

FRANCHISE DISCLOSURE DOCUMENT



Patrice Franchising, LLC
a Delaware limited liability company
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Patrice Franchising, LLC offers franchises for the operation of a recruiting business that specializes in providing management candidates to the retail, restaurant and hospitality industry as well as all other industries.

The total investment necessary to begin operation of a Patrice & Associates® franchise ranges from \$105,100 to \$121,050. This includes \$92,000 to \$95,500 that must be paid to the franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 the franchisor at 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255 or by phone at (301) 327-5059.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "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 15, 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 EXHIBIT "F".
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or EXHIBIT "G" 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 Patrice & Associates® franchise in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Patrice & Associates® franchisee?	Item 20 or EXHIBIT "F" lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arizona than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The franchised business offered under this Disclosure Document is for a recruiting business that specializes in providing management candidates to the retail, restaurant and hospitality industry as well as all other industries. and operates under the name Patrice & Associates® (a “P&A Agency”). To simplify the language in this Disclosure Document, “you” means the person who buys the franchise for a P&A Agency – the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company. “We,” “us” and “the Company” mean Patrice Franchising, LLC – the franchisor.

Corporate Information

Patrice Franchising, LLC is a Delaware limited liability company that was organized on August 15, 2022. Our principal business address is 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255. Our telephone number is (301) 327-5059. Our agents for service of process are disclosed in EXHIBIT "A" (for franchise registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than “Patrice Franchising, LLC” and “Patrice & Associates”.

Business History

Patrice Rice opened the first P&A Agency in Dunkirk, Maryland in 1989. Our company was formed in 2022 for purposes of: (a) acquiring the assets associated with the Patrice & Associates franchise system from Patrice & Associates Franchising, Inc.; and (b) offering and selling P&A Agency franchises. We began offering P&A Agency franchises in December 2022. We are not engaged in any business other than offering franchises for P&A Agencies and administering the franchise system. We have never offered franchises in any other line of business. We have never directly owned and operated a P&A Agency.

Predecessors, Parents and Affiliates

Our predecessor is Patrice & Associates Franchising, Inc. (“PAF”). PAF’s principal business address is the same as ours. PAF offered franchises for P&A Agencies from 2008 to December 2022 when it transferred the assets associated with the franchise system to us. PAF also offered area representative franchises from 2017 to December 2022. The area representative program was offered under a separate Franchise Disclosure Document. Area representatives help the franchisor sell and support P&A Agency franchises within a defined territory. However, area representatives do not have management responsibilities or decision-making authority relating to the sale or operation of franchises. As of December 31, 2024, there were 10 area representatives operating. PAF no longer offers franchises in this or any other line of business. PAF never operated a P&A Agency.

Our direct and indirect parent companies are listed in the table below:

Parent Companies		
Name of Parent	Direct or Indirect	Principal Business Address
Patrice Holdings, LLC	Direct	9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255
CCG Patrice, LLC	Indirect	9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255
Patrice & Associates, Inc.	Indirect	9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255
Patrice & Associates Franchising, Inc.	Indirect	9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255

We do not have any affiliates that offer (or have ever offered) franchises in this or any other line of business. We do not have any affiliates that provide goods or services to our franchisees.

Description of Franchised Business

The franchised business offered under this Disclosure Document is for a recruiting business that specializes in providing management candidates to the retail, restaurant and hospitality industry as well as all other industries. We grant franchisees access to our proprietary database (the “P&A Database”), which includes qualified hospitality management candidates, hospitality management positions, and a billing and collection service. We provide franchisees with a variety of other training, tools and support, including a personalized URL, a local webpage linked to our corporate website, specialized training in the preparation of advertisements for candidates and use of social media, post-training materials and mentoring.

We refer to the franchised business you purchase as your “Business” or your “P&A Agency”. Each person who provides employee recruiting services on behalf of your P&A Agency is referred to as a “Recruiter”. You and your Recruiters will solicit and place qualified job applicants (“Applicants”) with businesses or other organizations seeking to fill job positions (“Clients”). Clients may be obtained by us, you or other franchisees. All Clients contract with us, but any Client you obtain will be “credited” to you. We post open job positions with Clients on the P&A Database. You may also establish referral relationships with persons or organizations that may be in a position to refer potential Applicants and Clients to you (“Referral Sources”).

The hiring of an Applicant by a Client is referred to as a “Placement”. Upon completion of a Placement, the Client pays us a fee (the “Placement Fee”). For each Applicant you place with a Client originated by us or you, we will: (a) collect the Placement Fee; (b) deduct 24% for our royalty and other percentage-based fees; and (c) remit the balance to you. If another franchisee places an Applicant with a Client originated by you, you will receive 20% of the Placement Fee and the other franchisee will receive 56% of the Placement Fee. Conversely, if you place an Applicant with a Client originated by another franchisee, you will receive 56% of the Placement Fee and the other franchisee will receive 20% of the Placement Fee. You will have the right to negotiate rates and terms with the Client; however, all contracts will be signed and managed by us.

If we award you a franchise, you must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the “Franchise Agreement”). We refer to the franchised business you purchase as your “Business” or your “P&A Agency”. The Franchise Agreement grants you a license to use certain service marks, trademarks, trade names and logos, including the trademark PATRICE & ASSOCIATES® (collectively, the “Marks”). The Franchise Agreement also grants you a license to use our system that was developed for the operation of a P&A Agency (the “System”). Our confidential Brand Standards Manual (the “Manual”) describes the operational aspects of a P&A Agency. You will operate your P&A Agency as an independent business using the Marks, the System, the information in the Manual, and the support, guidance and other methods and materials we provide.

Market and Competition

The target market for the recruitment services offered by a P&A Agency includes: (a) businesses in the restaurant, hospitality, hotel, casino and retail industries; and (b) individuals seeking new executive-level positions within those industries. To a lesser degree, P&A Agencies provide recruitment services for other industries. Sales are not seasonal.

The employee recruitment industry is mature and competitive. The industry may be affected by changes in local and national economic conditions and changes in population density. You will compete with local, regional and national companies that provide similar staffing services. Some of these companies are independently owned and operated while others are chains. Some of our competitors operate through a franchise model.

