

**FRANCHISE DISCLOSURE DOCUMENT
(Area Representative)**



**Tectum Franchising LLC
d/b/a CR3 American Exteriors,
a Virginia Limited Liability Company
780 Lynnhaven Parkway
Suite 240
Virginia Beach, VA 23452
888-393-9903
www.CR3America.com**

As an CR3 American Exteriors area representative, you will solicit others to operate a CR3 American Exteriors unit franchised business that offers, sells, and performs roofing and remodeling services for commercial and residential customers within an area representative territory, and you will provide ongoing support services to such unit franchised businesses in exchange for a portion of certain fees collected (the “Area Representative Business”).

The total investment necessary to begin operations of a CR3 American Exteriors Area Representative Business is \$109,750 to \$517,00. This includes is \$100,000 to \$500,000. that must be paid to the Franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your Area Representative 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 government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact: Mark Luterman at 1446 Baltimore Street, Suite E, Hanover, PA 17331 or by phone at (717) 634-4026.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission (FTC). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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 30, 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-1 and E-2.
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 F 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 CR3 American Exteriors business in the area?	Item 12 and the "territory" provisions in the Area Representative 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 an CR3 American Exteriors franchisee?	Item 20 or Exhibits E-1 and E-2 list 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 Area Representative 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 Area Representative 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 Area Representative Agreement grants you a Territory, the Franchisor may have the right to compete with you in your Territory.

Renewal. Your Area Representative 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 Area Representative 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 C.

Your state also may have laws that require special disclosures or amendments be made to your Area Representative 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 Area Representative Agreement requires you to resolve disputes with the Franchisor by mediation, arbitration, and/or litigation only in Virginia. Out-of-State mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the Franchisor in Virginia than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

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

- (a) A prohibition on the right of a franchisee to join an association of 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, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or 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 obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

TABLE OF CONTENTS

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.	1
ITEM 2. BUSINESS EXPERIENCE	6
ITEM 3. LITIGATION	8
ITEM 4. BANKRUPTCY	11
ITEM 5. INITIAL FEES	12
ITEM 6. OTHER FEES	12
ITEM 7. ESTIMATED INITIAL INVESTMENT	16
ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS	16
ITEM 9. FRANCHISEE’S OBLIGATIONS	21
ITEM 10. FINANCING	22
ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	22
ITEM 12. TERRITORY	27
ITEM 13. TRADEMARKS	30
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	31
ITEM 15. OBLIGATION TO PARTICIPATE	32
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	32
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	34
ITEM 18. PUBLIC FIGURES	38
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	38
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	39
ITEM 21. FINANCIAL STATEMENTS	41
ITEM 22. CONTRACTS	41
ITEM 23. RECEIPTS	41

Exhibits

Exhibit	Description
A	State Addenda
B	Area Representative Agreement
C	List of State Administrators and Registered Agents
D	Table of Contents to Operations Manual
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Financial Statements
G	State Effective Dates
H	Receipts

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

The Franchisor

To simplify the language in this Disclosure Document (the "Disclosure Document"), "we", "us", or "our" means Tectum Franchising LLC d/b/a CR3 American Exteriors (the "Franchisor"). The terms "You" and "your" refer to the person or entity who buys this franchise. If you are a corporation, limited liability company, or other entity, then "you" will also include your owners.

We are a Virginia Limited Liability Corporation formed on July 12, 2022, as a Virginia Limited Liability Company. Our principal place of business is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Our operational support center is located at 1446 Baltimore Street, Suite E, Hanover, PA 17331. We do business under the name of "CR3 American Exteriors." We do not do business or intend to do business under any other names. Our agents for service of process in other states which vary by state are identified in Exhibit C of this Disclosure Document.

We do not engage in any other business activity. We have not offered and do not offer franchises in any other line of business. We do not have any parents or predecessors. We, the franchisor, have not conducted a business of the type conducted by the franchisee, except through our affiliate C3 Roofing & Remodeling Inc as described below in this Item 1. We began offering unit franchises under a separate disclosure document in September 2022 and area representative franchises through this disclosure document in December, 2024.

Parents

We do not have a parent company because no company owns a controlling or majority interest in us and no single company has the right to control our operations. Instead, we are owned and controlled jointly (50:50) by Loyalty, LLC ("Loyalty Brands"), formed on November 6, 2017, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452 and Fryfogle Luterman, LLC, formed on July 11, 2022, with a principal address of 1446 Baltimore Street, Ste. E, Hanover, PA 17331.

Affiliates

We have an affiliate, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX offers franchise opportunities for retail tax, bookkeeping and payroll office. ATAX LLC also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2019. They do not offer franchises in any other line of business. As of December 31, 2024, ATAX had a total of 116 unit franchised outlets and 35 Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Cooper's Scoopers LLC d/b/a Cooper's Scoopers, formed on December 26, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Cooper's Scoopers offers franchise opportunities for a professional pet waste management business. Cooper's Scoopers also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2025. They do not offer franchises in any other line of business. As of December 31, 2024,

Cooper's Scoopers did not have any unit or Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, C3 Roofing & Remodeling Inc. d/b/a CR3 American Exteriors, formed on August 10, 2018, with a principal address of 1446 Baltimore Street, Ste. E, Hanover, PA 17331. C3 Roofing & Remodeling Inc. has operated under the C3 American Exteriors mark and offered the Approved Products and Services offered in this disclosure document since 2018, with operations in Maryland, Pennsylvania and South Carolina. C3 Roofing & Remodeling Inc. owns and operates three of the company owned outlets (see Item 20). They do not offer franchises in any line of business. They do not provide any products or services to you.

We have an affiliate, Loyalty Brokers LLC d/b/a Loyalty Business Brokers, formed December 30, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Loyalty Business Brokers also offers franchise opportunities for business brokerage. Loyalty Business Brokers opportunities for Area Representatives to recruit and support unit franchisees This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business. As of December 31, 2024, Loyalty Business Brokers had a total of 3 unit franchised outlets and 2 Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Loyalty Business Services LLC d/b/a Ledgers, formed on October 30, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Ledgers offers franchise opportunities for compliance, advisory and tax services. Ledgers also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business. As of December 31, 2024, Ledgers had a total of 2 unit franchised outlets and 1 Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Loyalty Builds LLC, formed on July 18, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Loyalty Builds LLC has operated under the C3 American Exteriors mark and offered the Approved Products and Services offered in this disclosure document since January 2025, with operations in Virginia Beach, Virginia. Loyalty Builds LLC operates the Virginia company owned outlet (see Item 20). This affiliate took over the Virginia Beach market previously served by Hewitt Construction LLC. They do not offer franchises in any line of business. They do not provide any products or services to you.

We have an affiliate, Tectum Franchising LLC d/b/a CR3 American Exteriors, formed on July 12, 2022, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. CR3 American Exteriors offers franchise opportunities for offering, selling, and performing roofing and remodeling services for commercial and residential customers. CR3 American Exteriors also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2022. As of December 31, 2024, CR3 American Exteriors had a total of 17 unit franchised outlets and 0 Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Hewitt Construction Services LLC, formed on May 14, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Hewitt

Construction Services LLC previously operated under the C3 American Exteriors mark and offered the Approved Products and Services offered in this disclosure document in 2024. This affiliate has not in the past and does not now offer franchises in any lines of business. They do not provide any products or services to you.

We have an affiliate, Primax Services LLC, formed on October 15, 2024, with a principal address of 1446 Baltimore Street, Ste. E, Hanover, PA 17331. Primax Services offers to procure and manage virtual assistants who provide administrative support to business owners. You may, but are not required, to purchase these services from this affiliate. This affiliate has not in the past and does not now offer franchises in any lines of business.

We have an affiliate, Purely Pet LLC d/b/a Salty Dawg formed on May 20, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Salty Dawg offers franchise opportunities for the operation of high-end pet salons providing (A) at present, high-end pet grooming services, retail sales of pet food and pet treats, retail sales of various pet merchandise, and other services related to pet care to pet owners and (B) in the future, may include providing training to groomers and offering groomer certifications. Salty Dawg also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since August 2024. They do not offer franchises in any other line of business. As of December 31, 2024, Salty Dawg had 2 unit franchised unit outlets and 1 Area Representative franchised outlet. They do not provide any products or services to you.

We have an affiliate, The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys, formed on December 19, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. The Inspection Boys offers franchise opportunities for commercial and residential inspection services. The Inspection Boys also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business. As of December 31, 2024, The Inspection Boys had a total of 16 unit franchised outlets and 1 Area Representative outlet. They do not provide any products or services to you.

We have an affiliate, Zoomin Groomin USA, LLC d/b/a Zoomin Groomin, formed December 30, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Zoomin Groomin offers franchise opportunities for pet grooming services. Zoomin Groomin also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business. As of December 31, 2024, Zoomin Groomin USA, LLC had 169 unit franchised outlets and 46 Area Representative franchised outlets. They do not provide any products or services to you.

The Business We Offer

You may enter into an Area Representative Agreement in the form attached to this Disclosure Document as Exhibit B (the “Area Representative Agreement”) to develop and operate a CR3 American Exteriors business (an “Area Representative Business”) within a designated Area Representative Territory. You (the “Area Representative”) will find, solicit, and recruit prospective franchisees on our behalf to operate a unit franchise outlet (each a “Unit Franchisee”) within a designated territory (each a “Unit Territory”) using the CR3 American Exteriors model (“System”) within your Area Representative Territory. Our unit franchise opportunity is offered

through a separate disclosure document whereby qualified individuals purchase the right to operate a business that offers, sells, and performs roofing and remodeling services for commercial and residential customers under the “CR3 American Exteriors” mark (collectively “Services”) in an exclusive territory. The Area Representative Agreement conveys no right to deliver the Services or otherwise operate a unit franchised business, which is exclusively reserved to Unit Franchisees.

As Area Representative, you will find, solicit, and recruit Unit Franchisees within the Area Representative Territory and then support each Unit Franchisee by providing marketing and operating assistance. The Unit Franchisees will serve all customers within their territory, and you will not have management control over their sales or operations. As an Area Representative, subject to the terms of your Area Representative Agreement, you will receive the following compensation from us:

Franchise Fee Compensation – For each Unit Franchise that we authorize and approve for development and operation within your designated Area Representative Territory during the initial term of your Area Representative Agreement we will pay to you a one-time payment / amount equal to fifty percent (50%) of the “Net Initial Franchise Fee” that is unconditionally paid to us and received by us (the “Franchise Fee Compensation”).

The Net Initial Franchise Fee is calculated by taking the initial franchise fee paid by a prospect purchasing a Unit Territory within your Area Representative Territory (each a “Unit Franchisee”) and then deducting any brokerage and certain other fees that are imposed, paid, or owed by us. For example, if a \$40,000 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$20,000 referral fee, the Net Initial Franchise Fee would be \$20,000, and you would receive \$10,000 (50% of the \$20,000 Net Initial Franchise Fee). Certain other fees are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used our internal sales team on the same deal, you would only receive \$5,000, because the CR3 Internal Sales Fee is solely incurred by you (\$10,000 minus the Internal Sales Fee) (See Item 6 for further details on fees imposed). The Franchise Fee Compensation will vary by deal. Further, you will not receive any Franchise Fee Compensation until after the Unit Franchise fee is unconditionally paid to us and received by us. You do not have any right to reject a referral from a broker or other referral source, regardless of its cost. We are the sole determine of whether to accept a referral and whether to extend an offer to purchase a Unit Franchise in your Area Representative Territory. We are also the sole determiner as to the amount charged for each Unit Franchise.

Royalty Compensation – For each Unit Franchise that is developed and first opened within your Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you fifty percent (50%) of the net royalty fees paid to us by each Unit Franchisee for unit outlets located within your Area Representative Territory, during the initial term of your Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the “Royalty Compensation”).

The Royalty Compensation is calculated based on net royalty fees paid to us from authorized franchisees of Unit Franchises with CR3 American Exteriors approved Unit Franchise designated territories located within your Area Representative Territory. The Royalty Compensation does not include and is not calculated based on any other fees paid to us from Unit Franchisees including, without limitation, brand development fund fees, renewal fees, transfer fees, training fees,

technology fees, interest fees, audit fees, attorney fees, or any other fees paid to us or our affiliates by Unit Franchisees.

As an Area Representative you are not be authorized to sign any documents on our behalf or on behalf of the System. You will refer all qualified franchisee candidates to us and we may, in our sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate, you will not receive any compensation. As an Area Representative, as to your Area Representative Territory and Unit Franchisees located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations.

As an Area Representative you will be responsible for complying with all applicable laws, rules, and regulations related to the offer and sale of franchises including the proper disclosure of our Unit Franchise Disclosure Document, the disclosure and registration of your activities as a franchise seller, and adherence to all laws, rules, and regulations related to the offer and sale of franchises.

Industry-Specific Laws and Regulations

The offer of franchises is primarily governed by Federal Trade Commission regulation and corresponding state laws. These laws generally require that a prospective franchisee receive a Franchise Disclosure Document at least fourteen (14) calendar days before signing of a binding agreement or making any payment. Franchisor is responsible for the preparation and related costs of the Franchise Disclosure Document that a Franchise Seller or Area Representative must give to a prospective franchisee. As an Area Representative, you may not solicit, and Franchisor will not offer, a franchise opportunity in any franchise registration state until we have an effective registration in the respective state.

In addition, certain states have laws governing the sale of franchises and the relationship between Franchisors and franchisees. In general, as to state franchise sales laws, we must engage in truthful advertising and avoid making false claims or financial performance representations, except as stated in the Franchise Disclosure Document.

Typically, state relationship laws mandate fair dealing between a Franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner.

Under certain state laws (California, Illinois, New York, and Washington State) you may be required to register as a franchise broker before you may offer or sell franchises to residents of those states or as to a territory located in those states.

Unit Franchisees must comply with all federal, state, and local laws and regulations which apply generally to all businesses and specifically to businesses involving building and construction. These laws and regulations may require Unit Franchisees to register, obtain a license, or obtain professional certification from local or state regulators prior to offering the Approved Products and Services. These laws also include national and local building codes. Unit Franchisees will be responsible for obtaining any necessary municipality permits and complying with all municipality building and inspection protocols.

Unit Franchisees will also be subject to federal, state, and local safety and environmental laws, rules, and regulations. Unit Franchisees must strictly comply with all Occupational Safety and Health Administration (OSHA) requirements and any other state or local rules or regulations relating to jobsite safety at all times during the operation of their franchised business. Unit Franchisees must strictly comply with all Environmental Protection Agency (EPA) rules, regulations and guidelines pertaining to the use and disposal of materials.

You will need to be familiar with your local codes, laws, rules, and regulations in order to support Unit Franchises. Likewise, you will need to obtain and maintain the same licenses, permits, or certifications required by applicable state, local, and federal laws for the performance of the residential and commercial construction as Unit Franchises in the Area Representative Territory you select, so that you can support Unit Franchises.

You should investigate the application of these laws further. We recommend that you consult with your attorney regarding the application of any federal, state, or local law or regulation to the Area Representative Business

Market and Competition.

The target market for our Products and Services is highly developed and very competitive. You will compete with established businesses offering similar products and services in your Territory. The competition will include local independent outlets, regional chains, national chains, and other franchised businesses.

Your primary customers will be commercial or residential property owners, property managers, and other individuals responsible for the construction, maintenance or repair of commercial or residential property.

ITEM 2. BUSINESS EXPERIENCE

Chief Operating Officer: Carnie Fryfogle III

Carnie Fryfogle III has been Chief Executive Officer of CR3 American Exteriors since it was created in 2022. Mr. Fryfogle III has also served as the Chief Executive Officer of the Company's affiliate, C3 American Exteriors, in Pennsylvania, since 2017, and our affiliate, Primax Services, since 2024.

President: Mark Luterman

Mark Luterman has been President of CR3 American Exteriors since it was created in 2022. Mr. Luterman has also been President of the Company's affiliate, C3 American Exteriors, in Pennsylvania, since 2019, and our affiliate, Primax Services LLC, since 2024. Previously, Mr. Luterman founded Primax Ventures, LLC, in Maryland, and served as a managing member from 2007 until 2019.

Advisor: John T. Hewitt

John T. Hewitt has served as Chief Executive Officer and Chairman of Loyalty Brands, located in Virginia Beach, Virginia, since it was established in September 2017.

[Remainder of page intentionally left blank]

ITEM 3. LITIGATION

John Hewitt, Chief Executive Officer and Chairman of Loyalty, LLC, has been named in the following litigation:

Pending Actions:

There are no pending actions.

Concluded Actions:

JTH Tax LLC d/b/a Liberty Tax Service v. John T. Hewitt, Loyalty LLC, ATAX LLC, ATAX Franchise, Inc. and Yneva Marte (Case No.2:21-cv-00076-RBS-LRL) filed February 4, 2021 in the United States District Court for the Eastern District of Virginia. Plaintiff filed the action alleging that ATAX franchisees maintained signage that is confusingly similar to trade dress and logos of the plaintiff. The Plaintiff also alleges that Mr. Hewitt tortiously interfered with certain contractual relations by discussing with existing and former franchisees of the Plaintiff opportunities at ATAX. The complaint alleges that Mr. Hewitt breached his employment agreement by sharing and using trade secrets, confidential and proprietary information for his own benefit or the benefit of a third party by convincing existing and prospective franchisees of the Plaintiff to leave and instead open ATAX franchises. Lastly, the complaint alleges that Mr. Hewitt engaged in a conspiracy to unfairly compete against and damage Liberty Tax by convincing customers and prospective customers to pick ATAX over Liberty Tax. Plaintiffs sought \$20 million in actual damages, treble damages, costs, and legal fees along with injunctive relief. The Defendants have denied the allegations. The matter was settled on December 31, 2021. Under the Settlement Agreement, Defendants agreed to pay the Plaintiff \$545,000 over 6 years, and to refrain from: (1) unfairly competing with Liberty Tax by tortiously interfering with its franchise agreements; (2) diverting or attempting to interfere with or divert any leases from Liberty; (3) palming off any of ATAX's products or services as those of Liberty; (4) any action or statement that could reasonably cause likelihood of confusion that any ATAX location is associated with Liberty; (5) possessing, misappropriating, using or disclosing Liberty's confidential information; and (6) accessing any of Liberty's computer systems or databases. ATAX agreed to permanently close three specific ATAX locations and use their best efforts to assign leases for those locations to Liberty. The Court retained jurisdiction to enforce the final consent order.

