of the New Franchise Agreement with no further force and effect, except for the post-termination obligations identified in Section 12 below.

4. Status of Assignor Following Assignment. Upon and after the Effective Date and subject to Section 12 below, Assignor will have no interest in and will no longer be responsible or liable for (a) the Franchised Business, (b) the franchise rights for the Franchised Business, or (c) the Old Franchise Agreement. Assignor, however, will remain liable for any responsibilities, obligations, and liabilities related to the Old Franchise Agreement and the Franchised Business up to the Effective Date, including all monetary obligations due to Franchisor, its affiliates, and other third parties under the Old Franchise Agreement that have accrued as of the Effective Date and all post-termination obligations identified in Section 12 below.

5. Assignee Principals. If Assignee is an entity, Assignee represents and warrants to Franchisor and Assignor that the following individuals and/or entities are the sole owners of Assignee (the "Assignee Principals"):

| **Name of Principal Owner** | **Percentage of Ownership in Assignee (total must equal 100%)** |
|---|---|
| **Total** | 100% |

6. Payment of Transfer Fee. On or before the Effective Date, Franchisor must receive a transfer fee in the amount of $[____________], as referenced in Section 10.C. of the Old Franchise Agreement.

7. Training. On or before the Effective Date, Assignee must complete Franchisor's training requirements.

8. Payment of Fees Owed to Franchisor; Delivery of Reports. On or before the Effective Date, all fees owed by Assignor to Franchisor, its affiliates or suppliers or upon which Franchisor or its affiliates have any contingent liability, under or related to the Old Franchise Agreement (the "Fees Owed") must be paid in full. Accordingly, on or before the Effective Date, Assignor or Assignee must deliver the full amount of Fees Owed to Franchisor, its affiliate(s) and/or suppliers, along with three fully executed copies of this Agreement. In addition, on or before the Effective Date, Assignor must deliver to Franchisor any and all reports required to be delivered under the Old Franchise Agreement, including without limitation reports related to any Fees Owed and any financial and other reports relating to the Franchised Business and its operations as Franchisor may request pursuant to Section 10.D.8 of the Franchise Agreement in order for Franchisor and/or Assignee to evaluate the Franchised Business and the proposed transfer.

9. Personal Guaranty. Each Assignee Principal must execute a personal guarantee in the form attached to the New Franchise Agreement.

10. Representations.

A. Assignor and Assignee represent and warrant to each other that they have the authority to execute this Agreement.

B. Assignor represents and warrants to Franchisor and Assignee that it owns all right, title and interest in and to the Franchised Business and the Old Franchise Agreement, free and clear of any mortgage, lien or claims, and has not assigned any or all of its interest in the Franchised Business or the Old Franchise Agreement to any third party.

C. Assignor and Assignee represent and warrant to Franchisor that they have consummated the asset purchase and sale transaction that is related to the Assignment contemplated hereunder as of the Effective Date.

11. Indemnification.

A. Assignor, for itself, its heirs, successors and assigns, agrees to indemnify and hold harmless Franchisor, its affiliates, successors, assigns, officers, directors, employees, agents, and each of them, against any and all liabilities, damages, actions, claims, costs (including reasonable attorneys' fees), or expenses of any nature resulting, directly or indirectly, from any of the following: (i) any misrepresentations or breach of warranty by Assignor under this Agreement; (ii) the Assignment; or (iii) any claim, suit or proceeding initiated by or for a third party(s), now or in the future, that arises out of or relates to the Old Franchise Agreement or the Franchised Business operated by Assignor prior to the Effective Date.

B. Assignee, for itself, its heirs, successors and assigns, agrees to indemnify and hold harmless Franchisor, its affiliates, successors, assigns, officers, directors, employees, agents, and each of them, against any and all liabilities, damages, actions, claims, costs (including reasonable attorneys' fees) or expenses of any nature resulting, directly or indirectly, from any of the following: (i) any misrepresentations or breach of warranty by Assignee under this Agreement, or (ii) the Assignment.

12. Assignor's Post-Termination Obligations. Assignor agrees that, upon transfer of its interest in the Franchised Business to Assignee, Assignor will comply with all post-termination obligations set forth in Section 13 of the Old Franchise Agreement, which obligations shall be incorporated herein by reference. Further, Assignor shall comply with any other provisions of the Old Franchise Agreement which, by their nature, survive termination or expiration of the Old Franchise Agreement.

13. Consent to Assignment. Franchisor consents to the Assignment subject to the terms and conditions of this Agreement and the Assignee Agreement. Franchisor's consent to the Assignment will not result in any waiver of any rights nor a release under the Old Franchise Agreement or New Franchise Agreement, and is not a consent to any additional or subsequent transfers or assignments.

14. Release and Settlement of Claims by Assignor. Except as may be prohibited by applicable law, Franchisee and Franchisee Principals (individually and as owners of Franchisee) and each of their respective heirs, successors, assigns, affiliates, shareholders, officers, directors, employees, and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as

the "Assignor Parties" for purposes of Sections 14, 15 and 16 hereof), release and forever discharge Franchisor, its predecessors, successors, affiliates, directors, officers, shareholders, agents, employees and assigns (collectively and individually referred to as the "Franchisor Parties" for purposes of Sections 14, 15 and 16) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action (collectively, "Claims"), whether known or unknown, vested or contingent, which Assignor Parties may now or in the future own or hold, that in any way relate to the Old Franchise Agreement, any other agreement between Assignor and Franchisor, the Franchised Business, or the relationship between Assignor and Franchisor through the Effective Date (collectively, "Assignor Claims"), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Old Franchise Agreement or any other agreement between Assignor and Franchisor through and including the Effective Date.

15. Release by Assignee. Except as noted in this Section 15, Assignee, Assignee Principals (if any), and their respective affiliates, successors, assigns, officers, directors, employees, agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the "Assignee Parties" for purposes of this Section 15 and Section 16 below), release and forever discharge the Franchisor Parties of and from any and all Claims, whether known or unknown, vested or contingent, which Assignee may now or in the future own or hold, that in any way relates to the Franchised Business or the New Franchise Agreement (collectively referred to as "Assignee Claims" for purposes of this Section 15 and Section 16).