Laws and Regulations

The laws and regulations applicable to businesses that provide management recruitment services vary from state to state and locality to locality. You must comply with any state and local regulations pertaining to licensing of employment agencies and recruiting firms. You must comply with all employment laws, rules and regulations, including the Equal Opportunity Employment Act, with respect to interviewing potential candidates. You must

check all applicable laws, regulations and ordinances. You are responsible for knowing and complying with these laws. There may be other local, state and/or federal laws or regulations that apply to your P&A Agency. We strongly suggest that you investigate these laws before buying this franchise.

ITEM 2 BUSINESS EXPERIENCE

Jason C. Miller - Chief Executive Officer

Mr. Miller has been our Chief Executive Officer since December 2024. His other employment positions during the past 5 years include the following:

Employer Name	Location	Title	Time Period
Patrice Franchising, LLC	Southbury, CT	Vice President Franchise Development	Dec 2022 to Nov 2024
PAF (predecessor and indirect parent of Patrice Franchising, LLC)	Southbury, CT	Vice President Franchise Development	Jun 2016 to Nov 2022

George W. Wooten – Vice President - Operations

Mr. Wooten has been our Vice President - Operations since February 2025. His other employment positions during the past 5 years include the following:

Employer Name	Location	Title	Time Period
Grow Forward Solutions LLC	Harrisonburg, VA	Principal / Managing Partner	May 2016 – Present

ITEM 3 LITIGATION

Mark Fischer v. Patrice & Associates Franchising, Inc. (now Patrice Franchising, LLC), No CV-17-629 (First Judicial District of Minnesota)

Franchisee and regional developer, Mark Fischer, was in default under both his Franchise Agreement and his Regional Development Agreement. Despite this, on July 19, 2017, Fischer filed a lawsuit in Minnesota State Court against our predecessor, PAF, claiming fraudulent misrepresentation, negligent misrepresentation and violation of the Minnesota Franchise Act and sought actual damages in excess of \$50,000 together with interest, costs and disbursements and attorneys' fees. The state-court suit has been dismissed upon joint stipulation by the parties, and has proceeded to arbitration as required under the Franchise Agreement [GE-Q5RVKRDRUJNV-1870464117-2]. PAF filed counterclaim for breach of the Franchise Agreement and Regional Development Agreement as well as intentional interference with contractual relationship and intentional interference with business expectancy seeking damages in excess of \$1,000,000. Following a lengthy arbitration, an arbitration award was granted on February 28, 2019, whereby Mark Fischer was awarded only a refund of his franchise fees under the Franchise Agreement and Regional Development Agreement with prejudgment interest but was denied lost opportunity damages and claimed operating expenses. Mark Fischer was also awarded approximately one-third of the attorneys' fees and expenses he sought. All other claims and counterclaims made by both parties were either denied or dropped by the parties.

Daniel Harris and Hospitality Partners, LLC v. Patrice and Associates Franchising, Inc., Patrice Rice and Brian Miller, Case No. 01-18-0000-0461 (American Arbitration Association)

Franchisee Daniel Harris and Hospitality Partners, LLC ("Claimant") filed for arbitration on January 3, 2018 naming the following parties as defendants: our predecessor, PAF; our former Chief Executive Officer, Brian K. Miller (who served as PAF's Chief Operating Officer at the time the suit was filed); and our Consultant, Patrice

Rice (who served as PAF's President and Director at the time the suit was filed). Claimant alleged violation of New York State Franchise Sales Act, common law fraud, and negligent misrepresentation based on claims that PAF wrongfully and fraudulently sold Claimant a franchise by providing disclosures which were misleading and contained misrepresentations. The Claimant's demand was for rescission of the franchise agreement, \$75,000 plus interest and costs, and attorneys' fees. PAF filed an Answer on March 21, 2018, containing multiple defenses (including that Claimant suffered no damages but instead returned his investment in less than a year) and a counterclaim that Claimant breached the franchise agreement and, as a result, PAF requested an award for the fees that PAF would have received (in excess of \$250,000) had the breach not occurred, plus interest, attorneys' fees, costs and expenses. On May 25, 2018, the arbitrator dismissed Patrice Rice and Brian Miller from the case. Rather than involve the company in protracted litigation and to remain focused on its performing franchisees, on July 2, 2018, PAF and the Claimant entered into a confidential settlement agreement whereby PAF refunded only the fees and training costs Claimant paid to PAF (\$69,000) (without any consideration of his alleged damages) and the parties exchanged mutual releases without admitting any wrongdoing whatsoever.

Patrice & Associates Franchising, Inc. (now Patrice Franchising, LLC), v. McCoury Enterprises, Inc., Case No. 01-19-0004-4829 (American Arbitration Association)

On December 12, 2019, our predecessor, PAF, filed for arbitration against McCoury Enterprises, Inc. ("McCoury"), an area representative, seeking a declaratory judgment stating that (a) McCoury breached the area representative agreement in several material respects, including, but not limited to, failure to make efforts to solicit potential franchisees and failure to submit required reports and (b) PAF had the right to terminate the area representative agreement and related franchise agreement, both of which were signed on January 17, 2018. On May 22, 2020, the parties entered into a confidential settlement agreement whereby PAF agreed to pay to McCoury an amount of \$125,000 and the parties mutually agreed to terminate the Area Representative Agreement and Franchise Agreement and exchanged mutual releases.

Other than as described above, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You pay us a nonrefundable \$65,000 initial franchise fee at the time you sign the Franchise Agreement. If you are purchasing the right to operate an additional P&A Agency, your initial franchise fee is reduced to \$32,500. The initial franchise fee is uniformly imposed.

Initial Training Fee (Franchisee Training)

You pay us a nonrefundable \$7,000 initial training fee at the time you sign the Franchise Agreement. The \$7,000 initial training fee covers initial training for the Managing Owner (described in Item 15) as well as our 90-day mentoring program. There is no additional charge if you send more than 1 owner to initial training. The initial training fee is uniformly imposed.

Initial Training Fee (Manager Training)

If you choose to hire a Manager (described in Item 15), the Manager must complete our required training program. You pay us a nonrefundable \$3,500 training fee for each Manager we train. The Manager training fee is due at the time training is scheduled. The Manager training fee is uniformly imposed.