K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the Kirke Franz Szawronski matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

Kirke Franz Szawronski v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc., d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4170), filed on September 5, 2017 in the Virginia

Beach Circuit Court. Plaintiff was a former employee and filed a lawsuit claiming breach of employment agreement with Plaintiff by failing to pay 6-months' severance. Plaintiff also asserted a claim for defamation. This matter, along with the KK&A Publicidad, Inc. matter described above, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

Asbestos Workers' Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt. Defendant, and Liberty Tax, Inc., Nominal Defendant, (Case No. 2017-0883), filed on December 12, 2017 in the Court of Chancery of the State of Delaware. Plaintiff alleged that Liberty's former CEO, John T. Hewitt ("Hewitt"), breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with the Erie County matter described just below and then continued under the caption In Re: Liberty Tax, Inc. Stockholder Litigation.

Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into In Re: Liberty Tax, Inc. Stockholder Litigation (*see below*).

On December 27, 2017, the two above referenced shareholder matters were consolidated with the caption In Re: Liberty Tax, Inc. Stockholder Litigation, (Case No. 2017-0883). The Complaint asserted claims for breach of fiduciary duty and breach of fiduciary duty by violation of the nominating committee charter. A mediation took place on November 12, 2018 but did not result in a resolution. On March 15, 2019, the parties entered into a stipulation of settlement of which the material terms of the settlement are as follows: (i) Liberty Tax agreed to implement an anti-harassment policy; (ii) Liberty Tax will conduct yearly code of conduct training; (iii) Liberty Tax will terminate for cause any employee who violates the anti-harassment policy that has been substantiated as such; (iv) Liberty Tax will revise its audit committee charter to reflect that SEC filings must be pre-approved by the Audit Committee; (v) Liberty Tax will take reasonable steps to be listed on NASDAQ or NYSE; (vi) Hewitt agrees not to solicit company employees; and (vii) No party admits any liability. On June 28, 2019, the Court of Chancery approved a Derivative and Class Action Settlement. All issues have been resolved and the Delaware derivative actions were dismissed with prejudice in 2019 without any finding of liability on the part of the Defendants.

RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al, (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The

Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

Bablu Shahabuddin v. JTH Tax, Inc., Siempre Tax, and John Hewitt, (Case No. 2:18-cv-00016-MDS-DEM) filed on January 11, 2018 in the United States District Court for the Eastern District of Virginia. The plaintiff filed suit which, as amended, claimed that JTH Tax and Siempre Tax failed to pay to him certain monies owed under various Purchase and Sale Agreements, that a constructive trust should be imposed on certain monies received by Liberty Tax and Siempre for the subsequent sale of those territories, that the defendants committed fraud in the inducement, and that Hewitt orally guaranteed the Purchase and Sale obligations. Shahabuddin sued for \$600,000 in compensatory damages, \$350,000 in punitive damages, plus pre-judgment and post-judgment interest. The parties reached a settlement of all claims whereby JTH Tax paid \$775,000 and a portion of certain upcoming Net Revenue at offices previously owned by the plaintiff to him. The case was dismissed on November 14, 2018.

Governmental Actions Against John T. Hewitt:

In the Matter of a Consent Order between The Commissioner of Financial Protection and Innovation and John T. Hewitt, before the Commissioner of Financial Protection and Innovation for the State of California. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.), The Commissioner has determined

pursuant to her authority under the FIL that John T. Hewitt is “subject to” the Final Order entered in the matter of United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern 25 District of Virginia (the Final Order). John T. Hewitt agreed that he is required to disclose the Final Order in Item 3 of any Franchise Disclosure Document filed by any present or future Franchisor where John T. Hewitt is a director, trustee, general partner, principal officer, or maintains management responsibility relating to the sale or operation of the respective Franchisor, along with disclosure of this governmental action.

Governmental Actions against Unrelated Entities:

United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service, (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern District of Virginia. The Department of Justice (DOJ) filed a complaint asserting that Liberty Tax failed to maintain adequate controls over the tax returns prepared by its franchisees and failed to take steps to prevent the filing of potentially false or fraudulent returns prepared by its franchises despite notice of fraud at some of its franchisee stores. The primary focus of the DOJ’s investigation that preceded the complaint related to the alleged operational wrongdoing of 12 franchisees. Also on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed settlement order setting forth certain enhancements to the Liberty Tax service compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the compliance program; and work with Liberty Tax to make further enhancements to improve the compliance program. As part of the proposed order, Liberty Tax agreed not to rehire John T. Hewitt, under whose supervision the alleged conduct at issue occurred. Liberty Tax further agreed not to grant John T. Hewitt any options or other rights to acquire equity in Liberty Tax or to nominate him to the company’s board of directors. On December 20, 2019, the court granted the joint motion and the motion to seal, which fully resolved the legal proceedings initiated by the DOJ. Although he is referenced in the court’s order, John T. Hewitt was not a named party to this case.

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

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

[Remainder of page intentionally left blank]

ITEM 5. INITIAL FEES

When you sign an Area Representative Agreement you will pay to us a non-refundable area representative fee (the “Area Representative Fee”) in an amount ranging from \$100,000 to \$500,000. The Area Representative Fee is fully earned by us upon payment.

The amount of the Area Representative Fee is calculated based on the number of Unit Territory’s that we designate for potential development within your Area Representative Territory. Each Unit Territory will contain a minimum population of approximately 500,000 residents and the fee will be \$10,000 for area representative rights over each undeveloped Unit Territory. The minimum number of Unit Franchises that we may designate for potential development under an Area Representative Agreement is 10 and the maximum number of Unit Franchises that we may designate for potential development under an Area Representative Agreement is 50.

When purchasing an Area Representative Territory with existing developed Unit Territories, the precise amount will be negotiated based upon pertinent factors such as: how many existing CR3 American Exteriors Unit Territories are already in your Territory and how much royalty revenue they generate, demand for Services and the level of competition in your area, population density, geographic layout, road layouts and traffic patterns, and demographic factors.

The Area Representative Agreement conveys no right to operate any Unit Territory. We do not offer Unit Franchises under this disclosure document. Unit Franchises are offered under a separate franchise disclosure document for Unit Franchises. Likewise, rights to operate a Unit Territory are only conveyed by us and through a separate Unit Franchise Agreement. The terms and other disclosures pertaining to the purchase and operation of a Unit Franchise are not in this disclosure document.

We will refund to you the Initial Area Representative Fee if you do not pass our Initial Area Representative Training in accordance with our current passing standards for training provided that you return to us all materials which we distributed to you during training.

We do not finance the Initial Area Representative Fee.

We offer a 10% discount to all qualified veterans and first responders who purchase a Territory. We may offer limited incentive programs as part of our franchise development efforts. We reserve the right to offer, modify, or withdraw any such incentive program without notice to you.

Except as described in this Item 5, the Initial Fees are uniformly imposed and non-refundable.

[Remainder of page intentionally left blank]

ITEM 6. OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Lead Generation (Note 2)	Typically, \$100 - \$150 per lead.	Within 30 days of transaction	You may purchase leads to help with lead generation.
CR3 Internal Sales Fee (Note 3)	\$5,000	At the time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit Franchise within your Territory, you will pay this fee to us.
Loyalty Brands Sales Fee (Note 4)	\$15,000	At the time of sale	If a Loyalty Brands franchise sales representative assists in the sale of a Unit Franchise within your Territory, you will pay this fee to us.
Franchise Broker Referral Fee (Note 5)	Will vary under circumstances. We will deduct the actual amount of a broker's fee before calculating any initial fee commission to you.	At the time of sale	Shared expense deducted from any initial fee commission due to you when a candidate is referred by a broker and then purchases a Unit Franchise within your Area Representative Territory
Transfer Fee (Note 6)	\$10,000	Prior to acceptance of transferee	Payable at closing and subject to state law.
Renewal Fee (Note 7)	\$1,000 per Unit Franchise Territory developed or available for potential development within the Area Representative Territory	Upon execution of a successor agreement.	You will pay this fee if you choose to renew the area representative agreement at the end of the initial term.
Technology Fee	If paid to us, our then-current fee, up to \$200 per month (we currently do not have a	Monthly	We may require you to utilize certain software to manage

	technology fee for Area Representatives).		your Area Representative Business. You will typically pay these fees directly to vendors or suppliers. However, we reserve the right to procure certain technology services and impose a “Technology Fee” of up to \$200 per month upon sixty (60) day’s advance notice to you.
Late Fees	Lesser of 1% per month or the highest rate allowable by law of the state where you are located.	As incurred	Apply to amounts owed to us that are five (5) days past due.
Insurance	Amount of premiums	Prior to opening	You must purchase and maintain insurance coverage that we designate
Indemnification	Will vary under circumstances	As incurred	Payable if we incur on your behalf.
Attorney Fees and Costs	Will vary under circumstances	As incurred	Each party will bear their own cost.
Third Party Charges	Will vary under circumstances	As incurred	Payable if we incur on your behalf.

Note 1: Fees-All of the listed fees are uniformly imposed payable to us, unless otherwise noted and are non-refundable. We reserve the right to set off amounts owed to use against amounts owed to you.

Note 2: Lead Generation-We may generate or purchase leads and offer them to you but you are under no obligation to purchase them from us, except that you will pay the CR3 Internal Sales Fee if a lead generated by us purchases a Unit Franchise within your Territory as described below. The cost will vary depending upon cost and difficulty of obtaining the lead.

Note 3: CR3 Internal Sales Fee – We maintain an internal sales team (the “CR3 Internal Sales Team”) to generate, develop, and close qualified leads. We actively advertise the brand and our franchise offering to generate interest. A representative from the CR3 Internal Sales Team typically ensures a prospect is disclosed with the then-current unit disclosure document, works with the prospect throughout the sales process to select a territory, and coordinates with the operations and legal teams through execution of a franchise agreement. You will always incur this fee on the sale of a Unit Franchise in your Territory unless you fully generate, develop, and close the transaction without the assistance of a representative from the CR3 Internal Sales Team. We

will deduct the CR3 Internal Sales Fee from any Initial Fee Commission otherwise due to you. This fee is paid solely by you and is not a shared expense.

Note 4: Loyalty Brands Sales Fee - Loyalty Brands maintains a sales team (the “Loyalty Brands Sales Team”) to generate, develop, and close qualified leads for franchisors. Loyalty Brands may, during the term, actively advertise our Mark and our franchise offering to generate interest. A representative from the Loyalty Brands Sales Team serves the same basic functions as the CR3 Internal Sales Team. For leads that Loyalty Brands develops or leads that are turned over to Loyalty Brands, a representative of the Loyalty Brands Sales Team will ensure the prospect is disclosed with the then-current unit disclosure document, work with the prospect throughout the sales process to select a territory, and coordinate with the operations and legal teams through execution of a franchise agreement. You will incur this fee on the sale of a Unit Franchise in your Territory if Loyalty Brands either (i) independently develops the lead or (ii) you or some other party introduces the lead to Loyalty Brands before introducing them to us directly. We will deduct the Loyalty Brands Sales Fee from any Initial Fee Commission otherwise due to you. This fee is paid solely by you and is not a shared expense.

Note 5: Broker Fee- We may utilize an independent franchise broker to develop leads. Brokers are typically paid a commission based on a successful referral. Rates vary. If a Unit Franchise located within the geographical boundaries of your Area Representative Territory is sold to an individual or entity referred by a broker, then the amount of the broker’s fee will be shared equally (50/50) between you and us. This amount will be deducted before any Initial Fee Commission is paid to you. For example, if a \$40,000 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$20,000 broker/referral fee, the Net Initial Franchise Fee would be \$20,000, and you would receive \$10,000 (50% of the \$20,000 Net Initial Franchise Fee). You do not have any right or authority to reject a broker referral, regardless of its cost.

Note 6: Transfer-For the protection of both buyer and seller, Tectum Franchising LLC may serve as the settlement agent on transfers of ownership. You will pay the transfer fee to us at closing. In addition, prior to transfer, all outstanding amounts due to us must be paid. However, if you transfer your Area Representative Territory to an entity in which you are the majority owner, or if you transfer the Outlet to your child, parent, sibling, or spouse, you will not pay this transfer fee.

Note 7: Renewal Fee – The renewal fee is determined based on the size of your Area Representative Territory and is calculated at a rate of \$1,000 per Unit Franchise Territory developed or still available for potential development within the Area Representative Territory at the end of your initial term. For example, if your Area Representative Agreement grants you the right to potentially develop 20 Unit Franchises within the boundaries of your Area Representative Territory, and you maintain rights over all 20 Unit Franchises at the time of renewal, then your renewal fee would be \$20,000.

[Remainder of page intentionally left blank]

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount (Low)	Estimated Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Area Representative Fee (Note 1)	\$100,000	\$500,000	Check or Wire Transfer	At Signing of Area Representative Agreement	Us
Computer and Software (Note 2)	\$900	\$1,500	As billed	Before opening	Suppliers
Insurance Deposits (Note 3)	\$1,500	\$2,000	As billed	Varies	Insurers
Travel for Initial Training (Note 4)	\$1,500	\$2,000	As Incurred	Before opening	Airlines, Lodging & Ground Transportation
Professional Fees (Note 5)	\$2,500	\$5,000	As billed	Before opening	Attorneys and Accountants
Business Licenses and Permits (Note 6)	\$100	\$1,000	As incurred	Before opening	Government
Office Supplies	\$250	\$500	As incurred	Before Opening	Suppliers
Additional Funds-3 Months (Note 7)	\$3,000	\$5,000	As Arranged	As Necessary	Us, Employees, Utilities, Lessor & Suppliers
TOTAL (Note 8)	\$109,750	\$517,000			

Explanatory Notes to Item 7

Note 1: Area Representative Fee – The Area Representative Fee is calculated based on the number of Unit Franchises authorized for potential development. The minimum number of Unit Franchises that we may designate for potential development under an Area Representative Agreement is 10 and the maximum number is 50. The Area Representative Fee is \$10,000 per Unit Franchise authorized by us for potential development. The Area Representative Fee is fully earned by us upon payment from you and is not refundable. We or our affiliate do not finance any part of the initial investment. See Item 5.

Note 2: Computer, Software and Point of Sales System – You will be required to purchase a computer for the operation of the Area Representative Business. You may be required to use certain software as part of the Area Representative Business. Additional information about the computer system is disclosed in Item 11 of this Disclosure Document.

Note 3: Insurance Deposits – You are required to maintain certain insurance coverage. Your actual payments for insurance and the timing of those payments will be determined based on your agreement with your insurance company and agent. This estimate is for the cost of an initial deposit in order to obtain the minimum required insurance and we estimate this deposit to be equal to the amount of three months of monthly insurance premium payments.

Note 4: Travel for Initial Training – You must complete our pre-opening training program before opening your Area Representative Business. We do not charge a fee for our pre-opening initial training. This estimate is for estimated travel and lodging expenses that you will incur to attend our pre-opening initial training program.

Note 5: Professional Fees – These estimates are for costs associated with the engagement of professionals. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document, the and the Area Representative Agreement. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of the Area Representative Business.

Note 6: Business Licenses and Permits – You must apply for, obtain and maintain all required permits and licenses necessary to operate the Area Representative Business. The licenses will vary depending on the state within which you operate and the location of your Area Representative Business. Depending on the location of your Area Representative Business you may be required to register as a franchise seller with a state franchise regulator.

Note 7: Additional Funds – As with starting any business, it is recommended to have additional funds available for unforeseen expenses. The estimate of additional funds for the initial phase of your Franchised Business is based on your operating expenses for the first three months of operation. The estimate of additional funds does not include employee salary or an owner's salary or draw.

Note 8: Total Estimate – We base this estimate upon the years of experience our management team has in the industry.

ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

To ensure that our standards and specifications of quality, service, and System development are maintained, you must operate your Area Representative Business in strict conformity with the Area Representative Agreement and the methods, standards, specifications, and sources of supply that we designate and prescribe in the Manuals and that we approve for the promotion of Unit Franchises.

Source Restricted Purchases and Leases – Generally

We may designate a supplier, including ourselves or our affiliates, as the exclusive supplier for the System and your Area Representative Business. Our specifications and list of approved and designated suppliers is contained in our Manuals. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, amendments and updates to our Manuals, and other forms of communication. We formulate and modify our standards and specifications based on our industry experience and our management decisions as to the overall operation and expansion of the Area Representative Business and the support of Unit Franchisees. If we have previously approved a supplier, and their standards fall below our designated standards, we will revoke our approval. We will notify you in writing of us revoking our approval.

Suppliers and Supplier Criteria

We may designate ourselves and our affiliates as exclusive suppliers of source restricted goods and services, marketing materials, presentations, and other media used to promote Unit Franchises and the Area Representative Business. We may designate ourselves or a third party as the sole and exclusive supplier irrespective of the existence of competing suppliers. If, in the Manuals, we do not designate a supplier for a particular item, you will purchase all such products, supplies and services from suppliers who meet our specifications and standards. Currently, we are not and our affiliates are not approved suppliers of the source restricted goods and services identified below. Currently no officer of ours owns an interest in any of our designated suppliers.

If you want to purchase or lease a source restricted item from a supplier that has not been previously approved or designated by us in writing, you must send us a written request for approval and submit additional information that we may request. We may charge you a fee equal to the costs and expenses that we incur in reviewing and evaluating an alternate supplier, product, and/or service requested by you. We will notify you of our approval or disapproval within a reasonable time not exceeding 60 days after we receive your written request and all additional information that we may request. We may, in our sole discretion, withhold our approval. We do not make our procedures or criteria for approving suppliers available to our Area Representative franchisees except that when evaluating the approval of a particular supplier, among other things, we consider whether the supplier can demonstrate to our satisfaction the ability to meet our standards, specifications and production requirements, whether or not we are the exclusive supplier of the particular item, whether or not our affiliate or affiliates are the exclusive supplier of the particular item, and whether or not the suppliers approval, in our sole determination, will allow us to advance the overall interests of the System and our company.

We estimate that your purchase of goods and services from suppliers according to our specifications, including your purchase of goods or services from our designated exclusive suppliers, to represent approximately 40% of your total purchases and leases in establishing your Area Representative Business and approximately 85% of the on-going operating expenses of your Area Representative Business. We require that you purchase or lease the following source restricted goods and services:

1. Computer Equipment – You are required to purchase a new computer. Although we presently have not

designated any point-of-sale system or customer management relationship system for your Area Representative Business, we reserve the right to do so in the future.

2. Branded Items and Marketing Materials – All materials bearing the Marks including stationary, business cards, brochures, apparel, signs and displays must meet our standards and specifications and must be purchased from either us or our designated suppliers. All of your marketing materials, mediums, and digital media must comply with our standards and specifications and must be approved by us before you use them. You may only market the sale of Unit Franchises within your Area Representative Territory through approved digital media and social media platforms provided that you do so in accordance with our marketing, digital media and social media policies. Further, Unit Franchises can only be offered and sold by disclosure of our disclosure document.