As to the New Franchise Agreement, the Assignee Parties and Franchisor Parties acknowledge and agree that the release by the Assignee Parties does not relate to the offer and sale of the New Franchise Agreement. Further, the parties agree that the release as it relates to the New Franchise Agreement is effective as to Assignee Claims arising through the Effective Date of this Agreement, and not to any claims arising after the Effective Date.

16. Acknowledgement of Releasors. The release of Assignor Claims set forth in Section 14 and Assignee Claims in Section 15 are intended by the Assignor Parties and Assignee Parties (collectively, the "Releasors") to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Releasors against any other Releasor. In making this voluntary express waiver, the Releasors acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasors' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasors acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and release, and need no further information or knowledge of any kind that would otherwise influence the decision to enter into this Agreement. The Releasors, for themselves and their heirs, successors and assigns, hereby expressly, voluntarily, and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereafter existing under the laws of California or any other applicable federal or state law with jurisdiction over the parties' relationship. The Releasors acknowledge that Section 1542 of the Civil Code of the State of California provides as follows:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have

> materially affected his settlement with the debtor or released party."

This release is and shall be and remain a full, complete, and unconditional general release. The Releasors acknowledge and agree that this release and the foregoing waiver are an essential, integral and material term of this Agreement. The Releasors further acknowledge and agree that no violation of this Agreement shall void the releases set forth in Sections 14 and 15.

17. Confidentiality. Assignor and Assignee acknowledge and agree that this Agreement and matters discussed in relation thereto are entirely confidential. It is therefore understood and agreed by Assignor and Assignee that they will not reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, except to their respective officers, employees or professional representatives, or as required by law.

18. Miscellaneous. This Agreement, the Assignor Agreement, and the documents referred to herein, constitute the entire agreement among the parties with respect to the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought. All representations, warranties, agreements and all other provisions of this Agreement which by their terms or by reasonable implication are intended to survive the closing of this transaction will survive it.

19. Representation by Counsel. The parties have had adequate opportunity to consult with an attorney of their respective choice, including with respect to the release of claims set forth herein.

20. Governing Law/Venue. This Agreement will be construed and enforced in accordance with the laws of Texas, without regard to principles of conflicts of law. The parties further agree that any legal proceeding relating to this Agreement or the enforcement of any provision herein shall be brought or otherwise commenced only in the courts of Texas.

21. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall constitute an original copy.

**ASSIGNOR:**

[______________]

By: ______________________________________
Name:
Title:

**ASSIGNEE:**

[______________]

By: ______________________________________
Name:
Title:

**FRANCHISOR:**

ShelfGenie SPV LLC

By: ___________________________________
Name:
Title:

**Effective Date**: __________________________, 20__

# EXHIBIT M

# CALL CENTER PROGRAM AGREEMENT

**NEIGHBORLY CUSTOMER SOLUTIONS TERMS OF USE**

The following Terms of Use (the "Terms") is a binding agreement between you ("User", "you", or "your") and Neighborly Service Solutions SPV LLC d/b/a Neighborly Customer Solutions and its affiliates with offices located at 1010 N. University Parks Drive, Waco, Texas 76707 ("NCS", "we", or "us") (Singularly a "Party" and together "the Parties"). These Terms govern your access to and use of NCS's call center and any additional services (the "Service").

THESE TERMS TAKE EFFECT WHEN YOU ACCESS OR USE THE SERVICE (THE "EFFECTIVE DATE"). BY ACCESSING OR USING THE SERVICE, YOU (A) ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTAND THESE TERMS; (B) REPRESENT AND WARRANT THAT YOU HAVE THE RIGHT, POWER, AND AUTHORITY TO ENTER INTO THESE TERMS AND, IF ENTERING INTO THESE TERMS FOR AN ORGANIZATION, THAT YOU HAVE THE LEGAL AUTHORITY TO BIND THAT ORGANIZATION; AND (C) ACCEPT THESE TERMS AND AGREE THAT YOU ARE LEGALLY BOUND BY THESE TERMS. IF YOU DO NOT ACCEPT THESE TERMS, YOU MAY NOT ACCESS OR USE THE SERVICE. YOU MAY NOT ACCESS THE SERVICE IF YOU ARE A COMPETITOR OF NCS OR ITS PARENTS OR AFFILIATES, EXCEPT WITH OUR PRIOR WRITTEN CONSENT.

**1. Services Terms.** By using NCS's call center and any additional services as described on **Exhibit "B"**, hereinafter defined as the "Services", you agree to follow and be bound by these Terms as of the date you begin using the Services. If you will be using the Services on behalf of an organization, an authorized representative from that organization must agree to these Terms. In such case, "you" and "your" will refer to that organization as well.

1.1 Access. Subject to your payment of the fees as provided in Section 1.7 below, NCS agrees to provide the Services on the Terms herein. NCS hereby grants you a revocable, non-exclusive, non-transferable, non-sublicensable, limited right to access and use the Service during the Term solely for your internal business operations in accordance with the terms and conditions herein and the restrictions set forth in the Service type applicable to your subscription.

1.2 Acceptable Use Policy. You will comply with all terms and conditions of these Terms, the Acceptable Use Policy, attached as Exhibit A, all applicable laws, rules, and regulations, and all guidelines, standards, and requirements that NCS may update from time to time. You shall not, and shall not permit any Users to, use the Service for any purposes beyond the scope granted in these Terms and any other terms provided by NCS.

1.3 Customer Data. You agree that all right, title, and interest, including all intellectual property rights in and to information, data, and other content, in any form or medium, that is submitted, posted, or otherwise transmitted by or on behalf of a customer or any other User through the Service is owned by NCS or its affiliates.

1.4 Usage Verification. At NCS's request, and no more than once every twelve (12) months, you shall certify in writing to NCS that you are compliant with these Terms.