Executive Recruiting Training & Certification

You pay us a nonrefundable \$10,000 executive recruiting training and certification fee at the time you sign the

Franchise Agreement. Executive recruiting training is required in order to participate in executive recruiting and is supplemental to the initial training.

Microsite Fee

You pay us a nonrefundable \$7,000 Microsite fee at the time you sign the Franchise Agreement. This fee is paid in exchange for the 10-page local website we develop for your P&A Agency (your “Microsite”) and includes ongoing maintenance and support. The Microsite fee is uniformly imposed.

Marketing Starter Kit

You must pay us or our designated supplier \$3,000 for a starter kit (“Starter Kit”) of initial inventory of marketing materials to reach businesses in your area. The Starter Kit includes items such as client brochures, apparel, business cards, note cards, pens, congratulations cards, table sign, personalized stationary and envelopes. This fee is nonrefundable.

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT ^{2, 3}	DUE DATE	REMARKS
Royalty Fee	10% of Gross Sales	Day of each week that we specify (currently Friday) for Gross Sales collected during prior reporting period	You must send us Gross Sales reports for each reporting period. Our current reporting period runs from Friday to Thursday. We may change the reporting period and/or royalty fee due date upon 30 days’ prior notice.
Billing Services Fee	5% of Gross Sales	Same as royalty fee	We invoice all clients and collect payment for the services you provide. Each week, we pay you the net amount of Gross Sales we collect for services you provide after deducting fees and other amounts you owe us. You may not directly invoice clients or collect payment without our prior written consent.
Brand Fund Fee	2% of Gross Sales	Same as royalty fee	We deposit this fee into a Brand Fund. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee.
P&A Database Fee	7% of Gross Sales	Same as royalty fee	Paid for your license to access our proprietary P&A Database.
Recruiter Setup & Licensing Fees	\$125 initial fee plus \$60 per month	\$125 due at time you hire Recruiter and monthly fee due on the first day of each month, paid by ACH or credit card	You pay this fee for each Recruiter you hire. The \$125 initial fee includes setting up the Recruiter’s email and access to the P&A Database. The \$60 monthly fee covers the Recruiter’s ongoing access to the P&A Database.
Training Fee (New Recruiters)	\$500 if we train Recruiter or no charge if you train Recruiter	At time training is scheduled (if we train Recruiter) or time you hire recruiter (if you train Recruiter)	You may train new Recruiters you hire, at no cost, if you are certified to use the Proctor Program, which is our virtual training program curriculum. If you are not certified to use the Proctor Program, we must train new Recruiters that you hire.
Training Fee (New Manager)	\$3,500	At time training is scheduled	You are not required to hire a Manager. If you choose to do so, we must train the Manager.

TYPE OF FEE ¹	AMOUNT ^{2,3}	DUE DATE	REMARKS
Conference Registration Fee	\$495 per person per conference	30 days before conference (or during initial training for 1 st annual conference)	We may hold an annual conference to discuss business and operational issues affecting P&A Agencies. Attendance is mandatory for your Managing Owner and Manager (if applicable). You pay the conference registration fee regardless of whether these individuals attend. You are also responsible for all expenses and costs the conference attendees incur, including wages, travel and living expenses.
Technology Fee	Up to \$500 per month (currently \$350 per month)	10 days after invoice or as we otherwise specify	Includes amounts you pay us or our affiliate for Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-parties. It may also include an administrative fee for managing the technology platform and negotiating/managing relationships with third-party licensors. It does not include amounts you pay to third parties.
Product Purchases	Varies depending on item purchased	10 days after invoice	We and our affiliates may serve as System suppliers for goods and services you must purchase. If this occurs, we will provide you with a price list upon request.
Franchise Resale Service Fee	Broker fee equal to the greater of 10% of the purchase price or \$31,000 plus \$3,000 marketing services fee	At time of franchise sale	We offer an optional service to help franchisees sell their business. To use this service, you must sign a Franchise Resale Agreement (attached as <u>EXHIBIT "D"-4</u>) and pay the service fee.
Transfer Fee	\$10,000	At time of transfer	Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity you control or for certain transfers of ownership interests between existing owners. If the buyer is found by a broker we engage, you must also reimburse us for all commissions we pay the broker.
Reimbursement of Insurance Costs	Amount of expenses we incur (including premiums)	10 days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.
Taxes	Actual taxes imposed on us	Upon demand	You must indemnify and/or reimburse us for all capital, gross receipts, sales, and other taxes and assessments imposed on us as a result of the operation of your P&A Agency or the license of any of our (or our affiliates') intangible property to you (whether required to be paid by us or our affiliates, withheld by you, or otherwise). You do not reimburse us for income-type taxes imposed on our income.
Late Fee	\$100 plus default interest at lesser of (a) 18% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law	10 days after invoice	If our debit of your account is rejected or your check is returned for insufficient funds, we may charge (in addition to the late fee) an NSF fee of \$50 per incident. Default interest is limited to 10% in California.

TYPE OF FEE ¹	AMOUNT ^{2, 3}	DUE DATE	REMARKS
Noncompliance fee	Up to \$500 per incident	Upon demand	Payable if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and do not cure within the time period we require. We may impose an additional fine for every 48 hours the non-compliance issue remains uncured after we impose the initial fine. We may also deny you access to the P&A Database until you pay the fines and cure the non-compliance.
Default Reimbursements	All costs we incur to cure your default	10 days after invoice	If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf and you must reimburse us for our costs (examples include failure to pay suppliers, maintain insurance or meet quality standards).
Management Fee	\$600 per day plus Travel Expenses	10 days after invoice	If you fail to timely cure a default under the Franchise Agreement or the Managing Owner dies, we can designate a person to manage your P&A Agency until the default is cured or Managing Owner replaced.
Indemnification	Amount of our damages, losses or expenses	10 days after invoice	You must indemnify and reimburse us for all damages, losses or expenses we incur due to the operation of your P&A Agency or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and costs we incur relating to your breach of the Franchise Agreement or any related agreement.

Notes:

1. **Nature and Manner of Payment:** All fees are imposed by and payable to us. All fees are nonrefundable and uniformly imposed.