3. Insurance – You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify. All insurance policies required under your Area Representative Agreement and as set forth in the Manuals must be written by a responsible carrier, reasonably acceptable to us and all insurance (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, representatives and independent contractors as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than 30 days' prior written notice in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to use at the earlier of 90 days of the Effective Date of the Area Representative Agreement or prior to the commencement of our initial training program. Insurance coverage must be at least as comprehensive as the minimum requirements set forth below and in the Manuals.

Insurance Requirements

- (a) Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate;
- (b) Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which the Franchised Business is located, including statutory workers' compensation limits and employers' liability limits of at least \$1,000,000;
- (c) Commercial umbrella liability insurance with a total liability limit of at least \$1,000,000;
- (d) Employment practices liability insurance with a limit of at least \$2,000,000, including actions of a third party and a minimum limit of \$100,000 for wage and hour disputes; and
- (e) All other insurance that we require in the Manuals or that is required by law or the lease or sublease for your Franchised Business.

Purchase Agreements and Cooperatives

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the CR3 franchised businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. You will not receive any material benefits for using our designated or approved suppliers.

Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on your purchases and we reserve the right to institute and expand rebate programs in the future. We do not provide our franchisees with any material benefits based on a franchisee's purchase of particular products or services or use of particular suppliers, nor will you receive any portion of any rebate or discount we receive based on these purchases. During the fiscal year ended December 31, 2023, we did not earn any revenue from approved suppliers based on our franchisees' purchases.

[Remainder of page intentionally left blank]

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Area Representative and other agreements. Review Below for section and Item Numbers.

Franchisee's Obligations	Section In Area Representative Agreement	Item Disclosure document in
a. Site selection and acquisition/lease	4.3	11
b. Pre-opening purchases/leases	3.5.C	7, 8
c. Site development and other pre-opening requirements	3.5	11
d. Initial and ongoing training	3.5.A, 3.5.B, 4.1, 4.2	11
e. Opening	3.5.D	11
f. Fees	2.2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	3.5.E	8, 11
h. Trademarks and proprietary information	1.8, 5	13, 14
i. Restrictions on products/services offered	3.4.D	8, 16
j. Warranty and customer service requirements	3.4.F	6
k. Territorial development and sales quotas	1.5, 3.2, Schedule 2	12
l. Ongoing product/service purchases	2.2.B, 2.2.C, 2.2.D, 2.2.H	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	3.5.H	8
o. Advertising	1.8	8, 11
p. Indemnification	3.7	6
q. Owner's participation/management/staffing	3.1	15
r. Records and reports	3.6	11
s. Inspections and Audits	3.6	11
t. Transfer	6	17
u. Renewal	1.2.B	17
v. Post-termination obligations	7.6	15, 16, 17
w. Non-competition covenants	7.8	15, 16, 17
x. Dispute resolution	8	17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee any note, lease, or other obligation on your behalf.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, CR3 American Exteriors is not required to provide you with any assistance.

Pre-Opening Obligations:

Grant of Area Representative Rights – We will grant to you the right to operate the Area Representative Business within a designated area representative territory. (Area Representative Agreement, Section 1.2);

Designate Area Representative Territory – We will define the Area Representative Territory for the Area Representative Business and include the geographic boundaries and/or a description of your Area Representative Territory within the attachments to the Area Representative Agreement. (Area Representative Agreement, Section 1.4 and Schedule 1);

Access to Our Unit Franchise Disclosure Document – We will provide you with access to our current Unit Franchise Disclosure Document. (Area Representative Agreement, Section 4.6);

Manuals – We will loan you a copy of our confidential and proprietary Manuals. You must operate the Area Representative Business in accordance with the Manuals and all applicable laws, rules, and regulations. At all times, we reserve the right to supplement, modify and update the Manuals. (Area Representative Agreement, Sections 3.5 and 4.4). The operations manual as of the Issuance Date of this Disclosure Document currently consists of 60 pages, and the table of contents to the operations manual is attached as Exhibit D to this Disclosure Document. The major subjects contained in the operations manual consists of establishing, developing, marketing and operation of the Franchised Business;

Approved Suppliers and Distributors – We will provide you with a list of our approved suppliers and distributors (to the extent that we have designated them) either as part of the Manuals or otherwise in writing. (Area Representative Agreement, Section 4.5);

Signs, Equipment, Furniture, and Fixtures – We may provide you with a list of our approved signage, equipment, furniture and fixtures (to the extent that we have designated them) either as part of the manuals or otherwise in writing. (Area Representative Agreement, Section 4.5);

Website and Digital Media – We will identify you on our website to the extent that our website includes specific franchise sales information as to those geographic territories that are directly located within your Area Representative Territory. You may not utilize any websites, web based

media, or digital media unless expressly approved by us in writing. We strictly control how you may use websites and digital media, and you must assign all website media and digital media accounts to us. (Area Representative Agreement, [Section 4.](#)) We may create, operate and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, our Marks, your Area Representative Business and our franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Area Representative Business, and you must assign all website media and digital media accounts to us (Area Representative Agreement, [Section 4.10](#)).

Initial Training – Not less than 45 days prior to commencing the operations of the Area Representative Business, you or your Managing Owner must attend and complete our initial training program. We will provide you and, up to one of your designated managers, with training in accordance with our initial training program at no additional fee or charge. (Area Representative Agreement, [Section 4.1.](#)) Our current training program is to be attended by you, or if you are a Corporate Entity, your Managing Owner and one Operating Manager at our corporate offices located in Hanover, Pennsylvania, remotely. or another relocation designated by us. The training program takes place over a one week period and is further described below in this [Item 11](#) in more detail.

Site Selection

You may operate your Area Representative Business from a home office. Or, if you own and operate a Unit Franchise within your Area Representative Territory, you may administratively operate your Area Representative Business from the office of your Unit Franchise. Generally, we do not own or lease the real property that will serve as your office location, and you are responsible for all costs and expenses in locating and evaluating proposed sites for your office location. (Area Representative Agreement, [Section 1.6.](#))

Time to Open

You may not open or commence the operations of the Area Representative Business until you have completed our initial training requirements and obtained the necessary licensing and authorization from state and regulatory agencies within your Area Representative Territory including, if applicable, registration of the Unit Franchise Disclosure Document, filing of the Unit Franchise Disclosure Document, and all appropriate waivers and requirements related to the sale of franchises and/or business opportunities within your Area Representative Territory and any other state that maintains jurisdiction related to the operations of the Area Representative Business. You must open and commence the operations of the Area Representative Business not later than three months from the date of signing your Area Representative Agreement. (Area Representative Agreement, [Section 3.5.D](#))

We estimate that the length of time between the signing of your Area Representative Agreement and opening the Area Representative Business to be approximately one week to three months. Factors that may affect this estimated time period include the length of time taken by you to complete, to our satisfaction, our initial training program. You must open the Area Representative Business within three months from the date of signing your Area Representative Agreement, or otherwise we may terminate your Area Representative Agreement without refunding any fees or other funds to you.

Post-Opening Obligations

Communication of Operating Standards – We may establish, update and provide you with consultations and communications as to the standards, procedures and System requirements as to the operation of your Area Representative Business including, but not limited to, System related marketing materials, franchisee candidate presentations, status of referred franchisee candidate approval or disapproval, and other standards and specifications as we may designate, modify, supplement and amend from time to time as set forth in the Manuals. (Area Representative Agreement, Sections 4.5)

Access to Unit Franchise Disclosure Document and Sales Materials – We will provide you with access to our then current Unit Franchise Disclosure Document and to our approved franchise sales materials and media. (Area Representative Agreement, Section 4.6.) You must ensure that the Unit Franchise Disclosure Document is current and in compliance with all laws, rules, and regulations within your Area Representative Territory, including, without limitation, all franchise disclosure document disclosure, registration, filing, and franchise sales requirements before you solicit any prospective franchisee for us. (Area Representative Agreement, Section 3.4 and 4.6);

Payment of Fees Under the Area Representative Agreement – During the initial term of the Area Representative Agreement and for so long as you are in compliance with the terms and conditions of the Area Representative Agreement, we pay the following fees to you:

Franchise Fee Compensation – For each Unit Franchise that we authorize and approve for development and operation within your designated Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you a one-time payment / amount equal to 50% of the net initial net franchise fee that is unconditionally paid to us and received by us after all deductions (the “AR Franchise Fee Compensation”); and

Royalty Compensation – For each Unit Franchise that is developed and first opened within your Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you 50% of the net royalty fees paid to us by each Unit Franchise operating within your Area Representative Territory during the initial term of your Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the “AR Royalty Compensation”);

(Area Representative Agreement, Section 2.1);

Refresher Training – We may provide refresher training programs or seminars, including national and regional meetings. (Area Representative Agreement, Section 4.2);

Marketing Standards and Approval – We may establish, update, and communicate to you our standards for the marketing and promotion of Unit Franchises, including, without limitation, the marketing materials and marketing media that you may use. We will respond to your request respecting the communication of our approval or disapproval of marketing materials and media that may be requested by you for use in the marketing and promotion of Unit Franchises. We maintain full discretion as to the marketing standards and the marketing materials and media that

you may use in the marketing and promotion of Unit Franchises and the promotion of your Area Representative Business. (Area Representative Agreement, Sections 4.8). You have no authority to approve or disapprove marketing or advertising for Unit Franchises;

Approved Vendors – We will provide the names and addresses of approved vendors and suppliers for the System that you must utilize in the operations of your Area Representative Business. (Area Representative Agreement, Section 4.13); and

Hiring and Training of Employees – We do not provide assistance with the hiring and training of your employees. You will be directly responsible for the management and supervision of your employees.

Advertising

Generally – All marketing, marketing materials, and marketing media used by you in the marketing and promotion of your Area Representative Business and the promotion of Unit Franchises must be pre-approved by us in writing and conform to our standards and specifications. You may only use the marketing, marketing materials, and media that we designate and approve in writing. In our sole and absolute discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy, and digital media that you may use at your own expense. If you wish to use marketing materials or media that are not currently approved by us in writing, you may submit a written request for permission, and we will approve or disapprove of your request within 15 days of your submission of the written request and sample marketing materials. We are not required to spend any amount in the marketing, sale or promotion of Unit Franchises within your Area Representative Territory or otherwise. (Area Representative Agreement, Section 1.10.A).

Local Marketing – You are not authorized to engage in any marketing (including, without limitation, all public relations, promotions, local marketing, digital media, or web based marketing) unless we pre-approve such marketing in writing. (Area Representative Agreement, Sections 1.10.C, 1.10.D, and 3.4). You are required to market and promote Unit Franchises within local markets comprising your Area Representative Territory. There are no minimum amounts that must be spent by you on advertising under the Area Representative Agreement; however, it is recommended that you spend \$1,000 to \$5,000 per month on lead generation. We will review your local marketing programs and notify you if we approve same. We will make available to you, and provide you with access to, our approved brochures, displays, presentations, and marketing campaigns (in the form of a source document) that you may use. In those instances where we provide you with access to our marketing campaigns, we will provide you with the source designs and design specifications. You will incur the direct costs associated with broadcasting, using, and distributing such marketing campaigns. All digital media and marketing must be approved by us. (Area Representative Agreement, Section 4.14).

Computer System

You must use the computer systems, point of sale systems, customer relationship management systems, and business management systems that we specify and designate. Currently you are required to purchase and use a notebook computer that maintains internet access and has video conference capability. Currently, we have not designated, and do not require that, you use a point

of sale system or customer relationship management system, but we may require that you do so in the future. The cost of the computer system that you will be required to purchase varies depending on the vendor and manufacturer, and such computer system is estimated to cost between \$1,000 to \$1,500. You are obligated to install the software upgrades and patches as provided by the manufacturer of the computer, point of sale system, customer relationship management system, and any other business management systems that we specify and designate. You are responsible for hardware repairs or replacement of systems that are no longer covered under warranty. Your estimated costs for the maintenance, repair, and updates for the computer and point of sale systems is \$500 per year. There are no contractual limitations on the frequency or cost of this obligation. You will grant us independent access to the information and data that is electronically collected and stored on your computer system. Subject to applicable laws, if any, there are no contractual limitations on our right to access such information respecting the Franchised Business. You will generate and store data regarding our franchise System, franchisees who purchase a unit in your Area Representative Territory, and information relating to or arising from your recruitment and lead development efforts.

Initial Training

We will provide initial training for you or, if you are a Corporate Entity, your Managing Owner and one operating manager at no additional fee or charge. Either you or your Managing Owner must successfully complete the initial training program to our satisfaction prior to commencing the operations of, and opening, the Franchised Business. The initial training program takes place over an approximate one week period. Although we provide you or, if you are a Corporate Entity, your Managing Owner and one Operating Manager, with initial training at no additional fee or charge, you will be responsible for all travel and accommodation expenses in connection with your attendance and participation in our initial training program. (Area Representative Agreement, Section 4.1). Currently, we provide our initial training program no less frequently than quarterly, and on an as-needed basis. Any employees attending training will be required to execute a confidentiality agreement on a form provided by us.

TRAINING PROGRAM

Subject (Note 1)	Hours of Classroom Training	Hours of on-the-job Training	Location (Note 2)
CR3 American Exteriors Overview	2.00	0.00	Hanover, PA
Financials 101	1.00	0.00	Hanover, PA
Marketing	4.00	0.00	Hanover, PA
Pricing to job	2.00	0.00	Hanover, PA
Vendor Relationships	2.00	0.00	Hanover, PA
Supplies and Materials	1.00	0.00	Hanover, PA
Technology	1.00	0.00	Hanover, PA
Due Diligence	1.00	0.00	Hanover, PA
Operations	4.00	0.00	Hanover, PA
Getting Started	4.00	4.00	Hanover, PA, on-line or Your location

Post-In-Person Training - Operations	0.00	4.00	On-line or Your Location
The Role of An Area Representative	8.00		
Total	30.00	8.00	

Note 1: Subject – This training schedule includes the training program offered to Unit Franchisees of ours. If you have completed this program in the past twenty-four (24) months, then you will not be required to complete the entire program again. Instead, you will complete only our training entitled “The Role of An Area Representative”.

Note 2: Location - We presently hold Initial Training in Hanover, PA or online, at our choosing.

Instructors:

The following Instructors teach our initial training program: Mark Luterman, Carnie Fryfogle, Marci Mayfield, and Kathleen Shreoder. We may have additional guest instructors present during the course of our training. All guest instructors will have a minimum of 5 years of experience in the subject taught.

<u>Instructor</u>	<u>Years of Experience in Subject Taught</u>	<u>Years of Experience with the Franchisor</u>
Mark Luterman	6	2
Carnie Fryfogle	12	2
Marci Mayfield	6	2
Katheleen Shreoder	6	2

Instructional materials that will be used in the initial training process includes our Manuals, live instruction, and handouts. In addition to initial training, you will also be required to participate in and satisfy all other training programs that we may designate respecting the Area Representative Business.

After the opening of your Area Representative Business we may require that you or, your Managing Owner, attend a system-wide training program (the “System-Wide Training Program”) that we may establish in our sole discretion. If we establish a System-Wide Training Program, the program will be offered from our corporate office in Hanover, PA, and you will be responsible for all travel and accommodation expenses. We will not require your attendance at a System-Wide Training Program for more than a total of five days in any calendar year.

ITEM 12. TERRITORY

Your territory (“Area Representative Territory”) will be set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries. A typical Area Representative Territory will be of a sufficient size to develop 10-50 Unit Franchises (each in a “Unit Territory”). Each Unit Territory will contain a minimum population

of 500,000 people. We obtain population data from the U.S. Census Bureau or another service we deem reliable.

You may operate the Area Representative Business out of your home or any office location. You are not required to obtain our approval if you relocate your Area Representative Business. As an area representative, you will recruit and support Unit Franchisees. You may solicit outside of your Area Representative Territory for candidates to locate a Unit Franchise in your Area Representative Territory, including using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, pursuant to our guidelines. The Area Representative Agreement does not provide you with any right to operate a Unit Franchise.

You will not receive an exclusive Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. There are no restrictions on our ability to accept or deny a prospect interested in developing a Unit Franchise to be located within your Area Representative Territory.

Continuation of your Territorial rights depends on achieving a certain development goal, namely, the Minimum Requirements specified in your Area Representative Agreement. You must satisfy the Minimum Requirements as to the total yearly number of Unit Franchise Agreements signed with Unit Franchises designated and to be located within the Area Representative Territory and, the cumulative number of Unit Franchises located within your Area Representative Territory that are developed, open, and operating. Your Minimum Requirements will be developed and agreed upon by both of us before you sign an Area Representative Agreement and will be set forth in Schedule 2 of your Area Representative Agreement, based upon what you and we believe is a reasonable development schedule given the characteristics of the Area Representative Territory. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the Initial Franchise Fees and Royalties for any existing franchise agreements for the term of the Area Representative Agreement so long as you are in compliance with the remaining terms of the Area Representative Agreement; however, we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees or royalties. There are no other circumstances that permit us to modify your territorial rights except on expiration or termination of the Area Representative Agreement.

We may grant you approval to open additional outlets within your Area Representative Territory if circumstances permit such as the population increases. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate more outlets. You do not have rights of first refusal or similar rights to acquire additional territories.

Your right to operate a Area Representative Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Area Representative Agreement. For example, we, our parent, and our affiliates have the right to:

- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Area

Representative Territory using our principal trademarks (or another trademark) without any compensation to you;

- (b) develop and operate, and grant to others the right to develop and operate, Unit Franchises and CR3 Businesses using the System and Marks within your Area Representative Territory and outside your Area Representative Territory;
- (c) operate and grant to others the right to develop and operate Area Representative Business using the System and Marks for the development of Unit Franchises and/or CR3 Businesses located outside of your Area Representative Territory, as we deem appropriate and irrespective of the proximity to your Area Representative Territory;
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Area Representative Territory, yet work in another, and other cross-territorial situations;
- (d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with one or more businesses (competitive or not), including businesses that offer and sell products and services and/or franchises that are the same as or similar to Unit Franchises, Area Representative Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Area Representative Agreement;
- (e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (g) to engage in any other business activities not expressly prohibited by the Area Representative Agreement, anywhere.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.


[Remainder of Page Intentionally Blank]

ITEM 13. TRADEMARKS

Under the terms of the Area Representative Agreement, you will be granted a license to use the “CR3 American Exteriors” trademark and those other marks that we designate (“Marks”). We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your Area Representative Business. You may only use the Marks as authorized by us in writing and under the terms of your Area Representative Agreement. You may not use the Marks in the name of any entity that you establish.

Principal Trademarks Registered with the United States Patent and Trademark Office

The principal trademarks identified in the schedule below are a part of the Licensed Marks and our System are registered with the United States Patent and Trademark Office (the “USPTO”) and, unless otherwise designated by us, will be used by you in the operations of the Franchised Business. As to these principal trademarks all required affidavits have been filed with the USPTO.