1.5 Privacy Policy. NCS complies with its privacy policy available at https://neighborly.com/privacy-policy/ ("Privacy Policy"), in providing the Service. The Privacy Policy is subject to change as described therein. By accessing, using, and providing information to or through the Service, you acknowledge that you have reviewed and accepted our Privacy Policy, and you consent to all actions taken by us with respect to your information in compliance with the then-current version of our Privacy Policy.

1.6 Third Parties. The Services may contain or otherwise make use of software, code or related materials from third parties, including, without limitation, "open source" or "freeware" software ("Third-Party Components"). Third-Party Components may be licensed under additional or other license terms that accompany such Third-Party Components. You acknowledge and agree that these accompanying license terms govern their use. Nothing in these Terms limits your rights under, or grants you rights that supersede, the license terms that accompany any Third Party Components. You agree that NCS may engage one or more third parties, including its affiliates, to provide some or all of the Services to you on behalf of NCS. You agree that the terms of use or service of potential third-party service provider apply to the account and Services provided by NCS and or the third-party service provider. NCS is not liable or responsible for any actions of the third-party service providers. You agree to fully cooperate with such third parties.

1.7 Fees. You agree to pay to NCS the call center fees specified in the applicable Franchise Agreement between you and ShelfGenie SPV LLC, in accordance with the payment terms set forth in such Franchise Agreement.

2. **Term.** The Services shall commence on the Effective Date, pursuant to these Terms, and the Parties intend that the provision of the Services will be coextensive with all renewals and extensions thereof (the "Term"), unless sooner terminated as provided for herein.

2.1 Automatic Termination. The Services will terminate automatically upon the expiration, nonrenewal or termination of the Franchise Agreement.

2.2 Termination by NCS. NCS may terminate these Services at any time for any reason. If you or your organization fail to pay for the Services, NCS may terminate the Services immediately.

2.3 Disabling of the Services. NCS reserves the right to disable the functionality of the Services, in whole or in part, in the event that you materially breach these Terms. NCS will not be liable to User for any damages whatsoever that may result directly or indirectly from disabling the functionality of the Services, pursuant to this section.

3. **Support and Maintenance.**

3.1.1 During the Term, NCS will provide maintenance and support services to you as set forth in **Exhibit "B"**. NCS may, in its discretion, modify, upgrade or create fixes, service releases and new versions of the Services from time to time.

3.1.2 User acknowledges that the proper functioning of the Services as intended may require User to give NCS remote access to its network. User understands and acknowledges that such remote access will allow NCS to have access to the data generated by User, and will allow for User's submission of periodic reports to NCS. User agrees to provide NCS access to all data to and from the Services.

3.1.3 NCS will provide the Services in a professional manner and in accordance with generally accepted industry standards (including, without limitation, with respect to quality, timeliness, nature, accuracy, completeness, responsiveness and efficiency).

4. **NCS Intellectual Property.**

User acknowledges that NCS, its parents, and affiliates retain all rights in and to all content, systems, software, software code, designs, logos, trademarks, trade names, databases, data, customer data, inventions, improvements, or other works submitted, added to, created, or used for or in connection with the Services, whether or not created or developed under these Terms for User, unless otherwise assigned to User in writing. NCS reserves all rights not expressly granted to you in these Terms. Except for the limited rights and licenses expressly granted under these Terms, nothing in these Terms grants, by implication, waiver, estoppel, or otherwise, to you or any third party any intellectual property rights or other right, title, or interest in or to the NCS intellectual property.

5. **User Representations.**

User represents to NCS that: (a) it has the authority to enter into these Terms; (b) it will provide NCS necessary access to its personnel, appropriate documentation and records and facilities in order to timely provide the Services; (c) it has any necessary rights, including intellectual property rights, to the content and all other material provided to NCS under these Terms; and (d) it will comply with all applicable United States laws and regulations, including privacy laws and regulations, related to the Services.

User represents and warrants that the use of all elements that you provide to NCS for the Services or otherwise, including text, images, ad copy, any personal information, or any other content, will not infringe upon or violate any copyrights, trademarks, service marks, trade secrets, privacy and publicity rights, contractual rights, or other rights of any third party.

6. **Confidentiality and Limited Access.**

Each party acknowledges and agrees that each party has a legitimate interest in protecting its proprietary information. Each party acknowledges that during the Term, it may have access to confidential information and trade secrets from the other party, consisting of, but not limited to, customer lists and information concerning each other's methods of operations, regulatory status, systems, products and other such proprietary business information. For the purposes of these Terms, "confidential information" means any confidential or other proprietary information disclosed by one party to the other under these Terms, except information that (a) is public knowledge at the time of disclosure by the disclosing party (b) was known by the receiving party after such disclosure, or becomes public knowledge or otherwise known to the receiving party after such disclosure, other than breach of confidentiality obligation, or (c) is independently developed by the receiving party. The Parties, each jointly and severally, mutually promise and agree, not to disclose confidential information obtained from the other party. Upon NCS's request and direction, User will provide all data to NCS. The Parties may provide Personal Information to each other for the sole purpose of providing the Services under these Terms. For the avoidance of doubt, the provision of Personal Information by either Party does not constitute a sale of such Personal Information. User shall immediately notify NCS upon discovering any loss or theft of any copy of the Services or its documentation or any data generated by its use, or any unauthorized disclosure thereof.

7. **Indemnification.**

User shall defend, indemnify and hold harmless NCS, and their parents, affiliates, successors, directors, officers, attorneys, employees and representatives from any loss, liability, damage, cost and expense (including reasonable attorney fees actually incurred) arising out of claims related to (i) misuse of the Services; (ii) unapproved use of marketing collateral, content, or images; (iii) gross negligence or willful misconduct; (iv) breach of these Terms and or damages caused by User while using the Services; and/or (v) any breach of the laws relating to the sending of electronic messages.