We collect Placement Fees from Clients and deduct our percentage-based fees (i.e., royalty fee, brand fund fee, P&A Database fee and billing services fee) and any other fees or amounts owed before remitting the balance to you each week. We may also deduct any out-of-pocket costs we incur to enforce payment from the Client, such as attorneys' fees, credit card fees, court costs and other costs of collection. Currently, we pay you each Friday for Gross Sales collected during the prior weekly reporting period.

In the event there are fees or other amounts you owe that we do not deduct from Placement Fees, these amounts may be electronically debited from your designated bank account. You must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "D") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than fees due less than 15 days after signing the Franchise Agreement). You must deposit all Gross Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date.

All customer hires have a "guarantee period" during which the candidate must be continuously employed before the full Placement Fee is "earned". If a candidate leave the job before expiration of the guarantee period, you must refund any amounts we paid you for the Placement within 10 days after notification from us.

2. **Definitions:** As used in this Disclosure Document, the following capitalized terms have the meanings given to them below:

“**Gross Sales**” means the total amount of all sales of products, services and merchandise sold from, through or in connection with the P&A Agency, whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes. Gross Sales includes all fees and other amounts owed to us and our affiliates that we deduct from Gross Sales before remitting the balance to you.

“**Managing Owner**” means the owner you appoint and we approve with primary responsibility for the overall management and operation of your P&A Agency.

“**Permitted Transfer**” means a Transfer: (a) between existing owners (unless it causes the Managing Owner to own less than 51% of the franchised business); or (b) by the owners to a new business entity with respect to which the transferring owners collectively own and control 100% of the ownership interests.

“**Technology Systems**” means all information and communication technology systems that we designate, including computer systems, data management systems, point-of-sale system, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“**Transfer**” means a transfer or assignment of: (a) the Franchise Agreement (or an interest in the Franchise Agreement); (b) the P&A Agency’s assets (other than the sale of furniture, fixtures or equipment in the ordinary course); (c) an ownership interest in the entity that is the “franchisee”; or (d) the franchised business you conduct under the Franchise Agreement.

“**Travel Expenses**” means all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your P&A Agency; or (b) by you or your personnel to attend training programs or conferences.

3. **CPI Adjustments:** All fees (and minimum fees) expressed as a fixed dollar amount are subject to adjustment based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on changes to CPI, but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before it goes into effect. We may implement no more than 1 fee adjustment during any 5-year period.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$65,000	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Fee ² (Franchise Training)	\$7,000	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Fee ³ (Manager Training)	\$0 to \$3,500	Lump sum	At time training is scheduled	Us
Executive Recruiting Training & Certification Fee ⁵	\$10,000	Lump sum	At time you sign Franchise Agreement	Us
Microsite Fee (Includes setup and maintenance)	\$7,000	Lump sum	At time you sign Franchise Agreement	Us
Marketing Starter Kit ⁵	\$3,000	Lump sum	Before opening	Us

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Grand Opening Marketing ⁶	\$6,000 to \$12,000	Lump sum	Before opening	Approved Vendors
Rent & Security Deposit ⁷	\$0 to \$1,000	Lump sum	Before opening	Landlord
Computer System	\$500 to \$1,000	Lump sum	Before opening	Suppliers
Office Equipment & Supplies ⁸	\$300 to \$500	Lump sum	Before opening	Suppliers
Business Licenses, Dues & Subscriptions ⁹	\$800 to \$1,200	Lump sum	Before opening	Government agencies & suppliers
Professional Fees	\$1,000 to \$3,000	Lump sum	Before opening	Lawyers & accountants
Insurance (3 months' premium)	\$500 to \$850	Lump sum	Before opening	Insurance companies
Additional Funds ¹⁰ (3 months)	\$4,000 to \$6,000	As incurred	As incurred	Suppliers, employees & us
Total Estimated Initial Investment ¹¹	\$105,100 to \$121,050			

Notes:

1. **Financing and Refunds:** We do not offer direct or indirect financing. No amounts paid to us are refundable. We are not aware of any amounts paid to third-party suppliers that are refundable.
2. **Initial Training Expenses:** This estimates your expenses to send 1 person to initial training. Your actual training expenses may vary depending on: (a) the number of people you send to training; (b) the distance they must travel; and (c) the level and quality of accommodations, travel and dining selected.
3. **Manager Training:** You are not required to hire a Manager. If you choose to do so, we must train your Manager. The low estimate assumes you do not hire a Manager while the high estimate assumes you hire a Manager before opening.
4. **Executive Recruiting Training & Certification:** In order to participate in executive recruiting, you must participate in our executive recruiter training and certification. This training is a supplemental module to initial training.
5. **Marketing Starter Kit:** You must purchase opening marketing supplies that include your initial supply of marketing materials to solicit businesses in your area, including client brochures, apparel, business cards, note cards, pens, congregations cards, table sign and personalized stationary.
6. **Grand Opening Marketing:** As a part of your grand opening, you must purchase job board placements through our designated online job search vendors. You must purchase products and services that comprise grand opening marketing directly from third-party suppliers we specify, however, in order to benefit from volume discount, the franchisor may act as a "pass through" for certain vendors.
7. **Rent & Security Deposit:** Most franchisees operate from a home office and do not rent an office or commercial space. If you choose to rent office space, we expect it will range in size from 250 to 300 square feet. The low estimate assumes you operate from a home office while the high estimate assumes you rent an office and includes 1 month's rent and 1 month's rent for the security deposit.
8. **Office Equipment & Supplies:** You must purchase general office supplies, including typical office equipment such as a copier/scanner/fax machine, separate telephone line and a cell phone with a data package. You may already have some of these items.

9. Business Licenses, Dues & Subscriptions: This includes the estimated cost for a business license. It is highly recommended (but not required) that you join the local Chamber of Commerce, State Restaurant Association and other local business networking organizations. The high estimate includes additional costs you may incur if you choose to join your local Chamber of Commerce or other local associations.
10. Additional Funds: This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you), technology fees, telephone utilities, additional supplies and other miscellaneous expenses and required working capital. These figures are estimates based on the past experience of our founder operating a P&A Agency from 1989 to 2017 as well as the recent experience of our franchisees.
11. We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your P&A Agency.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source-Restricted Purchases and Leases - Generally

You must purchase or lease certain “source-restricted” goods and services for the development and operation of your P&A Agency. “Source-restricted” means the good or service must meet our specifications or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We may notify you of changes to our specifications and suppliers by email notification, updates to the Manual or other means of communication.