Description of Mark	Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
	7,233,884	Principal	December 5, 2023

As to our principal trademarks there are no currently effective material determinations by the USPTO, the Trademark Trial and Appeal Board, any court, or the trademark administrator of any state. There are no pending infringement, opposition or cancellation proceedings and no pending litigation involving our principal trademarks.

We know of superior rights, and potentially infringing uses, that could materially affect your use of the Registered Marks or other related rights in certain geographic areas throughout the United States

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Area Representative Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are

a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If any third party establishes, to our satisfaction and in our sole discretion, that its rights to the Marks are, for any legal reason, superior to any of our rights, then we will modify and/or replace the Marks and you must use the variances or other service marks, trademarks or trade names required by and as reasonably determined by us. If this occurs, you will have no further right to continue using such Marks. You have no rights under the Area Representative Agreement if we require you to modify or discontinue using the subject matter covered by the trademark.

If we otherwise discontinue, replace, modify, or add additional Marks, you will update or replace your supplies and advertising materials to reflect the new Marks, at your expense, in the time frame we reasonably provide at the time of such an update. Any expenses you incur because of adopting and using these Marks are your responsibility.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright in our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights.

There are no currently effective determinations of the U.S. Copyright Office or any court or any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow others to use the copyrighted materials.

We will protect our patent or copyrights as necessary. We will remain in control of any such litigation. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials. We claim proprietary rights in our Manual and business methods. You must use these items per the terms of your Area Representative Agreement. We are not required to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third party establishes to our satisfaction, in our discretion, that it possesses copyright or patent rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions. You have no rights under the Area Representative Agreement if we require you to modify or discontinue using the subject matter covered by the copyright.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Area Representative Agreement. You may use our Confidential Information to perform your obligations under the Area Representative Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your Area Representative Business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Area Representative Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise System, all other materials relating to our Franchise System that are not a matter of public record, and all information generated during the performance of the Area Representative Agreement.

“Customer Data” is considered Confidential Information and includes all information about Customers that may be collected in connection with their use of your services including, but not limited to, name, telephone number, address and email address.

Upon termination of your Area Representative Agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the Area Representative Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

The Area Representative Agreement requires that you or, if you are an entity, that your managing shareholder, member or partner (your “Managing Owner”) be personally responsible for the management and overall operations of your Area Representative Business. Your Managing Owner must complete, to our satisfaction, our initial training program and be approved by us. At all times, the Area Representative Business must be managed and supervised by you or your Managing Owner.

You and, if you are an entity, each of your members, shareholders and/or partners (collectively, “Owners”) must personally guarantee the obligations under the Area Representative Agreement. Each Owner must personally guarantee your obligations to us under the Area Representative Agreement. You and each Owner must agree that during the term of the Area Representative Agreement and for 24 months following the expiration or termination of your Area Representative Agreement that each of you will not: (a) participate in any business that competes with the Area Representative Business or any CR3 Unit Franchise, and that for 24 months after the expiration or termination of the Area Representative Agreement neither of you will participate in any business that competes with the Area Representative Business or any CR3 Unit Franchise that is located within, and/or services customers and/or prospective franchisees within your Area Representative Territory, within a 10 mile radius surrounding your Area Representative Territory, or within a 10 mile radius surrounding the location of each CR3 Unit Franchise located within your Area Representative Territory; or (b) solicit, divert, or attempt to divert active or potential Unit Franchisee to another franchise opportunity.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only the goods and services that we approve, and you must sell all the goods and services that we authorize.

Area Representatives do not offer or sell any tangible goods. Instead, you will recruit prospects to open and operate a Unit Franchise within the geographical boundaries of their Area Representative Territory. Unit Franchises can only be offered and sold through disclosure of a separate unit disclosure document. You will only be permitted to recruit prospects when we have issued a current unit disclosure document and obtained any required state registration. We will take commercially reasonable efforts to keep our disclosure document current and to disclose any prospect as soon as practicable after receiving your request. As an Area Representative you are not be authorized to sign any documents on our behalf or on behalf of the System. You will refer all qualified franchisee candidates to us and we may, in our sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate, you will not receive any compensation.

As long as you meet the Minimum Requirements (see Item 12) and are in substantial compliance with the terms and conditions of the Area Representative Agreement, you will not be limited to who you recruit and refer to us. However, you will be required to utilize our Internal Sales Team to assist in any transaction if the lead was generated by us, our parent, an affiliate of ours, or an existing franchisee of ours. Likewise, we will always establish the price of the Unit Franchise offering in our reasonable judgment, which may vary from time to time. Finally, you will not have management authority or responsibility over the offer or sell of Unit Franchises.

As an Area Representative you will be responsible for complying with all applicable laws, rules, and regulations related to the offer and sale of franchises including the proper disclosure of our Unit Franchise Disclosure Document, the disclosure and registration of your activities as a franchise seller, and adherence to all laws, rules, and regulations related to the offer and sale of franchises.

You will be required to offer certain services with your Area Representative Territory and support Unit Franchisees located within your Area Representative Territory. You will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations. You will follow our systems, processes, and guidance in delivering these services. You will not have management authority or responsibility over the operation of Unit Franchises. We do not establish staffing requirements or hours of operation for your Area Representative Business .

We have the right to change the types of authorized goods and services with reasonable notice, but we do not intend to materially change the nature of the area representative relationship or the authorized goods and services.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Area Representative and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section In Area Representative Agreement	Summary
a. Length of the franchise term	1.3.A	10 years.
b. Renewal or extension of the term	1.3.B	Can be renewed for successive terms if you are in compliance with your Area Representative Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.3.B	Renewing your Area Representative Agreement means that you are able to continue your operations as a franchisee for an additional term. You must notify us in writing at least 120 days before the expiration, sign a new Area Representative Agreement along with a general release of claims, any pay a renewal fee of \$10,000. The new Area Representative Agreement may contain materially different terms and conditions; however, it will not reduce the size of your Area Representative Territory or decrease the amounts of commissions paid to you. These requirements are subject to applicable state law
d. Termination by franchisee	7.1	You may terminate the Agreement upon (1) our mutual agreement; (2) non-renewal; (3) a sale pursuant to the terms of this Agreement; or (4) under any ground permitted by law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	7.3, 7.4	We can terminate only if you default (subject to applicable state law).
g. “Cause” defined – curable defaults	7.4	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice (subject to applicable state law).
h. “Cause” defined – non-curable defaults	7.3	If you do not attend and pass our Initial Training in accordance with our current passing

Provision	Section In Area Representative Agreement	Summary
		standards. If you violate any part of Section 3.2.C. of the Franchise Agreement entitled Franchise Sales Representations or Section 3.4 of the Franchise Agreement entitled Limitations of Authority. If you are convicted of a felony or serious misdemeanor offense involving moral turpitude. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form. If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request. You become insolvent, meaning unable to pay your bills in the ordinary course as they become due. If a final judgment of record against you or your Area Representative Territory remains unsatisfied for thirty (30) days or longer. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months. If you violate any term or condition of the Franchise Agreement, the Manual, or any other agreement with us, on three (3) or more occasions within a twelve (12) month period, regardless of whether you cured such breach after receiving notice from us.
i. Franchisee's obligations on termination/renewal	7.6	Cease operations and stop using our Marks; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents (subject to applicable state law).
j. Assignment of contract by franchisor	6.1	We may assign to a successor an interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee - defined	6.2	Includes transfer of Area Representative Agreement, any interest of the Area

Provision	Section In Area Representative Agreement	Summary
		Representative Agreement, or substantially all of the assets of the Area Representative Business .
l. Franchisor's approval of transfer by franchisee	6.2	We have the right to approve all transfers (subject to applicable state law).
m. Conditions for franchisor's approval of transfer	6.2	You must be in full compliance with the Agreement, be current in all monies owed to us, request that we provide the prospective transferee with our current franchise disclosure document, provide us with a copy of all proposed transfer documents, and pay the transfer fee. Transferee must meet our requirements, be approved by us, and complete our initial training. You and Transferee must execute the then current transfer and release form.
n. Franchisor's right of first refusal to acquire franchisee's business	6.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Area Representative Business , subject to applicable state law. You must provide notice of an offer within fourteen (14) days of receipt and we must exercise our right of first refusal within fifteen (15) days of your notice to us.
o. Franchisor's option to purchase franchisee's business	None	Except for our right of first refusal, we do not have the right to purchase your business.
p. Death or disability by franchisee	6.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement (subject to applicable state law).
q. Non-competition covenants during the term of the franchise	7.2.A.	You will not, in the United States (subject to state law): (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in a business that offers, sales, or performs roofing or remodeling services for commercial or residential customers, or (ii) engage in the establishment or operation of a business that offers, sales, or performs roofing or remodeling services for commercial or residential customers (except as a franchisee of

Provision	Section In Area Representative Agreement	Summary
		ours under a franchise agreement with us), or (iii) aid or facilitate another person or entity (except our franchisees) to engage in the offer, sale, or performance of roofing or remodeling services for commercial or residential customers. Collectively, (i), (ii), and (iii) are referred to as the “Restricted Activities”.
r. Non-competition covenants after the franchise is terminated or expires	7.8.B	You will not engage in any Restricted Activities within the Area Representative Territory or within 10 miles of any Unit Franchise developed in your Area Representative Territory during the Term of the Agreement.
s. Modification of the agreement	9.2	No modifications except for changes in the System implemented through our Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee’s obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	9.1	Only the terms in the Area Representative Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and Area Representative Agreement may not be enforceable. Nothing in any Area Representative Agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	8	You must first attempt to resolve Claims against us through mediation (subject to applicable state law).
v. Choice of forum	8.9	Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, VA (subject to applicable state law). However, if you are an Illinois or Maryland resident or your Area Representative Territory is located in Illinois or Maryland, you will bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located (subject to applicable state law).

Provision	Section In Area Representative Agreement	Summary
w. Choice of Law	8.8	Virginia law governs (subject to applicable state law).

ITEM 18. PUBLIC FIGURES

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management at 1446 Baltimore Street, Suite E, Hanover, PA 17331, or by contacting the Federal Trade Commission, and the appropriate state regulatory agencies.

[Remainder of Page Left Intentionally Blank]

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 Year	Outlets at the End of Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	0	0

*The number of Outlets reported throughout this Item 20 represents the number of CR3 American Exteriors Area Representative outlets. CR3 American Exteriors unit franchise outlets are reported in a separate unit franchise disclosure document.

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Table No. 3
Status of Franchise Outlets

For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table No. 5
Projected Openings as of
December 31, 2024

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Pennsylvania	0	1	0
Virginia	0	1	0
TOTALS	0	2	0

Exhibit E-1 contains a list of the names of all franchisees and the addresses and telephone numbers of their outlets as of the end of our last fiscal year.

Exhibit E-2 contains the name and last known address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of 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.

There are no trademark-specific franchisee organizations associated with the Franchise System which are incorporated or otherwise organized under state law and have asked us to be included in our Disclosure Document during the next fiscal year.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our Franchise System.

ITEM 21. FINANCIAL STATEMENTS

Exhibit F contains our audited financial statements for fiscal year ending December 31, 2024, 2023, and 2022.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- Exhibit B- Area Representative Agreement
 - Schedule 1-Territory
 - Schedule 2-Minimum Opening Requirement
 - Schedule 3-Automatic Bank Draft Authorization
 - Schedule 4-Telephone Number Assignment
 - Schedule 5 -Personal Guarantee
 - Schedule 6-Release
 - Schedule 6A – Biographical Information

ITEM 23. RECEIPTS

Exhibit H contains two copies of a Receipt of our Disclosure Document.

You must sign and date both; keep one copy and deliver one copy to us for our records.

EXHIBIT A-
STATE SPECIFIC ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, AREA REPRESENTATIVE AGREEMENT AND ALL RELATED AGREEMENTS

The following State Specific Addendum apply to the Tectum Franchising LLC d/b/a CR3 American Exteriors Franchise Disclosure Document and may supersede certain portions of the Area Representative Agreement dated _____ and all related agreements.

The provisions of this State Specific Addendum to the Franchise Disclosure Document, Area Representative Agreement and All Related Agreements apply only to those franchisees residing or operating CR3 American Exteriors in the following states: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, South Dakota, Rhode Island, Virginia, Washington, and Wisconsin.

CALIFORNIA

- A. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Agreement contains provisions that are inconsistent with the law, the law will control.
- B. The Franchise Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
- C. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
- D. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
- E. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
- F. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
- G. The Franchise Agreement require application of the laws of **Virginia**. This provision may not be enforceable under California law.
- H. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
- I. 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.
- J. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- K. OUR WEBSITE, <https://cr3america.com/>, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov
- L. The highest interest rate allowed by law in California is ten percent (10%) annually.
- M. Item 5 of the FDD is modified with the addition of the following language: “The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.”
- N. 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.
- O. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**

HAWAII

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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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.

ILLINOIS

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Franchise Disclosure Document or Franchise Agreement are inconsistent with the terms below, the terms below control.

- a. Illinois law governs the Franchise Agreement.
- 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. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by 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 of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

MARYLAND

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, the terms of the Disclosure Document (“FDD”) and/or Area Representative Agreement (“ARA”) are amended as follows:

- a. Item 17.b. of the FDD and Section 1.2 of the ARA is modified to also provide,
“Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”
- b. Item 17.u. of the FDD and Section 8.3 of the ARA is modified to also provide,
“This Area Representative Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”
- c. Item 17.v. of the FDD and Section 8.7 of the ARA is modified to also provide,
“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”
- d. Item 5 of the FDD and Section 2.2A of the ARA are modified with the addition of the following language:
“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 area representative agreement. “
- f. The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).

This Addendum must be executed simultaneously with the Area Representative Agreement by signing the State-Specific Addendum Acknowledgment.

MINNESOTA

As to franchises governed by The Minnesota Franchise Act,, if any of the terms of the Franchise Disclosure Document (“FDD”) and Area Representative Agreement (“ARA”) are inconsistent with the terms below, the terms below control.

1. “Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws or the jurisdiction.”

FDD: item 17

ARA: Section 8.9, 8.10

2. “With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.”

FDD: Item 17

ARA: Section 7

3. Minn. Rule 2860.4400D. prohibits requiring a franchisee to assent to a general release. Amend to exclude claims under the Minnesota Franchise Law.

FDD: Item 17

ARA: Section 1.2

4. Minn. Rule 2860.4400J prohibits termination penalties.

FDD: Item 17

ARA: Section 7

5. Pursuant to Minn. Stat. Sec. 80C.17, Subd.5, no action may be commenced pursuant to this section more than three years after the cause of action accrues.

FDD: Item 17

ARA: Section 9.5.A

6. Franchisor defers the collection of the Initial Fee until the opening of the franchised business.

FDD: Item 5 and Item 7 are modified to provide: “The Minnesota Department of Commerce requires us to defer payment of the initial franchise fee owed by franchisees to the franchisor until the franchisee has opened the franchised business.”

ARA: Section 2.2 is amended to provide, “Payment of the Initial Fee is deferred until you have opened the franchised business.”

NEW YORK

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Cover Page

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 SERVICES OR 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies 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 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.

4. 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.
5. 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

6. Franchise Questionnaires and Acknowledgements--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.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

RHODE ISLAND

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

VIRGINIA

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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

Item 5 of the Disclosure Document is modified to also provide: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and 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. Franchisor has been required to supplement Item 3 in Washington in furtherance of the objectives of the Washington Franchise Investment Protection Act. Accordingly, Franchisor makes the following additional disclosures related to its litigation history:

Asbestos Workers’ Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt. Defendant, and Liberty Tax, Inc., Nominal Defendant, (Case No. 2017-0883), Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, and RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al, (Case No. 2:18-cv-00127-HCM-DEM).

Description of the allegations of misconduct: It was alleged that John Hewitt (“Hewitt”) maintained romantic relationships with company employees and franchisees and gave them preferential treatment.

John Hewitt’s post termination involvement: Hewitt was Chairman of the Board and CEO at liberty tax. Although he was terminated as CEO, Hewitt remained Chairman of the Board because he was the sole holder of the Class B common stock of Liberty. During a period of in-fighting, Hewitt replaced two of the directors of the board and another member resigned. The Chief Financial Officer also resigned. Ultimately, Hewitt reached an agreement to sell his ownership interest in Liberty and relinquish control of the Board. It

was alleged that Hewitt continued to interact with franchisees and area representatives for Liberty during the transition. The Audit Committee of the Board of Directors of Liberty oversaw the investigation of the allegations and the report prepared by the Audit Committee was not provided to Hewitt.

Description of KPMG's reasons for resigning as independent auditor: Liberty filed a Form 8-K on December 11, 2017 with the SEC to publicly disclose that KPMG's resignation was accepted and approved by the Audit Committee of the Board of Directors of Liberty. The 8-K contains a description of the reasons provided by KPMG for his resignation. A copy of the 8-k is attached and incorporated into this Addendum by reference.

1/11/23, 8:52 AM

https://www.sec.gov/Archives/edgar/data/1528930/000117184317007565/f8k_121117.htm

8-K 1 f8k_121117.htm FORM 8-K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): December 11, 2017 (December 8, 2017)

LIBERTY TAX, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-35588
(Commission File Number)

27-3561876
(I.R.S. Employer Identification Number)

1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454
(Address of Principal Executive Offices) (Zip Code)

(757) 493-8855
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

1/11/23, 8:52 AM

https://www.sec.gov/Archives/edgar/data/1528930/000117184317007565/f8k_121117.htm**Item 4.01. Changes in Registrants Certifying Accountant.**

On December 8, 2017, KPMG LLP ("KPMG") resigned as the independent registered public accounting firm of Liberty Tax, Inc. (the "Company"), effective immediately, and KPMG's resignation was accepted and approved by the Audit Committee of the Board of Directors of the Company (the "Board"). The Company is currently in the process of finding a successor independent registered public accounting firm in the hope that the Company's financial statements for the second quarter ended October 31, 2017 can be completed with as little delay as possible.

KPMG's reports on the Company's financial statements for the fiscal years ended April 30, 2017 and April 30, 2016 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In addition, there were no disagreements between the Company and KPMG on accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG, would have caused them to make reference to the disagreement in their reports for such periods, or any subsequent interim period preceding KPMG's resignation. The Company will authorize KPMG to respond fully to the inquiries of the successor independent registered public accounting firm, which has yet to be selected.