8. **Limitation of Liability.**

***Disclaimer of Warranty*. EXCEPT AS SPECIFICALLY PROVIDED HEREIN, NCS DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER. NCS EXPRESSLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

***Limitation of Liability*. THE LIABILITY OF NCS TO USER WILL BE LIMITED TO DIRECT DAMAGES ARISING SOLELY OUT OF NCS'S MAINTENANCE OBLIGATIONS UNDER THESE TERMS. IN NO EVENT WILL NCS BE LIABLE FOR INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NCS HAS PREVIOUSLY BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

Notwithstanding anything to the contrary, the Services of NCS are provided "AS IS" without warranties of any kind, either express or implied. If NCS fails for any reason to provide services as stated in these Terms, NCS's sole obligation will be to correct the failure or providing such service on the terms or similar terms as contained herein.

9. **Force Majeure.**

Neither party hereunder shall be liable to the other for any failure or delay in performance of its obligations under these Terms due to causes beyond reasonable control of the party in question such as governmental action or rioting, civil commotion, fire, flood, epidemic or other act of God. Performance of the contractual obligation which has been delayed by the force majeure shall be deemed suspended only for a period equal to the delay caused by such an event.

**10. <u>Governing Law and Forum.</u>**

These Terms shall be governed and construed in accordance with the laws of the State of Texas without regard to Texas's conflicts of law principles. The Parties hereby irrevocably consent to the non-exclusive jurisdiction of the federal and state courts located in Waco, McLennan County, Texas, in any action for temporary, interim or provisional equitable remedies. The Parties hereby waive, to the full extent permitted by law, defenses based on jurisdiction, venue and forum non conveniens. The Parties further consent to service of process by certified mail, return receipt requested, or by any other means permitted by law.

**11. <u>Waiver.</u>**

No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under these Terms will be construed as a waiver of any earlier or succeeding breach or default.

**12. <u>Assignments.</u>**

NCS has the right to sell or assign, in whole or in part, these Terms or any of its interest in these Terms, without prior notice to User, and without User's consent. To the extent that the purchaser or assignee shall assume our covenants and obligations under these Terms, NCS shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

**13. <u>Notices.</u>**

All notices and demands required or permitted to be given by either party to the other under these Terms shall be in writing, including via email, to the contact information provided herein. If to NCS, copies of all notices should be sent to such email address as may be provided to User from time to time.

**14. <u>Severability.</u>**

If any part of these Terms are for any reason found to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of these Terms shall not be affected and same shall remain in effect.

**15. <u>Compliance with Laws.</u>**

In performing under these Terms, each party shall comply with all applicable federal, state, or local laws, rules and regulations ("Laws") at each party's own expense and each party shall indemnify and hold the other party harmless for their failure to comply with all Laws.

**16. <u>Entire Agreement.</u>**

These Terms constitute the entire integrated Agreement and understanding between the NCS and User with respect to the subject matter hereof, and supersedes all prior and contemporaneous negotiations, discussions, and understandings between the NCS and User, either written or oral. User hereby certifies it has the full capacity to enter into these Terms. By using the Services, User acknowledges that User has read, understood, and agreed to be bound by all of the terms and conditions of these Terms, as well as any updates, changes, or additional terms and conditions as may be added or modified by NCS from time to time with or without notice to User. These Terms will not be construed more strictly against NCS merely by virtue of the fact that the same has been prepared by NCS or its counsel, it being recognized that User has thoroughly read and reviewed these Terms. The parties agree to execute such other documents as may be reasonably necessary to carry out the intent and purpose of these Terms.

**EXHIBIT "A"**
**<u>Acceptable Use Policy</u>**

The examples listed in this Policy are not exhaustive. Prohibited uses and activities include, without limitation, any use of the Service in a manner that, in NCS's reasonable judgment, involves, facilitates, or attempts any of the following:

- violating any law of, or committing conduct that is tortuous or unlawful in, any applicable jurisdiction;
- advocating or encouraging violence or providing instruction, information, or assistance in causing or carrying out such violence, regardless of whether such activity is unlawful;
- displaying, performing, sending, receiving or storing any content that is obscene, pornographic, lewd, or excessively violent, regardless of whether the material or its dissemination is unlawful;
- deleting or altering author attributions, copyright notices, or trademark notices, unless expressly permitted in writing by the owner;
- uploading, posting, publishing, transmitting, reproducing, creating derivative works of, or distributing in any way information, software or other material obtained through the Service or otherwise that is protected by copyright, trade secret or other intellectual property right, without obtaining any required permission of the owner;
- transmitting sensitive personal information of an individual in a manner that can be associated with the individual;
- obtaining unauthorized access to any system, network, service, or account;
- interfering with service to any user, site, account, system, or network by use of any program, script, command, or otherwise;
- evading spam filters, or sending or posting a message or e-mail with deceptive, absent, or forged identification information;
- transmitting unsolicited bulk or commercial messages;
- sending very large numbers of copies of the same or substantially similar messages, empty messages, or messages which contain no substantive content, or sending very large messages or files that disrupts any service;
- participating in the collection of very large numbers of e-mail addresses, screen names, or other identifiers of others (without their prior consent), or participating in the use of software (including "spyware") designed to facilitate this activity;
- falsifying, altering, or removing message headers;
- impersonating any person or entity, engage in sender address falsification, forge anyone else's digital or manual signature, or perform any other similar fraudulent activity;
- accessing any other person's computer or computer system, network, software, or data without his or her knowledge and consent;
- breaching the security of another user or system;
- using or distributing tools or devices designed or used for compromising security or whose use is otherwise unauthorized;
- copying, distributing, or sublicensing any proprietary software provided in connection with the Service by NCS;
- altering, modifying, or tampering with the Service or software or permitting any other person to do the same who is not authorized by NCS;
- restricting, inhibiting, or otherwise interfering with the ability of any other entity, to use the Service;
- restricting, inhibiting, interfering with, or otherwise disrupting or cause a performance degradation to the Service or any NCS host, server, backbone network, node or service, or otherwise cause a performance degradation to any NCS facilities used to deliver the Service; or
- interfering with computer networking or telecommunications service to any user, host or network.

**EXHIBIT "B"**

The Services include the following:

- call routing
- processing of customer requests for services and other customer inquiries
- scheduling of estimates for customer jobs
- referral of customer service requests to franchisees

NCS reserves the right to revise the scope of the services included in the Services from time to time upon notice.