Supplier Criteria

Our criteria for evaluating suppliers include standards for: (a) quality, performance, design, appearance and price of the product or service; and (b) dependability, production capabilities, reputation and financial strength of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier or product, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier, you must send us: (a) a written request for approval; (b) product samples for testing purposes; and (c) all additional information we request. The supplier must agree to comply with our minimum insurance, indemnification and confidentiality requirements for system suppliers and allow us to periodically inspect their facility. We will notify you of our decision within 30 days after we receive all required information and product samples. We may periodically reinspect approved products and suppliers and revoke our approval if a product or supplier fails to meet our then-current criteria. You must reimburse all costs we incur to evaluate products and suppliers you propose.

Current Source-Restricted Purchases and Leases

We estimate 50% to 60% of the total purchases and leases to establish your Business and 10% of ongoing operating expenses will consist of source-restricted goods or services, as further described below.

Computer Equipment

Your computer system (hardware and software) must meet our standards and specifications. You may purchase your computer hardware from any supplier of your choosing. You must use the software that we designate.

Grand Opening Marketing

You must purchase the grand opening marketing from approved or designated vendors. You may not utilize any grand opening marketing items we have not approved.

Marketing Materials and Services

All marketing materials must comply with our standards and requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we

designate or approve. We may require that you utilize a designated supplier to provide social media marketing on your behalf.

Microsite Development and Maintenance

You must purchase your Microsite and the associated maintenance exclusively from us.

P&A Database

You must license access to our P&A Database exclusively from us.

Billing and Collection Services

We are currently the exclusive supplier for invoicing and collection services.

Text-to-Hire Platform

We require that you use our designated text-to-hire platform for all text-based hiring communications to ensure compliance with the 10DLC (10-Digit Long Code) texting rules. You may not use any alternative text messaging systems or providers without our prior written approval.

Insurance Policies

You must obtain the insurance coverage we require (whether in the Franchise Agreement or in the Manual) from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc., including the following:

Policy Type	Minimum Coverage
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance*	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Privacy and Cyber Security Liability Insurance	\$1,000,000 per occurrence and \$1,000,000 in the aggregate
Business Interruption Insurance	At least 6 months
Employer’s Liability Insurance	Greater of \$100,000 per occurrence or statutory minimum
Worker’s Compensation Insurance	As required by law

* If you operate your P&A Agency from your home, you may obtain a \$1,000,000 umbrella policy (that will be added to the homeowner’s policy) instead of the separate commercial and general liability insurance listed above.

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive 30 days’ prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

We may try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you may purchase these items at the discounted prices we negotiate (less any rebates or other consideration paid to us). As of the date of this Disclosure Document, there are no currently effective purchase agreements with negotiated pricing terms. We may also purchase items in bulk and resell them to you at our cost plus a reasonable markup.

Currently there are no purchasing cooperatives but we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

Franchisor Revenue from Source-Restricted Purchases

We are currently the exclusive designated supplier for the Microsite, P&A Database and billing and collection services. We may designate ourselves as an approved or designated supplier for other items in the future. No person affiliated with us is currently an approved (or the only approved) supplier. There are no approved or designated suppliers (other than us) in which any of our officers own an interest.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner. As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based upon franchisee purchase or leases. Our area representatives do not receive any rebates, payments or other material benefits from suppliers based on franchisee purchases.

Our total revenues during the fiscal year ended December 31, 2024 were \$8,189,202. During that year, we received a total of \$656,277 in revenue as a result of franchisee purchases or leases of goods or services from designated or approved suppliers (including purchases from us, such as starter kits, technology fees, and Microsite fees), which represents 8.01% of our total revenues for that year.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	7.1	Item 7 & Item 11
b. Pre-opening purchases/leases	6.3, 7.1, 11.4 & 15.1	Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	7.1 & 7.2	Item 6, Item 7 & Item 11
d. Initial and ongoing training	5	Item 6 & Item 11
e. Opening	7.2	Item 11
f. Fees	5, 6.2, 6.3, 6.7, 6.9, 6.10, 8.5, 10.1, 11.4, 11.6, 11.7, 13, 15.1, 16.1, & 19.2	Item 5 & Item 6
g. Compliance with standards and policies/Operating Manual	6.1, 6.2, 10.3, 11 & 17.1	Item 11
h. Trademarks and proprietary information	17	Item 13 & Item 14
i. Restrictions on products/services offered	11.3	Item 16
j. Warranty and client service requirements	6.7(e)	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	11.4	Item 8
m. Maintenance, appearance and remodeling requirements	11.5	Item 11
n. Insurance	15.1	Item 6, Item 7 & Item 8
o. Advertising	10	Item 6, Item 7 & Item 11
p. Indemnification	18	Item 6

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
q. Owner's participation/management/staffing	8	Item 11 & Item 15
r. Records/reports	15.2, 15.3	Item 6
s. Inspections/audits	16	Item 6 & Item 11
t. Transfer	19	Item 17
u. Renewal	4	Item 17
v. Post termination obligations	21	Item 17
w. Non-competition covenants	14	Item 17
x. Dispute resolution	22	Item 17
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	9 &	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your P&A Agency, we will:

1. Provide access to our Manual which will help you establish and operate your P&A Agency. The Manual includes 147 pages. The Table of Contents is attached as EXHIBIT "E". (§6.1 & 11.2)
2. Provide our written specifications for the goods and services you must purchase to develop, equip and operate your Business and a list of approved and/or designated suppliers for these goods and services. We do not deliver or install any other items that you purchase. (§11.2)
3. Setup and launch your Microsite, as further discussed below under "Advertising and Marketing". (§6.7)
4. Grant you access to the P&A Database, as further discussed below under "Computer System". (§6.2)
5. Provide an initial training program, as further discussed below under "Training Program". (§5)

During the operation of your P&A Agency, we will:

1. Grant you access to the P&A Database and provide all associated maintenance and support, as further discussed below under "Computer System". (§6.2)
2. Provide you with a mentor during the 90-day period after you commence operating your P&A Agency, as further discussed below under "Training Program". (§6.4)
3. Provide you with executive recruiting training after you complete initial training. (§5.3)
4. Conduct group telephone calls with you and other newly operational franchisees twice a week during the 6-week period after you commence operating your P&A Agency, as further discussed below under "Training Program". (§6.4)
5. Provide our guidance and recommendations to improve the operation of your P&A Agency. (§6.5)

6. Administer the brand and system development fund, as further discussed below under “Advertising and Marketing”. (§10.1)
7. Provide all billing and collection services on behalf of your P&A Agency. (§6.7)
8. Maintain a corporate website to promote our brand, as further discussed below under “Advertising and Marketing”. (§6.3 & 10.3)
9. Provide ongoing maintenance and support for your Microsite, as further discussed below under “Advertising and Marketing”. (§6.3)
10. Provide periodic training programs, as further discussed below under “Training Program”. (§5)

During the operation of your P&A Agency, we may, but need not:

1. Negotiate purchase agreements with suppliers to obtain favorable pricing. We may also purchase items in bulk and resell them to you at our cost plus shipping and a reasonable markup. (§6.10)
2. Hold periodic conferences to discuss relevant business and operational issues such as industry changes or new recruiting services, strategies and techniques. (§5.6)
3. Provide additional training or assistance that you request, as further discussed below under “Training Program”. (§5)
4. As an optional service, assist you with the offer and sale of your P&A Agency under the terms described in the Franchise Resale Agreement attached to this Disclosure Document as EXHIBIT "D"-4. You must pay the compensation described in the Franchise Resale Agreement for the services we provide.

Training Program (§5)

Initial Training Program

We provide an initial training program for the Managing Owner. If you hire a Recruiter and/or Manager, those individuals must also attend and successfully complete our initial training program. You may send other owners and employees to initial training, but it is not required. After opening, you have the option to train new Recruiters you hire using the Proctor Program as discussed in more detail further below. Your Managing Owner must successfully complete initial training to our satisfaction before you commence operating your P&A Agency. However, there is no specific period of time after signing the Franchise Agreement, or before opening, that training must be completed.

The initial training program is conducted virtually. Trainees may complete training from their homes. The initial training program is offered on a monthly basis. Currently, our initial training program consists of the following topics:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Digital Marketing	.5		Virtual
Formula for Success	.5		Virtual
Concepts/ Positions	.5	1	Virtual
Proprietary ATS	3	3	Virtual
Selecting Jobs	1	1	Virtual
Sourcing Candidates	6	4	Virtual
Screening Candidates	2		Virtual

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Sending Candidates to Jobs	2		Virtual
Scheduling Candidates with Clients	.5		Virtual
Safeguarding/ Securing Placements	.5		Virtual
Sourcing Plan	1	3	Virtual
Recruiting Role Play	1		Virtual
Making Calls	3		Virtual
Client Development 101	.5		Virtual
Time Management	.5		Virtual
Contact Management	1	1	Virtual
Job Boards/ Advertising	1	1	Virtual
OJE Recruiting		12	Virtual
Total	24.5	26	

In addition to the virtual training described above, we provide you with a mentor (who may be an established franchisee) during the 90-day period after you commence operating your P&A Agency. During this time, your mentor will hold daily one-on-one calls with you (on business days only) to provide mentoring, coaching and support. During the 6-week period after you commence operating your P&A Agency, a franchisor representative will also conduct 2 group calls each week with you and other newly operational franchisees to provide additional guidance, training and support for the development of your P&A Agency.

Executive Recruiting Training & Certification

Before participating in executive recruiting, you must complete the executive recruiting training and certification. Executive recruiter training and certification is a supplemental module to our initial training. It addresses executive recruiting (also known as executive search), which involves placing higher-level candidates under retained or partially retained fee arrangements. The training covers securing clients, sourcing top-tier talent, and guiding candidates through the placement process.

Post-Opening Training Programs

All new Recruiters you hire must complete our initial training program. You may train these Recruiters yourself using the Proctor Program if you are certified to do so. Otherwise, we train your Recruiters.

Any new Managing Owner or Manager you appoint must successfully complete our initial training program within 45 days after he or she is hired or appointed.

You may request that we provide additional training. We are not required to provide this additional training.

We may also provide ongoing business development training covering various topics such as hiring and training Recruiters, business expansion, client development, leadership training and territorial enhancement.

Training Materials

The training materials consist of the Manual . We do not charge additional fees for training materials.

Instructors

Our current instructors include Jason Miller, George Wooten and Brian Martin. Award Winning Senior Franchisees may also provide training. All instructors have at least 1 year of experience with us and in the field. Our current instructors and their qualifications are listed below.

Jason C. Miller has been our Chief Executive Officer since December 2024. He has also served as our Vice President Franchise Development from December 2022 to November 2024 in Southbury, CT. From June 2016 to November 2022 he served as Vice President Franchise Development for PAF (our predecessor and indirect parent) in Southbury, CT. He has 9 years of experience in the executive recruitment field.

George Wooten joined the Patrice & Associates system in 2016 as a franchisee and regional developer. Mr. Wooten has 33 years of experience in the restaurant industry, including serving as the Chief Operating Office of a fast-food chain. He has 9 years of experience in the executive recruitment field.

Brian Martin joined the Patrice & Associates system in 2011 as a franchisee. He has 28 years of experience in the restaurant industry, including serving as a general manager for a multi-unit restaurant. He has owned a P&A Agency for 14 years. He has 14 years of experience in the executive recruitment field, all of which has been with us.

Training Fees and Costs

We provide our pre-opening initial training program for your Managing Owner in exchange for the \$7,000 initial training fee. There is no additional charge if you send more owners to initial training. If you choose to hire a Manager, the Manager must complete our required training program. You pay us a \$3,500 training fee for each Manager we train. When you hire a new Recruiter, you pay us: (a) no training fee if you train the Recruiter using the Proctor Program; or (b) a \$500 training fee if we train the Recruiter. If we provide onsite training or assistance, you must also reimburse us for all costs we incur for meals, travel and lodging. We do not charge a training fee for any other training programs we may offer. You are responsible for any costs your trainees incur for training, including wages, travel and living expenses.