KPMG expressed to the Audit Committee and Company management its concern that the actions of former Chief Executive Officer John T. Hewitt, who remains the Chairman of the Board and controlling stockholder as the sole holder of the Company's outstanding Class B common stock, have created an inappropriate tone at the top which leads to ineffective entity level controls over the organization. Prior to the termination of Mr. Hewitt's employment as Chief Executive Officer of the Company on September 5, 2017, the Audit Committee oversaw an investigation of allegations of misconduct by Mr. Hewitt. In particular, KPMG noted that Mr. Hewitt took actions to replace two independent members of the Board around the time information relating to this investigation appeared in media reports. KPMG also noted that following the replacement by Mr. Hewitt of two Class B directors, the chair of the Audit Committee retired from the Board, the Company's Chief Financial Officer announced her intention to resign from the Company, and another independent member of the Board announced that he would not stand for reelection at the Company's next annual meeting. Further, KPMG was made aware that following his termination as Chief Executive Officer, Mr. Hewitt may have continued to interact with franchisees and area developers of the Company. Although Mr. Hewitt stated to KPMG during a meeting on November 9, 2017 that he would not reinsert himself into the management of the Company, in light of Mr. Hewitt's actions and his ability to control the Board as the sole holder of the Class B common stock, KPMG informed the Audit Committee and management that it has concerns regarding the Company's internal control over financial reporting as related to integrity and tone at the top and such matters should be evaluated as potential material weaknesses.

Specifically, KPMG informed the Audit Committee and management that Mr. Hewitt's past and continued involvement in the Company's business and operations, including his continued interactions with franchisees and area developers of the Company, has led it to no longer be able to rely on management's representations, and therefore has caused KPMG to be unwilling to be associated with the Company's consolidated financial statements. In notifying the Company of its resignation, KPMG advised the Audit Committee and management that it is not aware of any information that cause it to question the integrity of current management, but rather that the structural arrangement by which Mr. Hewitt controls the Company is the cause of KPMG's concerns. KPMG also noted that because certain information known to the Board regarding the reasons that the Board terminated Mr. Hewitt as Chief Executive Officer had not been disclosed to the current Chief Executive Officer and Chief Financial Officer, KPMG was uncertain as to whether it could continue to rely on management's representations.

The Company has provided KPMG with a copy of the disclosures required by Item 304(a) of Regulation S-K contained in this Current Report on Form 8-K, and has requested that KPMG furnish the Company with a letter addressed to the Securities and Exchange Commission (the "SEC") stating whether it agrees with the statements made by the Company in this Current Report on Form 8-K and, if not, stating the respects in which it does not agree. A copy of KPMG's letter, dated December 11, 2017, confirming KPMG's agreement with these statements is filed as Exhibit 16.1 to this Current Report on Form 8-K.

Item 8.01. Other Events.

On December 11, 2017, the Company issued a press release announcing the resignation of KPMG as the Company's independent registered public accounting firm and that the Company will delay the filing of its Quarterly Report on Form 10-Q for the quarter ended October 31, 2017. A copy of the press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding potential impacts of KPMG's resignation, ability and timing to complete the accounting review and audits, comprehensiveness of the Company's accounting review and ability to engage an independent accounting firm and related matters. These statements are based upon current expectations, estimates, projections, beliefs and assumptions of Company management, and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties and speak only as of the date on which they are made, actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to loss of key personnel or inability to engage accounting personnel as needed; inability to address the previously disclosed accounting matters; identification of additional material weaknesses or significant deficiencies; disagreements or additional reportable events that KPMG may identify in a letter addressed to the SEC pursuant to Item 304 of Regulation S-K; failure to engage an independent accounting firm, complete the audits and re-audits and file any required restatements and periodic reports; adverse effects resulting from the Company's common stock being delisted from the Nasdaq Stock Market LLC; risks relating to the substantial costs and diversion of personnel's attention and resources due to these matters and related litigation and other factors discussed in greater detail in the Company's filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult the Company's most recent Annual Report on Form 10-K and other SEC filings for additional risks and uncertainties that may apply to the Company's business and the ownership of the Company's securities. The Company's forward-looking statements are presented as of the date made, and the Company does not undertake any duty to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
16.1	Letter from KPMG LLP dated December 11, 2017.
99.1	Press Release dated December 11, 2017.

1/11/23, 8:52 AM

https://www.sec.gov/Archives/edgar/data/1528930/000117184317007565/f8k_121117.htm

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LIBERTY TAX, INC.

Date: December 11, 2017

By: /s/ Vanessa Szajnoga
Vanessa Szajnoga
Vice President and General Counsel

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

WISCONSIN

The State of Wisconsin has a statute, the Wisconsin Franchise Investment Law, Wis. Stat. § 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., which may supersede the Area Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Area Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Wisconsin Franchise Investment Law, Wis. Stat. § 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., shall prevail.

1. The Franchise Disclosure Document and Area Representative Agreement require a Franchisee to sue in a State other than Wisconsin, and are hereby amended to expressly permit a Franchisee to file a civil lawsuit in Wisconsin for claims arising under the Wisconsin Franchise Investment Law.

FDD: Item 17

FA: Sections 8.9, 8.10

2. Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement permit Franchisor to terminate, cancel, not renew or make a substantial change in competitive circumstances in the Area Representative Agreement, without cause under certain circumstances. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement are hereby amended to prevent the termination, cancellation, non-renewal or substantial change in competitive circumstances of the Area Representative Agreement without good cause.

FDD: Item 17

FA: Section 7

3. Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement permit the Franchisor to terminate the Area Representative Agreement without providing the Franchisee ninety (90) days prior notice of the proposed termination or sixty (60) days to cure the deficiency. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement are hereby amended to require that prior to the termination of the Area Representative Agreement Franchisor must provide Franchisee ninety (90) days written notice of a proposed termination, which states all the reasons for the termination, cancellation, non-renewal or substantive change in circumstances, and the Franchisee shall be given sixty (60) days from the date of delivery or posting of such notice to rectify any claimed deficiency. If the deficiency is rectified within the sixty (60) days the notice shall be void. The notice provisions shall not apply if the reason for termination, cancellation or non-renewal is insolvency, the

occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation or non-renewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Representative Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above, however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD: Item 17

FA: Section 7

ACKNOWLEDGMENT

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect, and the parties further acknowledge and agree that this State-Specific Addendum is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addendum.

This Acknowledgment is inapplicable to Washington area developers and franchisees and the Washington Addendum applies for Washington area developers and franchisees.

DATED this _____ day of _____, 20__.

FRANCHISOR:

FRANCHISEE:

TECTUM FRANCHISING LLC

DBA CR3 American Exteriors

By:

By:

Title:

Title:

EXHIBIT B- AREA REPRESENTATIVE AGREEMENT

AREA REPRESENTATIVE AGREEMENT



SUMMARY PAGE

1. **Area Representative Business Entity** _____
2. **Initial Franchise Fee** \$ _____
3. **Territory Name** _____
4. **Opening Deadline** _____
5. **Principal Executive** _____
6. **Franchisee's Address** _____
7. **Outlet #** _____

AREA REPRESENTATIVE

This contract (“Agreement”) is between Tectum Franchising LLC (“CR3 American Exteriors”, “we”, “us”, or “our”) and entity and all Signators identified on the signature page, in your personal capacity, (collectively “Area Representative”, “you”, or “your”).

RECITALS

WHEREAS, CR3 American Exteriors has developed, and is in the process of further developing, a distinctive and proprietary system (“System”) identified by the service mark “CR3 American Exteriors” for the establishment and operation of a franchised business to offer, sell, and perform roofing and remodeling services for commercial and residential customers using a proprietary system;

WHEREAS, in addition to the service mark “CR3 American Exteriors” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and the Operations Manual (“Manual”);

WHEREAS, this Agreement is for the development and operation of an area representative business (the “Area Representative Business”) that provides franchise sales, franchise development, franchise marketing, and franchisee training and support services (collectively, the “AR Services”) on behalf of Franchisor in connection with the sales, development, training and support CR3 American Exteriors unit franchised businesses in accordance with the requirements of this Agreement and the System;

WHEREAS, Area Representative has requested the non-exclusive license and right to develop and operate an Area Representative Business to be developed and operated within a designated geographic territory (the “Area Representative Territory”) and to provide, on behalf of Franchisor and in accordance with the terms of this Agreement, AR Services to the CR3 unit franchised businesses opened and operated within the boundaries of the Area Representative Territory during the Term (each an “AR Unit Franchise”); and

WHEREAS, each AR Unit Franchise to be developed and operated within the Area Representative Territory must be developed and operated, as designated by us, in compliance with the System and the applicable Franchise Agreement (each, a “Unit Franchise Agreement”) executed by and between Franchisor and each AR Unit Franchise;

For mutual promises expressed in this Agreement, along with other valuable consideration, the receipt of which is acknowledged, Franchisor and Area Representative (collectively “the Parties”) will be bound as follows:

1. Scope

1.1. Recitals

The Recitals are true and accurate and are hereby incorporated and made part of this Agreement.

1.2. Grant of Franchise

CR3 American Exteriors grants you, subject to the terms and conditions of this Agreement, the non-exclusive right, license, and obligation to develop and operate an Area Representative Business providing AR Services within the Area Representative Territory set forth and defined in Schedule 1 to this Agreement.

1.3. Term and Renewal

A. Term

This Agreement will commence upon its Effective Date and will last for a term of ten (10) years (the “Term”).

B. Renewal

Upon the completion of the Term, if you are in compliance with all material terms and conditions in this Agreement, then you may enter into a new agreement (“Successor Agreement”), on the then-current form, for an additional ten-year term. The Successor Agreement may contain materially different terms; however, we will not reduce the size of your Area Representative Territory, subject to the Minimum Requirements, or decrease the amounts of the Area Representative Commissions in your renewals. If you wish to renew this Agreement by executing a new Successor Agreement, you must:

- (i) notify us in writing at least one hundred twenty (120) days before the expiration of this Agreement;
- (ii) execute a general release of all claims you may have against us similar to the one in Schedule 6; and
- (iii) pay a renewal fee of \$1,000 per Unit Franchise Territory developed or available for potential development within the Area Representative Territory at the time of renewal.

C. Subsequent Renewals

You may renew Successor Agreements if you are in compliance with its terms and qualify for renewal.

1.4. Area Representative Territory

Schedule 1 sets forth and identifies the boundaries of the Area Representative Territory by census tract, census block, zip code, streets, highways, county lines, designated market area, and/or other recognizable boundaries. Schedule 1 further sets forth and identifies the total number of AR Unit Franchises available for potential development and provides a tentative designated area for each AR Unit Franchise to be potentially developed and operated (each a “Unit Territory”) within the Area Representative Territory by census tract, census block zip code, streets, highways, county lines, designated market area, and/or other recognizable boundaries.

1.5. Optional Unit Franchise

This Agreement conveys no right to operate an AR Unit Franchise within the Area Representative Territory (an “AR Owned Unit Franchise”) and grants no right of first refusal or any similar right to acquire an AR Owned Unit Franchise within the Area Representative Territory. Further, Area Representative is not required to establish or operate an AR Owned Unit Franchise under this Agreement. If Area Representative elects to establish and operate AR Owned Unit Franchises and

Franchisor elects to approve AR Owned Unit Franchises, each AR Owned Unit Franchise will be established, developed, and operated pursuant to the terms and conditions of a franchise agreement specific to Unit Franchises, which will be separately disclosed and executed.

1.6. Office Location

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your Area Representative Business, so long as you maintain all required licensure to perform and supervise construction within the state(s) where the Area Representative Territory is located as required under Section 1.8 of this Agreement.

1.7. Additional Territories

We may grant to you approval to open additional outlets within your Area Representative Territory if circumstances permit such as the population increases. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate more outlets. You do not have rights of first refusal or similar rights to acquire additional territories.

1.8. Minimum Requirements

A. Licensure Requirements

You must obtain and maintain during the term of this Agreement all necessary licenses, permits, and certifications required by applicable state, local, and federal laws for the performance of the residential and commercial construction services to be offered by an AR Unit Franchise business in the Area Representative Territory.

B. Development Requirements.

You will provide us with a minimum number of qualified prospects (each a “Candidate”) each year which purchases and develops an AR Unit Franchise in the Area Representative Territory. Your Area Representative Territory must be developed by you at the rate set forth in Schedule 2 (the “Minimum Requirements”), which you acknowledge is a reasonable development schedule given the characteristics of the Area Representative Territory. A year will include each fiscal year (including any partial year) ending on December 31.

C. Failure to Meet Minimum Requirements.

If you do not meet the Minimum Requirements, then you may lose area representative rights over certain undeveloped portions of the Area Representative Territory, representing the deficiency of your development efforts. If you do not meet the Minimum Requirements in any given year, then we may within ninety (90) days after the end of such year, notify you that we desire to delete certain Unit Territories from the Area Representative Territory up to the number of Unit Territories by which you failed to meet the Minimum Requirement for that year. The notice will designate which of the Unit Franchise territories we desire to delete from the Area Representative Territory, and we shall have the sole discretion to determine which then unassigned (meaning unsold) Unit Franchise Territories we choose to delete. Those Unit Territories will be deemed deleted from the Area Representative Territory effective upon our notice to you, and all rights otherwise conveyed by this Agreement in such territories will be fully extinguished. Thereafter, you will not be entitled to any Franchise Fee Compensation or Royalty Compensation upon the sale or operation of a Unit Franchise in such location. This deletion is our sole remedy for your failure to meet the Minimum

Requirements during the Term so long as you are in compliance with the other terms and conditions of this Agreement.

D. Duty.

On the event of deletion of a portion of your Area Representative Territory you will still maintain your obligations and rights in any remaining developed and/or undeveloped Unit Territory within the Area Representative Territory; including, but not limited to, the right to Franchise Fee Compensation and Royalty Compensation. However, we may freely sell and develop the deleted portions of the Area Representative Territory without paying any Franchise Fee Compensation or Royalty Compensation to you.

E. Exclusive Remedy.

There are no other circumstances that permit us to modify your territorial rights, except in the event of Termination or Expiration of this Agreement.

1.9. Dual Distribution

No other party will have CR3 American Exteriors area representative rights or otherwise receive area representative compensation from CR3 American Exteriors in your Area Representative Territory; however, the Area Representative Territory you receive is non-exclusive. You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control. We, an affiliate or other franchisees of ours may make sales within your Area Representative Territory using our principal trademarks, including through the use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. We or an affiliate may also make sales within your Area Representative Territory using trademarks different from the ones you will use under this Agreement.

1.10. Advertising and Trademarks

A. Use of our Marks.

We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Area Representative Business to the public. You will use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Manual. Further, you must either use any advertising templates we may make available, or if you wish to use your own material, submit it to us for written approval prior to its use. We will approve or disapprove within 15 days of submission.

B. Business cards.

You may purchase business cards to use in the operation of your Area Representative Business in accordance with our specifications.

C. Social Media.

Any social media used to promote the Area Representative Business must be in accord with our specifications and subject to the limitations of this Agreement.

D. Private Websites.

You are not allowed to have an independent website or obtain or use any domain name (Internet address) in connection with the provision of Services under this Agreement or to facilitate any efforts to find, solicit, and recruit Candidates.

E. Marks Within a Company Name.

You may not use the words “CR3 American Exteriors” or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

F. No Confusingly Similar Marks.

You will avoid using any Marks that could be confused with our Marks.

G. Changes to the Marks

We may update or change our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional Marks, you will update or replace your supplies, etc. to reflect the new Marks, at your expense, in the time frame we provide at the time of such an update.

H. Infringement Claims.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us.

I. Control of Proceedings.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

J. Publicity.

Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

K. Name and Likeness.

You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

1.11. Reservation of Rights

Your right to operate an Area Representative Business in the Area Representative Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in this Agreement. For example, we, our parent, and our affiliates have the right to:

- (i) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Area Representative Territory using our principal trademarks (or another trademark) without any compensation to you;
- (ii) develop and operate, and grant to others the right to develop and operate, Unit Franchises and CR3 Businesses using the System and Marks within your Area Representative Territory and outside your Area Representative Territory;
- (iii) operate and grant to others the right to develop and operate Area Representative Business using the System and Marks for the development of Unit Franchises and/or CR3 Businesses located outside of your Area Representative Territory, as we deem appropriate and irrespective of the proximity to your Area Representative Territory;

- (iv) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Area Representative Territory, yet work in another, and other cross-territorial situations;
- (v) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with one or more businesses (competitive or not), including businesses that offer and sell products and services and/or franchises that are the same as or similar to Unit Franchises, Area Representative Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Area Representative Agreement;
- (vi) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (vii) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (viii) to engage in any other business activities not expressly prohibited by the Area Representative Agreement, anywhere.

2. Fees.

2.1. Paid by CR3 American Exteriors (“Commissions”)

We pay to you the following Commissions for your AR Services under this Agreement:

A. Franchise Fee Compensation

For each AR Unit Franchise that we authorize and approve for development and operation within your designated Area Representative Territory during the initial term of your Area Representative Agreement we will pay to you a one-time payment / amount equal to fifty percent (50%) of the “Net Initial Franchise Fee” that is unconditionally paid to us and received by us (the “Franchise Fee Compensation”). The Net Initial Franchise Fee is calculated by taking the initial franchise fee paid by an individual or entity purchasing an AR Unit Franchise then deducting any brokerage fee along with certain other fees that are imposed, paid, or owed by us pursuant to Section 2.2 of this Agreement.

For example, if a \$40,000 initial fee is paid to us for an AR Unit Franchise by a Candidate that was introduced to you or us by a broker charging a \$20,000 referral fee, then the total Net Initial Franchise Fee would be \$20,000, and you would receive \$10,000 (50% of the \$20,000 Net Initial Franchise Fee). Certain other fees are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used our internal sales team on the same deal, you would only receive \$5,000, because the CR3 Internal Sales Fee is solely incurred by you (\$10,000 minus the Internal Sales Fee). The Franchise Fee Compensation will vary by deal. In some cases, you may not receive any Franchise Fee Compensation. We are the sole determine of whether to accept a referral and whether to extend an offer to purchase an AR Unit Franchise in your Area Representative Territory. We are also the sole determiner as to the amount charged for each AR Unit Franchise.

B. Royalty Compensation

For each AR Unit Franchise that is developed and first opened within your Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you fifty percent (50%) of the net royalty fees paid to us by each AR Unit Franchise developed within your Area Representative Territory, during the initial term of your Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the “Royalty Compensation”).

C. Exclusions.

Except for the Franchise Fee Compensation and Royalty Compensation, you are not entitled to receive, and will not receive under any circumstance, any commissions on any other revenue, fees, funds, and/or any other amounts paid to us or to our affiliates by an AR Unit Franchise or by any third-party vendor, supplier, or other party, during the Term or any renewal of this Agreement. Furthermore, you will not receive any commissions on any revenue, fees, funds, and/or any other amounts paid to us or our affiliates by an AR Unit Franchise or any third-party vendor, supplier, or other party prior to the Effective Date.

D. Pay When Paid.

Fees paid to you will be paid only as funds are paid to and unconditionally received by us. For example, in the case of a financed Initial Franchise Fee, the distribution would only be after the funds were actually received by us. Likewise, some states may require us to defer collection of fees, and the distribution would only be after the funds were actually received by us. You will be entitled to your share of the Initial Franchise Fees and royalties only with respect to amounts actually collected, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your share of Franchise Fees or royalties will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the Franchise Fees and royalties was calculated as well as deductions made for monies owed to us.