NCS support and maintenance services include the following:

- Reasonable commercial effort to respond to support requests within 48 hours.

# EXHIBIT N

# STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS

**RIDER TO THE STATE ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

**FOR THE FOLLOWING STATES ONLY: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN.**

This Rider to the State Addendum to the Franchise Disclosure Document and Franchise Agreement is entered into by and between ____________________, a Delaware limited liability company with an address of ____________________________________________________ ("Franchisor") and ________________________, individually, with an address of ________________________________________________________("Franchisee").

A. This Rider is being signed because (i) the franchised business that Franchisee will operate under the Agreement will be located in one of the states listed in the heading of this Rider (the "Applicable Franchise Registration State"); and/or (ii) any of the franchise offering or sales activity with respect to the Agreement occurred in the Applicable Franchise Registration State.

B. Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend the Agreement as provided herein.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. The following language is hereby added to the end of the Agreement:

> "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."

2. Except as provided in this Rider, the Agreement remains in full force and effect in accordance with its terms. This Rider shall be effective only to the extent that the jurisdictional requirements of the franchise law of the Applicable Franchise Registration State are met independently without reference to this Rider.

**[SIGNATURES APPEAR ON NEXT PAGE]**

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

______________________________________
____________________________, individually

Accepted as of the ________ day of ________________, 20__, in _______________.

FRANCHISOR:

_______________________________________

BY: ___________________________________
______________________________, President

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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

2. OUR WEBSITES, www.shelfgenie.com, www.neighborlybrands.com, and www.leadingtheserviceindustry.com HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at www.dfpi.ca.gov.

3. Item 3 is amended to add the following:

   Neither we, nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, §15 U.S.C.A. 578(a) et seq., suspending or expelling such persons from membership in such association or exchange.

4. Items 17(c), (d), (e), (f), (g), (h) and (i) are amended to add the following:

   California Business and Professions Code §§20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the franchise. If the franchise agreement is inconsistent with California law, California law will control.

5. Item 17 (h) is amended to add the following:

   The franchise agreement provides for termination under bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et. seq.). Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

6. Item 17(m) is amended to add the following:

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

7. Item 17(r) is amended to add the following:

   The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

8. Item 17(s) is amended to add the following:

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

9. Item 17(u) is amended to add the following:

You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the state of California.

10. Item 17(v) is amended to add the following:

The franchise agreement requires any litigation to be filed in Waco, McLennan County, Texas. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

11. Item 17(w) is amended to add the following:

The franchise agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law. Franchisor reserves the right to challenge, and intends to challenge, the applicability of any law that declares provisions of the franchise agreement void or unenforceable.

12. California Corporations Code Section 31125 may require us to give you a disclosure document approved by the California Department of Financial Protection & Innovation before a solicitation of a proposed modification of an existing franchise.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, 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 this franchise.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.

## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

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

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

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

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.

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

**State Cover Page; Risk Factors**.

The following statement is added to the end of the first Risk Factor: Section 4 of the Illinois franchise disclosure act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois; provided, however, that the franchise agreement may provide for arbitration in a forum outside of Illinois.

**Item 17 – Additional Disclosures**.

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart:

<u>State Law</u>

The Illinois Franchise Disclosure Act will govern any franchise agreement if it applies to a franchise located in Illinois.

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

The franchise agreement shall become effective on its acceptance and execution by us in Texas. The franchise agreement shall be interpreted and constructed under the substantive laws of Texas, except to the extent governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., § 1051 et seq.). However, under 815 ILCS 705/41, any condition, stipulation or provision purporting to find any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

Any action brought by either party in any court, except for claims required to be submitted to arbitration, whether federal or state, shall be brought within the state or federal Court having jurisdiction in Texas. The parties waive all questions of personal jurisdiction or venue. However, under 815 ILCS 705/4, any provision that designates jurisdiction or venue outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois; provided, however, that the franchise agreement may provide for arbitration in a forum outside of Illinois.

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.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act (815 ILL. COMP. STAT. §§ 705/1 through 705/44) are met independently without reference to this Addendum.

**INDIANA ADDENDUM TO DISCLOSURE DOCUMENT**

Nothing in this disclosure document or the franchise agreement is intended to be contrary to the provisions of the "Deceptive Franchise Practices" law of Indiana, which is contained in Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7 as amended ("Indiana Franchise Practices Law"). In the event of any conflict between any provision of the franchise agreement and the Indiana Franchise Practices Law the Indiana law will control, but in that case, the provision of the franchise agreement affected will be limited only to the extent necessary to bring it within the requirement of the law and, to that extent, that provision shall be deemed to have been omitted from the franchise agreement as of the date of execution of the franchise agreement. This will not affect the validity of any remaining portion of the franchise agreement.

**MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

1. Item 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.

   In addition, all development fees and initial payments by developers shall be deferred until the first franchise under the development agreement opens.

2. Item 11: To obtain an accounting of the MAP Fund, the franchisee should contact the Franchisor's President or Vice President in writing.

3. Items 17 (c) and (m) are modified to state that any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 17(h) is modified to state that the agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

5. Item 17(v) is modified to state that you may, subject to your obligations in the franchise agreement, bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Item 17(w) is modified to state that Texas law applies, except as otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. Item 17 is modified to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

8. Franchise Agreement, Schedule D, Acknowledgement Addendum, is amended to add the following:

   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.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise and Disclosure Law (MD CODE ANN., BUS. REG. §§ 14-201 through 14-233) are met independently without reference to this Addendum.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 13 is amended to add the following:

   Under Minn. Stat. §80c.1(g), we must indemnify franchisees located in Minnesota against liability to 3rd parties resulting from claims by third parties that the franchisee's use of our trademark infringes the trademark rights of the 3rd party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the franchise agreement and, as a condition to indemnification, you must provide prompt notice to us of any such claim and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17(b) is amended to add the following:

   We will comply with Minn. Stat. §80C.14, which requires that we give you 180 days' notice for non-renewal of the franchise except in specified circumstances.