Site Development (§7.1)

Patrice & Associates is a home-based business. We do not impose any standards or have any requirements for your home office.

We do not anticipate that many franchisees will purchase or lease separate commercial office space for purposes of operating their P&A Agency. If you choose to lease commercial office space, we do not impose any standards or specifications except that your office must be located in your territory and present a professional appearance. You do not need our approval of your office location or your lease. There are no restrictions on your ability to relocate your office within your territory. We do not select the site for your office and we do not purchase the premises and lease it to you.

Opening Requirements (§7.2)

We expect most franchisees will open within 60 days after signing the Franchise Agreement. Factors that may affect this time include:

- the amount of time needed to secure insurance, licenses and permits
- delayed delivery or installation of equipment and supplies
- the amount of time needed to complete training

You may not open your P&A Agency prior to receipt of our written authorization to open. We need not issue our authorization to open until all of the following conditions are met:

- the initial trainees successfully complete the initial training program
- you purchase all required insurance policies and provide us with evidence of coverage
- you obtain all required licenses, permits and other governmental approvals

Unless we agree to the contrary, you must open your P&A Agency within 90 days after signing the Franchise

Agreement. We may terminate the Franchise Agreement if you fail to open by this deadline, unless the failure to meet the deadline is caused by an event of force majeure (e.g., factors or circumstances outside your control).

Advertising and Marketing (§10)

We provide the advertising and marketing support discussed below. You must participate at your own expense in all advertising, promotional and marketing programs we require. You are not required to participate in an advertising cooperative. We have established a franchise advisory council, referred to as the “Patrice & Associates Franchise Advisory Council”, which may provide us with non-binding suggestions and recommendations on various matters relevant to the franchise system, including marketing and advertising matters.

Ongoing Local Marketing By You

We do not require that you spend any minimum amount of money on local advertising or marketing. You may develop your own advertising and marketing materials and programs, provided we approve them in advance. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved. We have 20 days to review and approve or disapprove advertising and marketing materials and programs you submit for approval. Our failure to approve them within the 20-day period constitutes our disapproval. You may, but are not required to, use online job boards in your advertising efforts. If you choose to use an online job board, you will be required to make payments directly to the third-party online job board provider.

All advertising soliciting candidates for job openings must reflect that your P&A Agency is an equal opportunity employer and must specifically include the phrase “equal opportunity employer” in the text of the advertising. We are not liable for any equal-opportunity-employer violations brought against you or your P&A Agency by the Equal Employment Opportunity Commission or otherwise.

Any text-message recruiting or advertising campaigns you conduct must follow our brand guidelines and scripts to protect our proprietary marks and avoid regulatory violations. If we provide you with scripts or templates for text messages, you must use them as instructed. Your failure to implement or maintain the text-to-hire platform, follow our guidelines, or comply with 10DLC regulations may expose you and the franchise system to significant legal and financial risks. You will bear sole responsibility for such noncompliance and must indemnify us from any associated losses, fines, or damages.

Local Marketing Assistance From Us

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an “as-needed” basis. We may create and make available to you advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet, in which case you must arrange for printing the materials and paying all printing costs. Alternatively, we may enter into relationships with third-party suppliers who create advertising or marketing materials for your purchase.

Websites, Social Media and Digital Advertising

We will maintain a corporate website to promote our brand. We will also create and host your Microsite to promote your P&A Agency, which will be linked to our corporate website. The \$7,000 Microsite fee you pay us covers the development and ongoing maintenance of your Microsite during the term of your Franchise Agreement. We can modify or discontinue our website (and your Microsite) at any time. Under current policy, you may not: (a) develop, host, or otherwise maintain any website (other than the Microsite we provide) or other digital presence relating to your P&A Agency (including any website bearing our Marks); or (b) utilize the Internet to conduct digital or online advertising or otherwise engage in ecommerce. However, under current policy we permit you to market your P&A Agency through approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing the social media platforms that we approve
- you must strictly comply with our social media policy (as revised from time to time)

Franchise Disclosure Document (2025)

- you must immediately remove any post we disapprove (even if it complies with our social media policy)
- we may require that you utilize a supplier we designate for social media marketing services
- you provide us with full administrative rights to your social media accounts
- we retain ownership of all social media accounts relating to your P&A Agency

Brand and System Development Fund

We have established and administer a brand and system development fund to promote public awareness of our brand and improve our System. We may use the fund to pay for any of the following in our discretion:

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- website development and search engine optimization
- development and maintenance of an ecommerce platform
- development and implementation of quality control programs, including the use of customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the fund
- preparing and distributing financial accountings of the fund
- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate's, officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above)

We direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Advertising can be local, regional or national in coverage and utilize any media we deem appropriate, including digital, print, television and radio. The fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity.

You must contribute 2% of your Gross Sales to the fund. We deposit all fund contributions paid by you and other franchisees into the fund. Any company-owned P&A Agency will contribute to the fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the fund, any company-owned P&A Agency that is established or acquired after the modification may contribute to the fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2024, we spent the marketing funds in the following manner:

Allocation of Marketing Expenditures (2024)				
Use of Funds	Production	Media Placement	Administrative Expenses	Other*
Percentage Allocation	0%	73%	27%	0%

We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the fund. The fund is not a trust and we have no fiduciary obligations with respect to our administration of the fund. Once established, we may discontinue the fund at any time upon at least 30 days' prior notice.

Advisory Council (§12)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions in good faith, but would not be bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a member of the council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any P&A Agency operated by us or our affiliates would also be a member of the council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

Computer System (§6.2, 6.9, 11.4, 11.5, 11.6, 15.3 & 16.1)

You must purchase and use all Technology Systems we designate from time to time. Our required Technology Systems may include computer systems, data management systems, point-of-sale system, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems. We may change the components of the Technology Systems from time to time, including your computer system.

Email Addresses

We will provide you with one or more email addresses for use with your P&A Agency. You and your Recruiters must exclusively use the email address(es) we provide for all communications with us, Applicants, Clients, Referral Sources, suppliers and other persons relating to your P&A Agency. You may not use any email address we provide for any purpose unrelated to your P&A Agency. We will own the email addresses and accounts but allow you and your Recruiters to use them during the term of your Franchise Agreement.