E. Payment Terms.

We calculate all Commissions due to you by the last day of each month as to Commissions earned the prior month, and then we remit payment to you by the 15th day of the following month, less any amounts you owe to us, via electronic transfer or other method that we designate. For example, if Commissions is earned for the period of January 1 through January 31, then you will be paid any funds due on or before March 15.

2.2.Paid by You

A. Initial Area Representative Fee.

Upon execution of this Agreement, you will pay us an “Initial Area Representative Fee” of \$_____.

The Initial Area Representative Fee is fully earned and nonrefundable once we have completed our obligation to provide initial training.

B. Fee for Franchisee Prospects.

From time to time, we may provide to you leads of Candidates interested in buying one of our Unit Franchises within the Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads. We will offer to you, without cost, any lead in your Territory provided by a Franchise Broker; however, a Broker Fee may apply if the Candidate converts to a Unit Franchisee.

C. CR3 Internal Sales Fee.

If a staff member or sales representative of us (our “CR3 Internal Sales Team”) assists you with the selling process for a Unit Franchisee who buys an AR Unit Franchise within your Territory, you will pay us \$5,000 per AR Unit Franchise sold (the “CR3 Internal Sales Fee”). If that Unit Franchisee purchases multiple AR Unit Franchises, then the CR3 Internal Sales Fee will be \$5,000 for each AR Unit Franchise sold. Assistance during the sales process may come in various degrees, but will typically involve assistance in generating leads, developing leads, or closing qualified leads during the sales process. For example, you will always pay the CR3 Internal Sales Fee if our CR3 Internal Sales Team generates the lead or communicates directly with the lead prior to execution of a franchise agreement for an AR Unit Franchise. This fee is paid by you and is not a shared expense.

D. Loyalty Brands Sales Fee.

If a staff member, sales representative, or designated agent of our affiliate, Loyalty, LLC (“Loyalty Brands”) assists you with the selling process for a Unit Franchisee who buys an AR Unit Franchise within your Territory, you will pay us \$15,000 per AR Unit Franchise sold (the “Loyalty Brands Sales Fee”), which is passed on by us to Loyalty Brands. If that Unit Franchisee purchases multiple AR Unit Franchise, then the Loyalty Brands Sales Fee will be \$15,000 for each AR Unit Franchise sold. Assistance may come in various degrees, but will typically involve assistance in generating leads, developing leads, or closing qualified leads during the sales process. For example, you will always pay the Loyalty Brands Sales Fee if Loyalty Brands either (i) develops the lead or (ii) you or some other party introduces the lead to Loyalty Brands before introducing them to us directly. This fee is paid by you and is not a shared expense.

E. Brokers and Agents.

We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. If a franchise broker generates a Candidate who becomes a Unit Franchisee in your Territory, you will pay a proportionate share (50%) of the Broker’s fee. This fee will be deducted from any amount paid to you. For the avoidance of doubt, you do not have any right to reject a referral from a broker or other referral source, regardless of its cost.

F. Renewal Fee.

You are required to pay a Renewal Fee as set forth in Section 1.3 of this Agreement if you desire to enter into a successor Area Representative Agreement with us at the expiration of the Term of this Agreement.

G. Transfer Fee.

You must pay us a \$10,000 Transfer Fee if you wish to transfer ownership, or a majority of ownership interest, of your rights as an Area Representative.

H. Third Party Charges.

If we incur third party charges on your behalf, you will reimburse us for any such charges.

I. Technology Fees.

We may require you to utilize certain software to manage your Area Representative Business. You will typically pay these fees directly to vendors or suppliers. However, we reserve the right to procure certain technology services and impose a "Technology Fee" of up to \$200 per month upon sixty (60) day's advance notice to you.

J. Sales, Excise, or Gross Receipts Tax.

You must reimburse us if we pay any tax on any fee related to this Agreement.

K. Payment Terms.

We will bill you by the 15th of the month for amounts incurred in the prior month.

L. Monthly Reconciliation.

We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. You will execute an Automatic Bank Draft Authorization and that we may withdraw fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

M. Late Fees.

Overdue amounts owed by you are subject to a service charge of 1% per month on the unpaid balance, or if lower, then the maximum rate allowed by law.

N. Demand for Payment.

Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.

3. Duties of Area Representative

3.1. Involvement.

You must render the Area Representative and Support Services personally unless you submit to us a General Manager who attends and successfully completes our Initial Area Representative Training course, and who is not later disapproved by us. You are solely responsible for hiring, firing, compensating, withholding, and remitting applicable payroll taxes and day-to-day supervision and control over your employees (if any).

3.2. Sales

A. Candidate.

You will use best efforts to recruit prospects interested in purchasing and developing an AR Unit Franchise. Upon your determination that a prospect may have the characteristics of a potential Franchisee (each a "Candidate"), you will promptly identify such Candidate in writing to us for our consideration.

B. Minimum Requirements.

As described in more detail in Section 1.6 entitled Minimum Requirements, you must achieve a certain sales volume, namely, the Minimum Requirements specified in Schedule 2.

C. Franchise Sales Representations.

(i) Disclosure.

A Unit Franchise can only be offered by disclosure of our then-current unit franchise disclosure document (the “Unit FDD”). We will take commercially reasonable efforts to issue and maintain the Unit FDD and to obtain any required state permission. We will disclose the Unit FDD to Candidates, but you will be responsible for ensuring each Candidate has been provided with a then-current Unit FDD at the time required by law. As of the Effective Date, the Unit FDD must be provided at least fourteen (14) calendar days before the Candidate signs a binding agreement with us or makes any payment to us in all states. Some states also require us to obtain formal approval before offering or selling franchises in their state. Updates to the Unit FDD will occur annually, or more often as required under the law; however, there will likely be periods where Unit Franchises cannot be sold because the Unit FDD is undergoing updates or awaiting state approval (a “Blackout Period”). You will stay apprised of any Blackout Period and will refrain from any sales efforts during any such Blackout Period except and only to the extent permitted by law. In the event you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. Furthermore, you will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees.

(ii) Financial Performance Representations.

Except as may be expressly stated in Item 19 of our most current Unit FDD in effect in your Territory, you will not make any representation, either orally, in writing, electronically, or otherwise, to any prospective Candidate concerning actual or potential earnings, sales, income or profits of any Franchise. However, you may disclose financial performance of an existing Unit Franchise for sale to a Candidate interested in such Unit Franchise as may be permitted by law and pursuant to our Manual.

(iii) Improper Representations.

Under federal and state franchise laws, no statement, claim, promise, or representation may be made to any prospective franchisee which is either unsupported by the franchisor's disclosure document or inconsistent with the disclosure document. Therefore, you will make no representations to any Candidate that conflicts with our current Area Representative Disclosure Document or Unit Disclosure Document. Likewise, you will comply with all state franchise advertising laws and will not use words like “success” or “profits” in any materials or when speaking to Candidates or make any insinuation whatsoever that (i) the Unit Franchise is a safe investment, (ii) that failure, loss, or default is unlikely, or (iii) that any level of earnings or profits are assured.

(iv) Laws and Regulations.

The term advertising in the franchise sales context, as opposed to consumer advertising, is defined very broadly under federal and state franchise laws, and it includes virtually any communications if the purpose is to influence anyone to acquire a franchise. You will become acquainted with and

strictly comply with all federal, state, and local laws, and regulations. You will also secure all necessary permits, certificates, and licenses to operate your business. In the event your state requires the registration of franchise advertising, you will ensure any print or written materials have been approved by us and properly registered before they are used by you.

(v) **Biographical Information**

You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

3.3. Support.

As an Area Representative, as to your Area Representative Territory and Unit Franchisees located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements:

- (i) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements;
- (ii) to refer qualified franchisee candidates to us;
- (iii) to assist franchisees in obtaining and maintaining all necessary licenses, permits, and certifications required by applicable state, local, and federal laws for the performance of the residential and commercial construction services;
- (iv) to provide on-going operational support and training support to franchisees in accordance with our System;
- (v) to provide marketing assistance in accordance with our System;
- (vi) to conduct recurring performance and quality control assessments in accordance with our System; and
- (vii) to monitor and maintain franchisee relations in accordance with our System.

3.4. Limitations of Authority

A. No Authority to Approve Marketing.

You do not have any authority to approve or disapprove marketing or advertising for any AR Unit Franchise.

B. No Authority to Modify Manual.

You do not have authority to modify or grant waivers to our Operations Manual for Unit Franchises.

C. No Legal Claims versus Unit Franchisees.

You will not assert any legal claim against an AR Unit Franchise to enforce any right arising out of or related to any franchise agreement, or any other agreement between us and other franchisees, without our written permission.

D. Limitation of Services.

You may only offer those services or products through your Area Representative Territory as authorized by us in this Agreement or the Manual, unless you first obtain our prior written approval.

E. Independent Contractors.

Your relationship with us is that of an independent contractor. This Agreement does not create a partnership, joint venture, or any other entity between the Parties. Neither Party has a fiduciary duty or other special duty respect to the other party. You are not a third-party beneficiary to any contract between us and any other franchisee.

F. No Unauthorized Commitments.

You will not make any promises, guarantees or warranties to any third party, including any Candidate or AR Unit Franchise, that would create a binding obligation for us without our prior written consent.

G. No Authority to Approve Franchise Sales or Establish Fees Charged By Us.

You have no authority over the offer and sale of any Unit Franchise, including the AR Unit Franchises. We are the sole determine of whether to accept a referral and whether to extend an offer to purchase a Unit Franchise in your Area Representative Territory. We have the sole right to establish the initial and ongoing costs of operating a Unit Franchises. Likewise, we have the sole right to negotiate discounts and alter the terms and conditions of the franchise agreement for each Unit Franchise. While we may consider your input, we will be the sole determiner of all matters arising from or relating to franchise sales, the establishment of fees, and the terms and conditions of each agreement we reach with our franchisees.

3.5. Operations

A. Initial Training.

You and any General Manager working for you must attend and successfully complete our Initial Area Representative Training and before you may operate the Area Representative Territory. We do not charge for Initial Training, but you must pay for any travel and living expenses to attend.

B. Advanced Training.

You will attend any advanced or refresher training that we may require either through electronic means or in person.

C. Computer Systems, Equipment and Supplies.

You will purchase and maintain such computer systems, software, equipment, and supplies as we designate in our Manual.

D. Starting Date.

You may not open or commence the operations of the Area Representative Business until you have completed our initial training requirements and obtained the necessary licensing and authorization from state and regulatory agencies within your Area Representative Territory including, if applicable, registration of the Unit Franchise Disclosure Document, filing of the Unit Franchise Disclosure Document, and all appropriate waivers and requirements related to the sale of

franchises and/or business opportunities within your Area Representative Territory and any other state that maintains jurisdiction related to the operations of the Area Representative Business. You must open and commence the operations of the Area Representative Business not later than three months from the date of the Effective Date of this Agreement. If you are not, more time will be given, but you remain subject to Minimum Requirements (Section 1.6 and Schedule 2).

E. Area Representative Manual.

While this Agreement is in effect, we will lend you one (1) copy of the Operations Manual (the “Manual” or “Operations Manual”) or grant you access to an electronic copy of the Manual. You will conduct the Area Representative Business and provided AR Services in strict accordance with the provisions in the Manual, and all applicable laws, rules and regulations. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees. We may supplement, modify or update the Manual at any time to adjust for competitive changes, technological advancements, legal requirements, or continuous improvement, provided, however, that no such addition or modification shall materially alter your fundamental status and rights under this Agreement

F. Insurance.

You must purchase any insurance that we may specify and as is required by your state law, name us as an additional insured, and furnish proof of insurance to us. If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.

3.6. Reports and Reviews

A. Reports.

During the term of this Agreement, you will maintain full, complete, and accurate books, records and accounts in accordance with the standard accounting system prescribed by us in the Manual or otherwise in writing. You will file with us reports detailing your activities, sales, and other information at such times and in such form as we may specify in the Manual or otherwise. Presently, you must send to us the reports in the following table:

Name of Report	When Due
Revenue Report	By the 10 th day of each month for the prior month
Annual Budget	October 31 st of each year
Annual Profit & Loss Statement and Balance Sheet	For Calendar Year Operations: By March 1 of each year as to income and expenses incurred in the prior year. For Fiscal Year Operations: By the first day of the 3 rd month.

B. Independent Access to Information.

You will allow us to have independent access to the information that will be generated or stored in your computer system arising out of or related to the Area Representative Territory which includes prospect, financial, and operational information.

C. Reviews.

We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Area Representative Business and any other operations taking place through your Area Representative Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Area Representative Business.

D. Timely Access to Records.

If we request a copy of any business records related to the Area Representative Territory, then you must send us or grant electronic access, at your expense, these records within five (5) business days of receiving our request.

E. Corrective Action Plan.

We also have the right to require that you implement a corrective action plan to resolve issues that we discern from any review we conduct.

3.7. Indemnity

Both Parties (“Indemnitor”) will indemnify, hold harmless and defend the other Party along with their respective affiliates, officers, directors, members, partners, employees, and agents (the “Indemnified Parties”) from any claim, cause of action, lawsuit, or demand (collectively “Claim”) for damage, liability, cost, or expense including reasonable attorney fees (collectively “Damages”) to the extent caused by the Indemnitor’s:

- (i) negligence,
- (ii) willful misconduct,
- (iii) breach of applicable law,
- (iv) breach of Section 3 of this Agreement by Area Representative, or breach of Section 4.6 by CR3 American Exteriors.

The obligations in this Section are effective during the Term and extend to any post termination obligation.

3.8. Enforcement

A. Compliance with the Franchise System

During the Term, you will assist us in monitoring and enforcing all contracts (“Franchise Documents”) related to awarding a franchise to a Candidate to ensure Unit Franchise performance and adherence to our Franchise System.

B. Post Termination.

Upon termination or expiration of a Unit Franchise in the Territory, you will assist us in enforcing any “Post Termination Obligations” as set forth in its franchise agreement with that former franchisee.

C. Exclusions.

However, you will have neither a duty nor the right to initiate a legal proceeding against a Unit Franchisee to enforce. See Section 3.4C entitled No Legal Claims versus Unit Franchisees.

4. Duties of Franchisor

4.1. Initial Training.

We will provide you a one-week Initial Training course. This Initial Training course includes the training program offered to Unit Franchisees of ours. If you have completed this program in the past twenty-four (24) months, then you will not be required to complete the entire program again. Instead, you will complete only our 1 day training tailored to area representatives, which will cover fundamental skills necessary to perform the AR Services. We presently offer this training live in Hanover, PA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Successful completion of the Initial Training prior to operating the Area Representative Business is mandatory and marks the completion of our pre-opening obligations to you. You must complete the Initial Training at least one week prior to opening. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

4.2. Advanced Training.

We may provide you advance training on various topics. We presently offer this training live in Hanover, PA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Attendance at advanced training is required.

4.3. Site selection.

You may operate from your home or any office location. We do not offer site selection assistance.

4.4. Area Representative Operations Manual.

We will loan you a copy of our confidential and proprietary Manuals to offer guidance in operating your Area Representative Business and performing the AR Services.

4.5. Operational Support.

We offer you advice, discuss problems, and offer general guidance by telephone and/or electronic correspondence, with respect to planning and operating the Area Representative Business. Likewise, we will provide you with a list of our approved suppliers and distributors (to the extent that we have designated them) either as part of the Manuals or otherwise in writing.

4.6. Franchise Disclosure Document.

We will provide or make available to you an electronic copy of our latest Unit Franchise Disclosure Document to use as part of your AR Services. We are solely responsible for development of this disclosure document, and we set the price of our unit franchise offering which may change from time to time in our sole judgment.

4.7. Computer Systems, Equipment and Supplies.

We may issue computer, software, equipment, and supply specifications.

4.8. Advertising and Marketing.

We may establish, update, and communicate to you our standards for the marketing and promotion of Unit Franchises, including, without limitation, the marketing materials and marketing media that you may use. We will respond to your request respecting the communication of our approval or disapproval of marketing materials and media that may be requested by you for use in the

marketing and promotion of Unit Franchises. We maintain full discretion as to the marketing standards and the marketing materials and media that you may use in the marketing and promotion of Unit Franchises and the promotion of your Area Representative Business. We may conduct marketing using electronic or print advertising of any kind. The media coverage may be local, regional, or national. We may produce advertising in-house or through a local or regional advertising agency.

4.9. Corporate Website.

We have an Internet website that provides information about the System and our franchises. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our website.

4.10. Digital Media.

We may create, operate and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, our Marks, your Area Representative Business and our franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Area Representative Business, and you must assign all website media and digital media accounts to us.

4.11. Digital Campaigns.

We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

4.12. Intellectual Property

A. Ownership.

We exclusively own the System and any related copyright, trademark, service Mark, trade secret, patent right or other intellectual property (collectively "Intellectual Property"). You will not undertake to obtain Intellectual Property with respect to the System. To the extent you have gained or later obtain any Intellectual Property in the System, by operation of law or otherwise, you will disclaim such Intellectual Property and will promptly assign and transfer it entirely and exclusively to us.

B. Suggestions.

We may incorporate into our System any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else. We will have sole and exclusive rights and title to such suggestions.

4.13. Vendors.

We will provide the names and addresses of approved vendors and suppliers for the System that you must utilize in the operations of your Area Representative Business.

4.14. Materials.

We will make available to you, and provide you with access to, our approved brochures, displays, presentations, and marketing campaigns (in the form of a source document) that you may use. In those instances where we provide you with access to our marketing campaigns, we will provide you with the source designs and design specifications. You will incur the direct costs associated with broadcasting, using, and distributing such marketing campaigns.

5. Confidentiality

5.1. Definition.

The term "Confidential Information" is defined as non-public sensitive or proprietary material disclosed by us or our agent to you. The disclosure may be oral or written in any form including tangible, intangible and electronic media regardless whether it is marked. For the avoidance of doubt, Confidential Information includes a customer lists and reports from our Franchise System along with any notes, summaries or other derivative works. Confidential Information does not include material that: a) you possessed more than thirty (30) days before the Effective Date of any contract between us, b) independently developed, c) obtained from a third party with no corresponding obligation of confidentiality, or d) in the public domain.

5.2. Confidentiality.

You will not directly or indirectly disclose, publish, share with any third party any Confidential Information without our prior written consent. You may share Confidential Information with your employees or agents that need it to complete essential job functions if they are covered by equivalent restrictions.

5.3. Use

You may only use Confidential Information to perform your obligations under this Agreement. You will avoid using Confidential Information for your own benefit and to our detriment. For the avoidance of doubt, Confidential Information cannot be used in a competing business that is detrimental to us.