3. Item 17(f) is amended to add the following:

   We will comply with Minn. Stat. §80C.14, which requires that we give you 90 days' notice of termination and you will have 60 days to cure your default.

4. Item 17(c) and (m) are modified to include the following language after "general release":

   "(except to the extent required by law for claims arising under the Minnesota Franchise Act)."

5. Item 17(v) is amended to add the following:

   Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of the State of Minnesota. Nothing in this disclosure document or the franchise agreement can abrogate or reduce any of your rights to any procedure, forum or remedies provided for by the laws of Minnesota.

6. Item 17(w) is amended to add the following:

   Texas law applies unless Minnesota state law supersedes this provision. Nothing in this disclosure document or the franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, 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 this franchise.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota state franchise law (MINN. STAT. §§ 80C.01 through 80C.22) are met independently without reference to this Addendum.

**NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT**

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee":**

You may terminate the agreement on any grounds available by law.

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

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

8. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum",** and Item 17(w), titled **"Choice of law":**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York state franchise law (N.Y. GEN. BUS. LAW §§ 680 through 695) are met independently without reference to this Addendum.

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17(c) is amended to add the following:

   Under §51-19-09 of the North Dakota Franchise Investment Law, you are not required to sign a general release on renewal or transfer/assignment of the franchise agreement.

2. Item 17(r) is amended to add the following:

   In accordance with North Dakota law, the restrictions of the covenant not to compete might not apply to your activities after the termination or expiration of your franchise agreement.

3. Item 17(u) is amended to add the following:

   To the extent required by law unless preempted by the Federal Arbitration Act, all disputes must be litigated or arbitrated either in North Dakota or in a mutually agreed location.

4. Item 17(v) is amended to add the following:

   To the extent required by law unless preempted by the Federal Arbitration Act, all litigation and arbitration must be in North Dakota or in a mutually agreed location.

5. Item 17(w) is amended to add the following:

   The Federal Arbitration Act and North Dakota laws apply except to the extent that the franchise agreement is governed by the United States Trademark Act of 1946 (Lanham Act, 15 USC § 1051, et seq.).

6. Item 17 is amended by the addition of the following:

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

   A. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to *NDCC Section 9-08-06*, without further disclosing that such covenants will be subject to the statute.

   B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

   C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

   D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

   E. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law (N.D. CENT. CODE §§ 51-19-01 through 51-9-17) are met independently without reference to this Addendum.

## RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17(v) and (w) are amended to add the following:

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

Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act (19 R.I. GEN. LAWS §§ 19-28.1-1 through 19-28.1-34) are met independently without reference to this Addendum.

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, DEVELOPMENT AGREEMENT, AND ALL RELATED AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is

inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Development Fee**. Because the Franchisor has material pre-opening obligations with respect to each Business the franchisee opens under the Development Agreement, the Division will require that the Development Fee be released proportionally with respect to each Business.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _______________ day of ____________________________________ 20______.

| | |
|---|---|
| ________________________________ | ________________________________ |
| Signature of Franchisor Representative | Signature of Franchisee Representative |
| ________________________________ | ________________________________ |
| Title of Franchisor Representative | Title of Franchisee Representative |

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

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF CALIFORNIA**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated ________________________ between ____________ a ______________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and ________________ with an address of _______________________ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the Franchised Business will be located or operated in the State of California.

2. California Business and Professions Code Sections 20000 through 20043, the California Franchise Relations Act, provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

3. Franchisor's financing program is offered pursuant to the franchise loan exemption under Section 22063 of the California Finance Lenders Law. If Franchisee decides to finance all or a portion of the initial franchise fee using Franchisor's financing program, Franchisee hereby confirms that Franchisee intends to use the financing primarily for purposes other than personal, family, or household purposes.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

6. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.

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 have duly signed and delivered this Addendum as of the date first written above.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

_______________________________________

____________________________, individually

Accepted as of the _________ day of _________________, 20__, in Waco, Texas.

FRANCHISOR:

________________________________________

BY: __________________________________

______________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF ILLINOIS**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between ______________, a _____________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and _____________, individually, with an address of ________________ (Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and the parties wish to amend the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Agreement was made in the State of Illinois, (b) the Franchised Business, territory or a portion of the territory will be located in Illinois, and/or (c) Franchisee is a resident of Illinois.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended to add the following:

> "If any provisions of the Agreement are inconsistent with applicable Illinois state law, then Illinois state law shall apply. Any provision which designates jurisdiction or venue in a forum outside Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois. Any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void."

3. Section 13.B, **Claims**, is amended to add the following:

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

4. 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.

5. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act

(815 ILL. COMP. STAT. §§ 705/1 through 705/44) are met independently without reference to this Addendum.

Signed on this ____________ day of __________________, 20__.

FRANCHISEE:

________________________________________

____________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

________________________________________

BY: ___________________________________

______________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF MARYLAND**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between ______________, a ___________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and __________, individually, with an address of _____________("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) Franchisee is a resident of the State of Maryland, and/or (b) the Franchised Business will be located or operated in Maryland.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 7.A, **MAP Fund**, is amended by adding the following language:

"To obtain an accounting of the MAP Fund, you should contact our President or Vice President in writing."

3. Section 4.B, **Renewal**, and Section 10.D.6, **Conditions of Transfer** are amended by adding the following language:

"However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law."

4. **Section 8.A**, Initial Franchise Fee, is amended by adding the following language at the end of the section:

"Based upon our financial condition, the Maryland Securities Commissioner has imposed a fee deferral requirement. Therefore, you will not be required to pay the initial fees due to us and/or our affiliates, including the Initial Franchise Fee and any other fees, until we have completed all our pre-opening obligations to you and you begin operating your franchise business."

5. Section 12.B.2(vi), **Immediate Termination With No Opportunity to Cure**, is amended by adding the following language:

"(Termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.)"

6. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding the following language:

"Subject to your arbitration obligations, a franchisee in Maryland may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

7. Section 13.B, **Claims**, is amended to add the following:

"However, the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law."