5.4. Storage

You will store Confidential Information in secure location whether physically or electronically. You must notify us if the Confidential Information is lost or stolen, regardless of fault.

5.5. Return

Upon Termination or Expiration of this Agreement, you must return Confidential Information within ten (10) days or certify that the Confidential Information has otherwise been deleted or destroyed. However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

6. Transfer

6.1. Assignment by Us.

We may assign this Agreement to an assignee who remains bound by its terms. We do not permit a sub-license of the Agreement.

6.2. Transfer by You.

You may transfer your interest in this Agreement or your ownership in the Area Representative Territory if:

- (i) you are in full compliance with the Agreement;
- (ii) current in all monies owed to us;
- (iii) you request that we provide the prospective transferee with our current franchise disclosure document;
- (iv) we approve of the individual or entity to which you are transferring ("Transferee"), which our consent will not be unreasonably withheld;
- (v) Transferee meets the requirements of Section 6.8;
- (vi) you provide us with a copy of the proposed transfer documents and they meet our approval, which will not be unreasonably withheld;
- (vii) you and Transferee execute the then current transfer and release form; and
- (viii) any transfer fee is paid in full.

6.3. Joint Tenancy

If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

6.4. Transfer to Controlled Entity.

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" will not trigger the Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity must sign the then current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

6.5. Transfer within an Entity.

A transfer of interest within an Area Representative entity will not trigger the Right of First Refusal if only the percentage ownership changes rather than the identity of the owners. At the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity will sign the then current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

6.6. Right of First Refusal.

A. Third-Party Offer.

If you receive and desire to accept a signed, bona fide offer to purchase or otherwise transfer this Agreement or any interest in it ("Third-Party Offer"), you will grant us the option (the "Right of First Refusal") to purchase the Area Representative Territory as provided in this Section.

B. Notice.

Within fourteen (14) days of receipt of Third-Party Offer, you will offer the Right of First Refusal to us by notice in writing including a copy of the signed Third-Party Offer.

C. Option.

We will have the right to purchase the Area Representative Territory or interest in the Area Representative Territory for the price and upon the terms in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase.

D. Acceptance.

If we exercise our Right of First Refusal, then we will notify you in writing within fifteen (15) days from our receipt of the Third-Party Offer from you.

E. Binding.

Upon the giving of such notice by us, there will immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Third-Party Offer. If we do not exercise our Rights of First Refusal within fifteen (15) days, then you may transfer the Area Representative Territory or ownership interest according to the Third-Party Offer, provided that you:

- (i) satisfy the conditions in Section 6.2 entitled Transfer by You.; and
- (ii) complete the sale within one hundred twenty (120) days from the day on which you received the Third-Party Offer.

If you do not conclude the proposed sale transaction within the 120-day period, the Right of First Refusal granted to us will continue in full force and effect.

6.7. Death or Incapacity

A. Definition.

The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement for thirty (30) consecutive days.

B. Transfer.

We may terminate this Agreement unless, within sixty (60) days of your death or incapacity, your executor, personal representative or guardian:

- (i) seeks a transfer of your rights under this Agreement;
- (ii) completes the transfer within six (6) months of your death or incapacity;
- (iii) pays all monies owed to us, including the transfer fee, and
- (iv) signs the then current transfer and release form

C. New Area Representative.

The Transferee(s) must:

- (i) meet the requirements of Section 6.8.
- (ii) complete Initial Training, and

- (iii) enter into a new Area Representative Agreement on the then current form.

D. Interim Services.

We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination.

6.8. Transferee Requirements.

Any proposed Transferee(s) must:

- (i) complete our then-current Area Representative application;
- (ii) pass our application screening using our then current qualifications;
- (iii) attend and successfully complete Initial Training; and
- (iv) sign either, at our option:
 - a) an assignment of the rights remaining in your Area Representative Agreement, or
 - b) our current Area Representative Agreement with the Term adjusted to such length as remains on the Term of your Area Representative Agreement.

7. Termination

7.1. Termination by You.

You may terminate this Agreement upon (1) our mutual agreement; (2) non-renewal; (3) a sale pursuant to the terms of this Agreement; or (4) under any ground permitted by law.

7.2. Effect of Termination.

Expiration or Termination does not relieve any duties to comply with all of the provisions of this Agreement that require performance post-termination.

7.3. Termination by Us.

We may terminate this Agreement for Cause without notice, and without the opportunity for you to cure. "Cause" means:

- A. If you do not attend and pass our Initial Training in accordance with our current passing standards.
- B. If you violate any part of Section 3.2.C. entitled Franchise Sales Representations or Section 3.4 entitled Limitations of Authority.
- C. If you are convicted of a felony or serious misdemeanor offense involving moral turpitude.
- D. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law.
- E. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices.
- F. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form.

- G. If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request.
- H. You become insolvent, meaning unable to pay your bills in the ordinary course as they become due.
- I. If a final judgment of record against you or your Area Representative Territory remains unsatisfied for thirty (30) days or longer.
- J. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months.
- K. If you violate any term or condition of this Agreement, the Manual, or any other agreement with us, on three (3) or more occasions within a twelve (12) month period, regardless of whether you cured such breach after receiving notice from us.

7.4. Termination by Us with the Opportunity to Cure.

We may terminate this Agreement, if the following conditions remain within thirty (30) days after sending you notice and an opportunity to cure:

- A. You violate any other term or condition of this Agreement, the Manual, or any other agreement with us; or
- B. Any amount owing to us from you is more than 30 days past due.

7.5. No Refund of Initial Fee.

We have no obligation to return or refund any fee to you upon termination or expiration of this Agreement.

7.6. Post Termination Obligations

Upon termination or expiration of this Agreement, including a sale of the Area Representative Territory, you will:

- (i) Discontinue using any of our “Marks;”
- (ii) Pay to us all sums due;
- (iii) If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Territory and deliver to us written proof of transfer;
- (iv) Return to us or certify destruction of any paper and electronic copies of the Manual and any Confidential Information;
- (v) Cancel all fictitious name filings which you use of any of our Marks; and
- (vi) Adhere to the post-term duties stated in this Section 7.6 entitled Post Termination Obligations and any other duties that require your performance after you are no longer an Area Representative.

7.7. Maintenance of Goodwill.

You will not to disparage us or our current and former employees, agents, members, directors, or franchisees. During the term of this Agreement, you will not to do any act harmful, prejudicial, or injurious to us.

7.8. Non-Compete and No Solicitation.

A. In-Term.

During the Term of this Agreement, you will not, except as required by this Agreement, anywhere in the United States, directly or indirectly:

- (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in a business that offers, sales, or performs roofing or remodeling services for commercial or residential customers, or
- (ii) engage in the establishment or operation of a business that offers, sales, or performs roofing or remodeling services for commercial or residential customers (except as a franchisee of ours under a franchise agreement with us), or
- (iii) aid or facilitate another person or entity (except our franchisees) to engage in the offer, sale, or performance of roofing or remodeling services for commercial or residential customers.

(Collectively, (i), (ii) and (iii) will be referred to as the “Restricted Activities”).

B. Post-Term.

You will not, for a period of two (2) years after expiration or termination of this Agreement, including a sale of the Area Representative Territory or your interest in it, in the Area Representative Territory or within ten (10) miles of any AR Unit Franchise, directly or indirectly, participate in any Restricted Activities.

7.9. Waiver of bond.

If we are forced to bring suit to enforce any sections of this Agreement, you will waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

7.10. Severability.

If any covenant or provision of this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

8. Dispute Resolution

8.1. Internal Resolution

Any issue that you may have arising out of or related to this Agreement (“Matter”) will be resolved as described in this Section 8. You must exhaust this internal dispute resolution procedure before you bring your Claim in Court.

A. Notice

You must provide written notice to us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

The Notice must contain:

- (i) A description of the specific nature of the Claim,
- (ii) All relevant facts,
- (iii) All supporting evidence, and
- (iv) Either the specific dollar amount of Damages, or the action requested to resolve the Matter (“Cure”);

B. Response

We will reply (“Response”) in writing within ten (10) business days with either:

- (i) Corrective Action Plan with a schedule of when the Matter will be resolved if it cannot be Cured within ten (10) business days; or
- (ii) A detailed explanation of why the Matter should not be considered a breach or dispute including any supporting evidence to clarify any disputed facts.

C. Meeting

If in good faith, you do not believe the Matter is settled after the Response then within twenty-one (21) days of receipt of the Response, you may meet with the CEO or our agent in Virginia Beach, VA to discuss in person. Upon mutual agreement, the Parties may choose an alternate location or meet via video call.

8.2. Mediation

If in good faith, you do not believe the Matter is settled after the Meeting, then within thirty (30) days of receipt of the Response, such party will request mediation by:

- (i) completing the request for mediation form at: https://www.adr.org/sites/default/files/Request_for_Mediation.pdf
- (ii) paying the applicable fee imposed and collected by the American Arbitration Association to initiate a mediation proceeding, and
- (iii) notifying the other party.

The mediation will be conducted in accordance with the mediation rules of the American Arbitration Association (“AAA”).

8.3. Arbitration

If a Matter cannot be resolved within ninety (90) days of the Response through Mediation, then you must submit the Matter to arbitration in accordance with the rules of the AAA. Your attorney must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget will include the maximum number of: a) witness, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget.

8.4. Enforceable

In the event such Matter is resolved within the ninety (90) days following submission to arbitration, then the decision and award determined by such arbitration will be final and binding upon both parties, enforceable by any court of competent jurisdiction.

8.5. Costs

Each party will bear their own cost, including reasonable attorney's fees and expert witness fees related to the resolution of the Matter. Other than the initiation fees, the cost of the Mediator or Arbitrator will be shared equally among the Parties.

8.6. Continued Performance

Each Party will continue performance under this Agreement while the Matter is being resolved as described in this Section.

8.7. Limitation of Actions.

You will bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

8.8. Governing Law

This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee will apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

8.9. Jurisdiction and Venue.

Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters; presently located in Virginia Beach, VA. However, if you are an Illinois or Maryland resident or your Area Representative Territory is located in Illinois or Maryland, you will bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

8.10. Non-Waiver of Breach

The failure of either party to enforce any one or more of the terms or conditions of this Agreement will 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.

8.11. Jury Waiver.

In any trial between any of the Parties as to any Claims, you and we will waive our rights to a jury trial and instead have such action tried by a judge.

8.12. Class Action Waiver.

You will bring any Claims, if at all, individually and you will not join such Claim with Claims of any other person or entity or bring, join or participate in a class action against us.

8.13. Compensatory Damages.

As to any Claims, you and we will waive our rights, if any, to seek or recover punitive damages. Further, you and we waive any right to consequential damages and agree that any contract damages shall not exceed and shall be limited to a refund of Franchisee's Initial Area Representative Fee

8.14. Waiver of Bond.

If we are forced to bring suit to enforce any provision of this Agreement, you will waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

9. General

9.1. Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

9.2. Modification

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent.

9.3. Third Party Beneficiaries.

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries.

9.4. Survival.

All of the covenants that may require performance after the termination or expirations will survive any termination or expiration of this Agreement.

9.5. Severability Clause.

If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not impair the validity of any other covenant or provision of this Agreement.

9.6. Notices

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and will be given by mail or courier, postage fully prepaid with tracking verification, or delivered personally or by facsimile, to our CEO, at our corporate office, presently:

780 Lynnhaven Parkway, Suite 240
Virginia Beach, VA 23452
Phone 888-268-0321

Any such notice may also be given to you in the same manner at the address indicated with your signature on this Agreement or such other more current address as we may have on file for you. You must notify us of any change of address in writing. We may also give notice to you by e-mail.

9.7. Acknowledgements

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.

9.8. Release of Prior Claims

By executing this Agreement, the Area Representative, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all Claims arising prior to the date of this Agreement. However, this release does not apply to any Claim you may have arising from representations in our Franchise Disclosure Document.

9.9. Counterparts.

This Agreement may be executed by the parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument. The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink. Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

9.10. Signature

Intending to be bound by all the provisions expressed in this Agreement, on _____ (“Effective Date”) the authorized representatives of each party affix his or her signature below to signify acceptance.

Area Representative Entity: _____

	Tectum Franchising LLC	Area Representative Entity
Signature		
Name		
Title		
Date		
Address		

	Signator	Signator
Signature		
Name		
Date		
Address		

SCHEDULE 1-TERRITORY

Your Area Representative Territory will be defined here.

SCHEDULE 2-MINIMUM REQUIREMENTS

Total Number of AR Unit Franchises to be developed is: _____

Development Schedule – The follow table establishes the Minimum Requirements:

Development Schedule for Minimum Requirements		
Development Period	Number of AR Unit Franchise Agreements signed during each respective Development Period:	Number of AR Unit Franchises open and in operation (in accordance with the terms of each respective AR Unit Franchise Agreement within the Area Representative Territory during and within each respective Development Period as of the last day of the last calendar month for the respective Development Period).
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		
Year 7		
Year 8		
Year 9		
Year 10		

SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

Please complete the following with your banking information and attach a voided check:

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Tectum Franchising LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify Tectum Franchising LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least three (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 fifteen (15) days following issuance of my statement by the above-referenced financial institution or up to sixty (60) days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 4-TELEPHONE NUMBER ASSIGNMENT

THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT is made between Tectum Franchising LLC doing business as CR3 American Exteriors (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

10. BACKGROUND

- A. The parties are entering into a Franchise Agreement (“Agreement”).
- B. As a condition to signing the Franchise Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, and advertisements (collectively “Listings”) relating to your Franchise.

11. TELEPHONE NUMBER ASSIGNMENT

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 will pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request,

- A. take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent,
- B. 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;
- C. disconnect the Listings; and/or
- D. cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisor may require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

12. Appointment as Attorney in Fact.

For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. 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 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 is created to secure performance of a duty to Franchisor and is for consideration.

13. Governing Law and Survival.

The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

FRANCHISEE	FRANCHISOR
By:	By:
Date:	Date:

**SCHEDULE 5
PERSONAL GUARANTY**

This binding contract ("Guaranty") is between:

_____ ("Franchisor") and
_____ ("Guarantor") for
_____ ("Beneficiary")

In exchange for awarding certain franchise rights to the Beneficiary, pursuant to a franchise agreement, along with other valuable consideration, Guarantor(s) jointly and severally personally guarantee the payment of any money and the performance of any obligation of the Beneficiary to Franchisor. Therefore, each Guarantor will pay the Franchisor, on demand and without offset, any sum due to the Franchisor by the Beneficiary arising out of or related to the Franchise Agreement. Guarantor further will pay all costs of collection including reasonable attorney's fees.

This Guaranty will be a continuing and irrevocable guaranty and indemnity for indebtedness of the Beneficiary. The Guarantor will, to the extent permitted by law, waive the Homestead exemption, notice of acceptance, notice of presentment, demand, non-payment, dishonor and protest, along with the right to require Franchisor to proceed against the Beneficiary. Furthermore, Guarantor consents to and waives notice of any modification, amendment or extension of the terms of any Agreement between Franchisor and Beneficiary. Guarantor authorizes Franchisor to obtain and use Consumer Reports from time to time on the Guarantor for the sole purpose of evaluating current and ongoing creditworthiness.

This Guaranty will not exceed five million dollars (\$5,000,000) and will remain in force for ten (10) years from date of execution of the Beneficiary's franchise agreement. Guarantor may revoke this Personal Guaranty only by providing Franchisor written notice via certified mail of its intent to revoke. Revocation will not relieve any obligations incurred prior to receipt of such notice subject to the limit set forth above. Subsequent agreements and credit applications will not serve to alter, supersede or otherwise modify this Personal Guaranty.

Guarantor consents to the use of electronic signatures consistent with Electronic Signatures in Global and National Commerce (ESIGN) Act, and the Uniform Electronic Transactions Act (UETA). Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

_____ Guarantor 1(Signature)	_____ Printed Name	_____ Date
_____ Guarantor 2(Signature)	_____ Printed Name	_____ Date

SCHEDULE 6-RELEASE

[SAMPLE FORM]

THIS RELEASE (“Release Agreement”) is made and given by _____, (“Releasor”) with reference to the following facts:

1. Releasor and Tectum Franchising LLC doing business as CR3 American Exteriors (“Releasee”) are parties to one or more Franchise Agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”); or
_____ Releasor’s consent to Releasee’s transfer of its rights and duties under the Franchise Agreement; or
_____ Releasor’s consent to Releasee’s assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all Franchises’ guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Area Representatives, Franchisees, successors, assigns and affiliates (collectively “Released Parties”) from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Representative could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

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

6. This Release Agreement does not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise

laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

Approved and agreed to by:

Franchisee	Franchisor
Signature:	
Name:	
Date:	

Please date, sign, and keep this copy for your records.

SCHEDULE 6A-BIOGRAPHICAL INFORMATION

1. Name: _____

2. Current Title/Position with Franchisor: **Area Representative**

3. Business Address:

4. Business Phone Number: _____

5. Beginning with the date you started the job you held six years ago, on the chart below please list your dates of employment, your employer(s), and your position(s) held from then to the present:

***Please make sure to include your current position with the franchisor (including Area Representative, etc.) as well as any prior titles or positions you held with the Franchisor.**

***Please make sure to include all positions held even though not as an employee. For example, include positions held as “self-employed” or as a franchisee, consultant, or independent contractor.**

***Please print clearly and do not use abbreviations except where such abbreviation actually shows up in the name of a company (i.e., “Inc.”) and you may abbreviate the name of a state.**

<u>Company</u>	<u>City/State</u>	<u>Position Held</u>	<u>Start Date (Month and Year)</u>	<u>End Date (Month and Year)</u>

6. Have you been convicted of a felony or pleaded *nolo contendere* to a felony charge involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES NO

7. Have you been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge involving a violation of franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES NO

8. Have you been party to any civil action, administrative action, complaint or legal proceeding involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES NO

9. Are you a party to any proceeding, which could make you subject to, or are you subject to an injunction or restraining order brought by any public agency or department?

YES NO

10. Have you been a party in any arbitration proceeding during the past ten years?

YES NO

11. Have you filed in bankruptcy; been adjudicated a bankrupt; been reorganized due to insolvency; or been a principal, director, executive officer, trustee or general partner or any other entity that has filed in bankruptcy, been adjudicated a bankrupt, or been reorganized due to insolvency in the last ten years?

YES NO

12. Are you subject to any currently effective order of any national securities association or national securities exchange suspending or expelling you from membership in such association or exchange?

YES NO

13. If your answer to any of the above items is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

II. SALESPERSON DISCLOSURE

If anyone other than you will be offering or selling franchises under this Area Representative Agreement, please write their name(s) below and what they will be doing.