8. The Franchise Agreement is amended by adding the following language at the end of the document:

"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."

9. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise and Disclosure Law (MD CODE ANN., BUS. REG. §§ 14-201 through 14-233) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

______________________________________
___________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

______________________________________

BY: __________________________________

_____________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF MINNESOTA**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between ________________, a _______________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and _________, individually, with an address of _____________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the Business that Franchisee will operate under the Agreement will be located in Minnesota; and/or (b) any of the franchise offering or sales activity with respect to the Agreement occurred in Minnesota.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.B, **Renewal**, is amended by adding the following language:

"Unless the failure to renew your license is for good cause as defined in Minnesota Statutes Section 80C.14, Subdivision 3, Paragraph (b), and you have failed to correct the reasons for termination as required by Subdivision 3, we may not fail to renew your license unless:

(1) You have been given written notice of the intention not to renew at least 180 days in advance of the expiration of this Agreement; and

(2) You has been given an opportunity to operate the Business over a sufficient period of time to enable you to recover the fair market value of the Business as a going concern, as determined and measured from the date of the failure to renew. We may not refuse to renew your license if our refusal is for the purpose of converting the Business premises, or the franchise, to an operation that will be owned by us for our own account.

Any release required by us as a condition of renewal of the franchise will not apply to the extent that such release is specifically prohibited by the Minnesota Franchise Law."

3. Section 3.D, **Litigation**, is amended by adding the following language

"The Minnesota Department of Commerce requires that we indemnify you against liability to third parties resulting from claims by third parties that your use of our Mark infringes the trademark rights of the third party. We do not indemnify against the consequences of your use of our Mark except in accordance with the requirements of this Agreement, and, as a condition to indemnification, you must provide notice to us of any such claim and tender defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim."

4. Section 10.D.6, **General Release**, is hereby deleted from the Agreement in accordance with Minnesota Rule 2860.4400D.

5. Section 12.B, **Termination By Us**, is hereby amended by adding the following language:

> "Pursuant to Minn. Stat. Sec. 80C.14, Subdivisions 4 & 5, no person may terminate or cancel a franchise unless (i) that person has given notice setting forth all the reasons for the termination or cancellation at least 90 days in advance of termination or cancellation, and (ii) the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice; except that the notice is effective immediately upon receipt where the alleged grounds for termination or cancellation are:
>
> (1) voluntary abandonment of the franchise relationship by you;
>
> (2) the conviction of you of an offense that is directly related to the business conducted pursuant to the franchise; or
>
> (3) failure to cure a default under this Agreement which materially impairs the goodwill associated with our trade name, trademark, service mark, logotype or other commercial symbol after you have received written notice to cure at least twenty-four (24) hours in advance thereof.

No person may terminate or cancel a franchise except for good cause. "Good cause" means failure by you to substantially comply with the material and reasonable franchise requirements imposed by us including, but not limited to:

> (1) your bankruptcy or insolvency;
>
> (2) a voluntary or involuntary assignment for the benefit of creditors or any type of similar disposition of the assets of the Business;
>
> (3) voluntary abandonment of the Business;
>
> (4) your conviction or your plea of guilty or no contest to a charge of violating any law relating to the Business; or
>
> (5) any act or conduct which materially impairs the goodwill associated with our trademark, trade name, service mark, logo or other commercial symbol."

6. Section 11.B, **Exceptions to Mediation**, is amended by adding the following language:

> "Under Minnesota law, we may seek a restraining order, injunction and such other equitable relief as may be appropriate, but we are not automatically entitled to such relief and you have not automatically consented to such relief."

7. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.I, **Jury Waiver**, are amended by adding:

> "Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule Part 2860.4400J, and subject to your arbitration obligations, this section shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including the right to submit

matters to the jurisdiction of the courts of Minnesota and the right to bring a cause of action within three years after the cause of action accrues. You cannot be required to consent to the waiver of a jury trial."

8. Schedule D, **Acknowledgment Addendum**, is amended by adding the following language:

"Pursuant to Minnesota Rule 2860.4400J, the foregoing acknowledgments contained in this section shall not be construed as a waiver of my rights."

9. 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.

10. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota state franchise law (MINN. STAT. §§ 80C.01 through 80C.22) are met independently without reference to this Addendum.

Signed on this ___________ day of ________________, 20__.

FRANCHISEE:

____________________________________

__________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

____________________________________

BY: _________________________________

____________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF NEW YORK**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between ________________, a ___________________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and _____________, individually, with an address of _________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously entered into a Franchise Agreement (the "Agreement") and wish to amend certain items of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the franchised Business that you will operate under the Agreement was made in the State of New York, and/or (b) Franchisee is a resident of New York and will operate the franchised Business in New York.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties hereby agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 4.B, **Renewal**, and Section 10.D.6, **General Release**, are amended by adding the following:

> "All rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied."

3. Section 9.B, **Indemnification**, is amended by adding the following:

> "Notwithstanding anything contained herein to the contrary, you shall not be required to indemnify for any claims arising out of our breach of this Agreement or other civil wrongs by us."

4. Section 12.C, **Termination by You**, is amended to provide that Franchisee may terminate the Franchise Agreement on any grounds available to Franchisee pursuant to applicable law.

5. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding:

> "The foregoing choice of law shall not be considered a waiver of any right conferred upon us or you by the provisions of Article 33 of the General Business Law of the State of New York."

6. Section 13.B, **Claims**, is amended to add the following:

> "However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder

shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied."

7. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York state franchise law (N.Y. GEN. BUS. LAW §§ 680 through 695) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

_______________________________________

___________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

_______________________________________

BY: ___________________________________

_____________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF NORTH DAKOTA**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between __________________, a _______________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and ______________, individually, with an address of ___________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the franchised Business that Franchisee will operate under the Agreement was made in the State of North Dakota, and/or (b) Franchisee is a resident of North Dakota and the franchised Business will be located in North Dakota.

NOW, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 9.D, **Noncompetition Covenants**, is amended by adding the following: "Covenants not to compete are generally considered unenforceable in the State of North Dakota pursuant to Section 9-08-06 of the North Dakota Century Code."

3. Section 4.B, **Renewal**, and Section 10.D.6, **General Release**, are amended by adding the following: "Franchise Agreements that require the franchisee to sign a general release upon renewal or transfer are considered unfair, unjust and inequitable and are hereby deleted in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law."

4. Section 14.G.1, **Applicable Law and Waiver** and Section 14.H., **Venue**, are amended by adding the following: "Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, this Agreement will be governed by the laws of the state of North Dakota."

5. Section 11, **Dispute Resolution**, is amended by adding the following: "Notwithstanding the foregoing, if and to the extent required by the North Dakota Franchise Investment Law (unless preempted by the Federal Arbitration Act), arbitration proceedings will be conducted at a mutually agreeable site in North Dakota."

6. Section 13.B, **Claims**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

7. Section 14.I, **Waiver of Jury**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

8. Section 14.K, **Waiver of Punitive and Consequential Damages**, is amended by adding the following: "If and to the extent any provisions of this Section of the Agreement are inconsistent with

the North Dakota Franchise Investment Law, then the applicable provisions of the North Dakota Franchise Investment Law shall apply."

9. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law (N.D. CENT. CODE §§ 51-19-01 through 51-9-17) are met independently without reference to this Addendum.

Signed on this ___________ day of _________________, 20__.

FRANCHISEE:

_______________________________________

___________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

_______________________________________

BY: __________________________________

_____________________________, President

**ADDENDUM TO FRANCHISE AGREEMENT**
**FOR RESIDENTS OF RHODE ISLAND**

This ADDENDUM TO FRANCHISE AGREEMENT is entered into by and between _________________, a _____________ with an address of 1010 North University Parks Drive, Waco, Texas 76707 ("Franchisor") and ______________, individually, with an address of ___________________ ("Franchisee").

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement (the "Agreement") and wish to amend certain terms of the Agreement. This Addendum is being signed because (a) the offer or sale of the franchise for the Franchised Business that Franchisee will operate under the Agreement was made in the State of Rhode Island, and/or (b) Franchise is a resident of Rhode Island and the Franchised Business will be located in Rhode Island.

NOW, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agreement is hereby amended as follows:

1. Notwithstanding anything to the contrary in the Agreement, in the event of a conflict between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 14.G.1, **Applicable Law and Waiver**, and Section 14.H, **Venue**, are amended by adding:

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

3. Each provision set forth in this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act (19 R.I. GEN. LAWS §§ 19-28.1-1 through 19-28.1-34) are met independently without reference to this Addendum.

Signed on this ___________ day of ________________, 20__.

FRANCHISEE:

____________________________________
___________________________, individually

Accepted as of the ________ day of ________________, 20__, in Waco, Texas.

FRANCHISOR:

________________________________________

BY: ____________________________________

______________________________, President

# EXHIBIT N

## STATE EFFECTIVE DATES

**STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| | |
|---|---|
| California: | April 1, 2025, as amended July 1, 2025 |
| Hawaii: | April 30, 2025, as amended [PENDING] |
| Illinois: | April 1, 2025, as amended July 1, 2025 |
| Indiana: | April 28, 2025, as amended July 1, 2025 |
| Maryland: | April 17, 2025, as amended July 1, 2025 |
| Michigan: | April 1, 2025, as amended July 1, 2025 |
| Minnesota: | May 7, 2025, as amended [PENDING] |
| New York: | April 1, 2025, as amended July 1, 2025 |
| North Dakota: | April 10, 2025, as amended July 1, 2025 |
| Rhode Island: | April 15, 2025, as amended [PENDING] |
| South Dakota: | April 4, 2025, as amended July 1, 2025 |
| Virginia: | April 19, 2025, as amended [PENDING] |
| Washington: | April 27, 2025, as amended July 1, 2025 |
| Wisconsin: | April 4, 2025, as amended [PENDING] |

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.

# RECEIPTS

**RECEIPT**
***(OUR COPY)***

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 SHELFGENIE SPV LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York, if applicable, requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan, if applicable, require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If SHELFGENIE SPV 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, DC 20580 and the state agencies listed in Exhibit B.

The name, principal business address, and telephone number of the Franchise Sellers offering the franchise is Anthony Wayne Ditzler: 1010 North University Parks Drive, Waco, Texas 76707, 205-623-4398. **Additional Sellers/telephone numbers:**

| | |
|---|---|
| **Name/Contact Information for Broker or Additional Franchise Seller, if any (Address for additional Franchise Seller is same as above):** | ____________________<br>____________________<br>____________________<br>____________________ |

ISSUANCE DATE: APRIL 1, 2025, AS AMENDED JULY 1, 2025

I RECEIVED A DISCLOSURE DOCUMENT DATED APRIL 1, 2025, AS AMENDED JULY 1, 2025, THAT INCLUDED STATE ADDENDA AND THE FOLLOWING EXHIBITS: (A) Franchise Agreement and Schedules; (B) Agencies/Agents for Service of Process; (C) Financial Statements; (D) Parent Guarantee; (E) Current Franchisees in the United States as of December 31, 2024; (F) Franchisees in the United States who left the System in the past 12 months as of December 31, 2024; (G) Development Agreement; (H) Renewal Addendum; (I) General Release [sample]; (J) PROTRADENET Agreement; (K) WishPortal Software License Agreement; (L) Assignment and Consent Agreement; (M) Call Center Program Agreement; (N) State Addenda; and (O) State Effective Dates.

| | | |
|---|---|---|
| ____________ | ____________________ | ____________________ |
| Date | Signature | Printed Name |
| ____________ | ____________________ | ____________________ |
| Date | Signature | Printed Name |

**RECEIPT**
***(YOUR COPY)***

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 SHELFGENIE SPV LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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| | |
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| | | |
|---|---|---|
| ______________ | ______________________ | ______________________ |
| Date | Signature | Printed Name |
| ______________ | ______________________ | ______________________ |
| Date | Signature | Printed Name |