<u>Name</u>	<u>What Will They Be Doing</u>
1. _____	_____
2. _____	_____
3. _____	_____

III. LLC AND CORPORATIONS

If your Area Representative Agreement is held by a limited liability company or Corporation, please also advise:

What is the name of the entity? _____

In what state is the entity formed? _____

What is your role in the entity? (For example, Managing Member, President, etc.):

IV. TERRITORY

In what state(s) is your Area Representative Territory? _____

V. PROMISE TO UPDATE & CERTIFICATION

If at any time I become involved in litigation, convicted of a crime, or file bankruptcy, I promise to notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

Signature: _____

Date: _____

EXHIBIT C-LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Hawaii Commissioner of Securities 335 Merchant St. Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit	Department of Attorney General 525 W. Ottawa Street G. Mennen Building

	525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219

	Richmond, VA 23219 (804) 371-9051	
Washington	Securities Division, Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT D-TABLE OF CONTENTS -MANUAL

TABLE OF CONTENTS

Chapter 1: Introduction to the Area Representative Role.....	1
Purpose of the Role	4
Dual Functions of an AR.....	4
Why Area Representatives Are Essential	4
Traits of a Successful Area Representative	4
What an AR Is NOT Responsible For	5
What Is an Area Representative?	5
Chapter 2: Core Responsibilities of an Area Representative	7
AR Top 10: Key Actions for Success	8
Supporting Franchisees: Mentoring and Growth.....	8
Conducting Site Visits and Check-Ins	9
Chapter 3: Setting and Achieving Goals.....	10
SMART Goals Framework	11
Strategies for Goal Achievement.....	11
Monitoring and Adjusting Goals	12
SMART Goals Worksheet.....	13
Chapter 4: Lead Generation	14
Rules for Soliciting Prospects.....	15
Advertising.....	17
Identifying Qualified Prospects.....	20
Franchise Disclosures	20
The Franchise Agreement	21
Proven Lead Generation Strategies	22
Managing Leads Effectively.....	23
Measuring Success	23
10 Proven Strategies for CR3 American Exteriors Area Representatives to Recruit Franchisees.....	24
Elevator Pitches	26

TABLE OF CONTENTS

Chapter 5: Mentoring Franchisees	30
Building Strong Relationships.....	31
Effective Communication Styles.....	31
Providing Clear Guidance and Support.....	31
Encouraging Continuous Improvement.....	32
Measuring Mentorship Success	32
Chapter 6: Financial Responsibilities.....	33
Franchisee Financing Options.....	34
Handling Royalty Discrepancies.....	34
Providing Financial Tools and Resources.....	35
Maintaining Financial Compliance.....	35
Supporting Long-Term Financial Growth.....	36
Chapter 7: Operational Support.....	37
Maintaining Brand Standards.....	38
Conducting Location Audits.....	38
Pre-Opening and Ongoing Training.....	39
Providing Day-to-Day Support	39
Collaboration with Corporate.....	40
Chapter 8: The CR3 American Exteriors 2-Minute Drill.....	41
Purpose and Key Components of the 2-Minute Drill.....	42
How to Master the 2-Minute Drill.....	43
Using the 2-Minute Drill Effectively.....	43
Practice Exercise.....	43
How to Present CR3 American Exteriors.....	44
Chapter 9: Utilizing The CR3 Supply House.....	46
Key Features of The CR3 Supply House.....	47
Managing Multiple Locations.....	47
Tracking Progress and Performance.....	48

TABLE OF CONTENTS

Leveraging Resources for Training and Development.....	48
Best Practices for Using The CR3 Supply House	48
Chapter 10: Franchisee Compliance.....	50
Notices to Cure.....	51
Termination Processes	51
Addressing Competition from Former Franchisees	52
Best Practices for Monitoring Compliance	52
Chapter 11: Marketing and Reputation Management.....	53
Social Media and Reputation Management	54
Marketing Materials and Best Practices	54
Measuring Success in Marketing and Reputation Management	55
Lead Generation Strategies for AR.....	57
Chapter 12: What Happens Next.....	58
Bi-Weekly Support Calls.....	59
Annual AR Training at Conventions.....	59
Next Steps as an AR.....	60

Please Note: The contents of this Manual are confidential and subject to the Confidentiality Clause in your Area Representative Agreement.

EXHIBIT E-1 LIST OF FRANCHISEES

The following is a list of the names of all Area Representative Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets:

State	Location	Owner	Email	Phone

Area Representative Franchise Agreement Signed, but not yet opened as of December 31, 2023.

None.

EXHIBIT E-2 LIST OF FORMER FRANCHISEES

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

NONE.

Note: If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchised System

EXHIBIT F - FINANCIAL STATEMENTS

TECTUM FRANCHISING LLC

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE THREE YEARS ENDED DECEMBER 31, 2024



DASH Business Solutions, LLC
1127 Royal Palm Beach Blvd #408
Royal Palm Beach, FL 33411
561.247.5303
info@dash.cpa

TECTUM FRANCHISING LLC

Table of Contents

	Page
Independent Auditor's Report.....	1-2
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Changes in Members' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7-10

DASH Business Solutions, LLC

Independent Auditor's Report

To the Members of
Tectum Franchising LLC

Opinion

We have audited the accompanying financial statements of Tectum Franchising LLC, which comprise the balance sheets as of December 31, 2024, and the related statements of operations, members' equity, and cash flows for the three years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tectum Franchising LLC as of December 31, 2024, and the results of its operations and its cash flows for the three years then ended, in accordance with the generally accepted accounting principles in the United States of America.

Basis for Opinion

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditor is required to be independent of Tectum Franchising LLC and meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. 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 generally accepted accounting principles in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

DASH Business Solutions, LLC

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

DASH Business Solutions, LLC

DASH Business Solutions, LLC
Royal Palm Beach, FL
April 25, 2024

TECTUM FRANCHISING LLC

Balance Sheets			
December 31			
	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 169,001	\$ 46,254	\$ 3,549
Prepaid Expenses	1,525	-	-
Accounts Receivable	312,709	29,624	-
Other Receivables	40,591	25,000	-
Total Current Assets	<u>523,826</u>	<u>100,878</u>	<u>3,549</u>
Other Assets			
Intangible Asset, Net	1,097	1,184	1,271
Total Other Assets	<u>1,097</u>	<u>1,184</u>	<u>1,271</u>
TOTAL ASSETS	<u><u>\$ 524,923</u></u>	<u><u>\$ 102,062</u></u>	<u><u>\$ 4,820</u></u>
LIABILITIES & EQUITY			
Current Liabilities			
Accounts Payable	\$ 34,711	\$ 1,965	\$ -
Payroll Liabilities	3,151	1,523	-
Deferred Revenue - Current	-	3,504	-
Total Current Liabilities	<u>37,862</u>	<u>6,992</u>	<u>-</u>
Long-Term Liabilities			
Due to Member	9,035	47,328	-
Deferred Revenue	339,488	28,871	-
Total Long-Term Liabilities	<u>348,523</u>	<u>76,199</u>	<u>-</u>
Total Liabilities	<u>386,385</u>	<u>83,191</u>	<u>-</u>
Members' Equity			
Retained Earnings	138,538	18,871	4,820
Members' Equity	<u>138,538</u>	<u>18,871</u>	<u>4,820</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$ 524,923</u></u>	<u><u>\$ 102,062</u></u>	<u><u>\$ 4,820</u></u>

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Statements of Operations
For The Two Years Ended December 31

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues			
Franchise Fees	\$ 18,689	\$ 2,625	\$ -
Onboarding Fees	-	26,785	-
Royalty Fees	418,672	153,576	-
Marketing	80,488	-	-
Other Revenue	15,964	114	-
Total Revenues	<u>533,813</u>	<u>183,100</u>	<u>-</u>
Expenses			
Advertising and Marketing	152,326	30,949	6,745
Amortization Expense	87	87	29
Bad Debt Expense	11,453	-	-
Bank and Merchant Fees	5,867	266	20
Charitable Contributions	-	200	-
Commissions	26,663	-	-
Computer and IT Expenses	7,847	9,648	472
Dues and Subscriptions	32,378	70,787	2,129
Filing Fees	100	350	5,701
Fuel	1,317	443	-
Insurance	763	-	-
Interest Expense	88	-	-
Meals and Entertainment	8,066	2,512	-
Merchant	-	1,048	-
Office Supplies and Expense	6,561	4,369	-
Payroll Taxes	13,028	4,440	1,322
Professional Fees	20,806	8,823	13,250
Salaries and Wages	75,785	50,000	14,423
Software Expense	5,387	-	-
Training Expense	51,789	962	-
Travel	23,835	9,608	2,500
Uniforms	-	3,146	-
Total Expenses	<u>444,146</u>	<u>197,638</u>	<u>46,591</u>
Net Income (Loss)	<u>\$ 89,667</u>	<u>\$ (14,538)</u>	<u>\$ (46,591)</u>

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Statements of Changes in Members' Equity
For The Three Years Ended December 31, 2024

Equity at July 12, 2022	\$	-
Capital Contributions		51,411
Net Loss		<u>(46,591)</u>
Equity at December 31, 2022	\$	<u>4,820</u>
Equity at January 1, 2023	\$	4,820
Capital Contributions		28,589
Net Loss		<u>(14,538)</u>
Equity at December 31, 2023	\$	<u>18,871</u>
Equity at January 1, 2024	\$	18,871
Capital Contributions		30,000
Net Loss		<u>89,667</u>
Equity at December 31, 2024	\$	<u>138,538</u>

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Statements of Cash Flows For The Three Years Ended December 31, 2024

	2024	2023	2022
<u>Cash Flows From Operating Activities:</u>			
Net Income (Loss)	\$ 89,667	\$ (14,538)	\$ (46,591)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:			
Depreciation & Amortization	87	87	29
Changes in Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses	(1,525)		-
(Increase) Decrease in Accounts Receivable	(283,085)	(29,624)	-
(Increase) Decrease in Other Receivables	(15,591)	(25,000)	-
Increase (Decrease) in Accounts Payable	32,746	1,965	-
Increase (Decrease) in Payroll Liabilities	1,628	1,523	-
Increase (Decrease) in Deferred Revenue	307,113	32,375	-
Net Cash Provided by Operating Activities	131,040	(33,212)	(46,562)
<u>Cash Flows From Investing Activities:</u>			
Due To Affiliates	(38,293)	47,328	-
Purchase of Assets	-	-	(1,300)
Net Cash Provided by Investing Activities	(38,293)	47,328	(1,300)
<u>Cash Flows From Financing Activities:</u>			
Capital Contributions	30,000	28,589	51,411
Net Cash Provided by Financing Activities	30,000	28,589	51,411
Net Change in Cash	122,747	42,705	3,549
Cash - Beginning of Period	46,254	3,549	-
Cash - End of Period	\$ 169,001	\$ 46,254	\$ 3,549
 <u>Supplementary Disclosures Of Cash Flows</u>			
Cash Paid For Interest	\$ 88	\$ -	\$ -
Cash Paid For Income Taxes	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Tectum Franchising LLC (hereinafter the “Company”) was formed on July 12, 2022 as a Virginia limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchise location of CR3 American Exteriors, a business that offers, sells, and performs roofing and remodeling services for commercial and residential customers within a defined territory.

Basis of Accounting

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

Financial Instruments

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and other revenues. These receivables are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of outstanding amounts. At December 31, 2024, the Company had accounts receivables of \$312,709, and all accounts are deemed collectible.

The Other Receivables presented on the balance sheet include amounts due from noncustomers. During the year ending December 31, 2023, the amount due in Other Receivables related to a marketing vendor has been recognized as a reduction in advertising cost during the year ending December 31, 2023.

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other Assets

The Company has an intangible asset consisting of the trademark acquisition cost valued at \$1,300. Intangible assets are amortized over a fifteen-year period using the straight-line method, and are measured annually for impairment. During the year ending December 31, 2022, amortization expense was \$29 based on the Company's date of inception. The total amortization expense for the intangible asset during the next five years will be \$87 per year.

Concentration of Risk

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

Subsequent Events

Management has reviewed and evaluated subsequent events through April 25, 2024, the date on which the financial statements were issued.

Advertising Costs

The Company expenses advertising costs as they are incurred.

Revenue Recognition

The Financial Accounting Standards Board ("FASB") issued codification Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The Company has instituted ASC 606 using the full retrospective approach. The franchise fee revenue is recognized equally over a ten-year period, amortized monthly based on the contract signing date.

The Company's revenues consist of fees from franchises such as initial franchise fees, royalties, marketing fees, area representative fees, and other fees. The franchise fees are initially deferred revenue and recognized monthly. If the contract is signed before the fifteenth day of the month, half of the monthly accrual amount is recognized. If the contract is signed on or after the fifteenth day of the month, the entire month of the accrual is recognized. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract. The Company is obligated to provide the franchise with specific performances, including name and trademark use, as outlined in the franchise disclosure document. The initial franchise fee: is not refundable; is typically collected upon contract signing; and, future allocations of the initial franchise fees have no risk of impairment. When a franchise terminates the contract, the remainder of the initial franchise fee may be recognized in the year of termination.

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

The entity is structured as a limited liability company under the laws of the State of Virginia, being taxed as a partnership. A partnership for federal and state income tax purposes includes the income or loss of the Company in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes. The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company’s financial statements. The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

NOTE 2 - DUE TO MEMBER

During the ordinary course of business, the Company enters into transactions with members primarily due to short term advances and cost reimbursements. The amounts are reflected on the balance sheet as Due to Member and are expected to be repaid during the subsequent year. There are no written terms of repayment and no interest charged. Any amounts outstanding after the subsequent twelve months will be included in a formal note with an imputed interest rate, if applicable.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 2 – RECLASSIFICATIONS AND RESTATEMENTS

Certain reclassifications and combinations have been made to allow for conformity and clarity. The restatement for the year ending December 31, 2023 was deemed necessary and immaterial. The updates have not materially changed the financial statements and were completed as part of the audit process.

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 5 - DEFERRED REVENUE

As stated in Note 1, under ASC 606, Management has determined that revenue from the initial franchise fee should be recognized equally over a ten-year period monthly beginning when the contract is signed. At December 31, 2023, the amounts in deferred revenue consist of the current portion that will be recognized during the subsequent calendar year, and the long-term portion that will be recognized as previously stated.

NOTE 6 - FRANCHISE AGREEMENT

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

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. All other terms of the Franchise Disclosure Document.

EXHIBIT G-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:

<u>Effective Dates</u>	
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

SCHEDULE H-RECEIPT

This Disclosure Document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Tectum Franchising LLC doing business as CR3 American Exteriors offers you a franchise, it must provide this Disclosure Document to you fourteen (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.

Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, we must provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit C.

The franchisor is CR3 American Exteriors, and is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is 888-268-0321.

Issuance date: April 30, 2025

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
<input checked="" type="checkbox"/> Lester Morris, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331
<input type="checkbox"/> Gwendolyn DiFerinando, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> Erik Klumpe, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ CR3 American Exteriors, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331

We have authorized the respective state agencies identified on Exhibit C to receive service of process for us in the particular state.

I have received a Disclosure Document issued April 30, 2025, that included the following:

Received	Reference	Name
<input checked="" type="checkbox"/>	ITEM 1-ITEM 23	Franchise Disclosure Document
<input checked="" type="checkbox"/>	Exhibit A:	State Addenda
<input checked="" type="checkbox"/>	Exhibit B:	Area Representative Agreement and Schedules
<input checked="" type="checkbox"/>	Schedule 1	Territory
<input checked="" type="checkbox"/>	Schedule 2	Minimum Requirements
<input checked="" type="checkbox"/>	Schedule 3	Automatic Bank Draft Authorization
<input checked="" type="checkbox"/>	Schedule 4	Telephone Number Assignment
<input checked="" type="checkbox"/>	Schedule 5	Personal Guarantee
<input checked="" type="checkbox"/>	Schedule 6	Release
<input checked="" type="checkbox"/>	Schedule 6a	Biographical Information
<input checked="" type="checkbox"/>	Exhibit C:	State Administrators/Agents for Service of Process
<input checked="" type="checkbox"/>	Exhibit D:	Table of Contents-Manual
<input checked="" type="checkbox"/>	Exhibit E-1:	List of Franchisees
<input checked="" type="checkbox"/>	Exhibit E-2:	List of Former Franchisee
<input checked="" type="checkbox"/>	Exhibit F:	Financial Statements
<input checked="" type="checkbox"/>	Exhibit G:	State Effective Dates
<input checked="" type="checkbox"/>	Exhibit H:	Receipts

Signature_____

Name_____

Date_____

FOR YOUR RECORDS

RECEIPT

This Disclosure Document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Tectum Franchising LLC doing business as CR3 American Exteriors offers you a franchise, it must provide this Disclosure Document to you fourteen (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.

Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, we must provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit C.

The franchisor is CR3 American Exteriors, and is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is 888-268-0321.

Issuance date: April 30, 2025

<p>The name, principal business address, and telephone number of each franchise seller offering the franchise is:</p> <p><input checked="" type="checkbox"/> Lester Morris, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331</p> <p><input type="checkbox"/> Gwendolyn DiFerinando, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> Erik Klumpe, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</p> <p><input type="checkbox"/> _____ CR3 American Exteriors, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331</p>
--

We have authorized the respective state agencies identified on Exhibit C to receive service of process for us in the particular state.

I have received a Disclosure Document issued April 30, 2025, that included the following:

Received	Reference	Name
<input checked="" type="checkbox"/>	Item 1-Item 23	Franchise Disclosure Document
<input checked="" type="checkbox"/>	Exhibit A:	State Addenda
<input checked="" type="checkbox"/>	Exhibit B:	Area Representative Agreement and Schedules
<input checked="" type="checkbox"/>	Schedule 1	Territory
<input checked="" type="checkbox"/>	Schedule 2	Minimum Requirements
<input checked="" type="checkbox"/>	Schedule 3	Automatic Bank Draft Authorization
<input checked="" type="checkbox"/>	Schedule 4	Telephone Number Assignment
<input checked="" type="checkbox"/>	Schedule 5	Personal Guarantee
<input checked="" type="checkbox"/>	Schedule 6	Release
<input checked="" type="checkbox"/>	Schedule 6a	Biographical Information
<input checked="" type="checkbox"/>	Exhibit C:	State Administrators/Agents for Service of Process
<input checked="" type="checkbox"/>	Exhibit D:	Table of Contents-Manual
<input checked="" type="checkbox"/>	Exhibit E-1:	List of Franchisees
<input checked="" type="checkbox"/>	Exhibit E-2:	List of Former Franchisee
<input checked="" type="checkbox"/>	Exhibit F:	Financial Statements
<input checked="" type="checkbox"/>	Exhibit G:	State Effective Dates
<input checked="" type="checkbox"/>	Exhibit H:	Receipts

Signature_____

Name_____

Date_____

FOR OUR RECORDS