How Computer System Is Used

The computer system will be used for accessing the P&A Database, financial accounting, preparing financial and operational reports and communicating via email.

Ownership, Collection and Sharing of Data

You must enter all data we specify into the P&A Database in the time and manner we require. You must record your call logs as well as new applicant contact information into the P&A Database. Your computer system will collect data regarding clients, job applicants, job openings, job postings, accounting information, call logs, and new applicant contact information. We have independent unlimited access to your Patrice & Associates email accounts (and emails) and all data entered into the P&A Database and there are no contractual limits imposed on our access. We also have independent unlimited access to the data entered into your QuickBooks Online account and there are no contractual limits imposed on our access. We do not have independent access to any other data collected on your computer system but we may inspect your computer system and access the data as part of an inspection.

We own all data relating to your business operations and all data pertaining to the Applicants and Clients you work with. We grant you a license to use this data solely for purposes of operating your P&A Agency. You must protect all personal data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws as well as our data processing and data privacy policies set forth in the Manual from time to time. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

Fees and Costs

We estimate the initial cost of your computer system (including any upfront license fees, setup fees, software training fees, data migration fees, etc.) will be as follows:

COMPUTER SYSTEM – INITIAL FEES AND COSTS		
Item	Quantity	Cost
Windows Desktop or Laptop (Not more than 3 years old)	1	\$428 to \$928
Microsoft Office (with Outlook)	1	\$72
Total		\$500 to \$1000

As further detailed in Item 6, you must pay us a technology fee for certain software, technology and related services that we provide. As of the issuance date of this Disclosure Document, we charge a technology fee of \$350 per month (\$4,200 per year), for market research and development costs of recruiting software, ongoing cost of developing and maintaining enhancements and updates to CRM, franchisee CRM access, the email and text-to-hire platform for franchisees, and rising cost of technology. The table below identifies the ongoing fees and costs you must pay for the software, technology, Apps, subscriptions and related services (including the software, technology and related services covered by the technology fee):

COMPUTER SYSTEM – ONGOING FEES AND COSTS			
Item	Fee (Monthly)	Fee (Annual)	To Whom Paid?
QuickBooks Online	\$35 to \$99	\$420 to \$1,188	Intuit
P&A Database	7% of weekly Gross Sales, plus \$60 per month for each Recruiter you hire	7% of weekly Gross Sales, plus \$720 per month for each Recruiter you hire	Us
Total			

Maintenance, Support, Updates and Upgrades

In exchange for the licensing fees described above: (a) we will provide all require ongoing maintenance, support and updates for the P&A Database; and (b) the licensor of QuickBooks Online will provide all required

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maintenance, support, updates and upgrades for QuickBooks Online. Except as disclosed in the preceding sentence: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

Computer System Maintenance and Changes

You must maintain the computer system in good condition at your cost. We may require that you upgrade or update your computer system and other Technology Systems to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these updates or upgrades.

ITEM 12 TERRITORY

Location of Your Business

The Franchise Agreement grants you the right to operate one P&A Agency solely within the territory we designate. You must designate the location from which you will operate your P&A Agency. Your designated location must be within your territory but you do not need our approval of the specific site. You may operate your P&A Agency from a home office or you may choose to operate from separate commercial office space. You may relocate your designated location anywhere within your territory without our approval, but you must notify us of the relocation in advance.

Your Territory

We typically grant territories that consist of one or more adjacent zip codes, as determined by the United States Postal Service. However, we may define territories in any other manner we deem appropriate (for example, by reference to city or other municipal boundaries). In determining a territory, we consider factors such as population, the amount of infrastructure in hospitality and retail, proximity to competitors, proximity to other franchisees and natural, physical or political boundaries. There is no minimum-sized territory. However, most territories include a population of approximately 250,000 people. Population determinations are based on United States Department of Commerce Census Bureau census data using territory mapping software programs. The boundaries of your territory will be described in Part C of ATTACHMENT "A" to the Franchise Agreement at least 7 days before you sign it.

Once your territory is established, we have no obligation to modify your territory based on subsequent changes to population. Upon renewal, we reserve the right to modify the boundaries of your territory in accordance with our then-current territory guidelines and criteria.

Restrictions on Your Sales and Marketing Activities

You are permitted to market and advertise outside of your territory, and you are permitted to contact and work with Applicants, Clients and Referral Sources who reside or are located outside your territory, as long as: (a) you comply with all policies and procedures in the Manual governing extra-territorial marketing (including our Client Development Policy); and (b) you do not engage in Targeted Marketing (defined below) outside of your Territory, regardless of whether it is directed into the territory of another P&A Agency or an open territory. For example, you can place an Applicant who resides within a territory assigned to another P&A Agency if the lead was referred to you by a friend or family member.

“Targeted Marketing” means advertising or marketing that is directed into a specific territory for purposes of soliciting Applicants, Clients or Referral Sources from within that territory. Marketing that is distributed, circulated or received both within your territory and within another territory is not considered “Targeted Marketing” if: (a) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your territory; and (b) the majority of the recipients of the advertising are located within your territory and there is only incidental circulation or distribution within a territory assigned to another P&A Agency. Targeted Marketing also does not include any marketing we conduct as part of our administration of the brand and system development fund or other system-wide marketing or advertising efforts. The meaning of “Targeted Marketing”

that is “directed into a territory” may be further defined in the Manual, but examples include:

- direct mail sent to addresses located within a given territory
- telephone calls made to persons or businesses known to reside or be located within a given territory
- television or radio advertising intended to be published or played within a given territory
- advertising in a newspaper, magazine or other publication distributed to subscribers residing within a given territory
- social media or other digital marketing sent to smartphones or other devices with IP addresses registered within a given territory
- direct face-to-face marketing conducted from any physical location within a given territory, such as being an exhibitor at a job expo that takes place within a given territory

You can market your P&A Agency online utilizing the Microsite we develop and make available to you. Under current policy, we also permit you to market your P&A Agency through approved social media channels subject to the requirements described in Item 11 (see Section entitled “Websites, Social Media and Digital Advertising”). Except as otherwise provided above, you may not use alternative channels of distribution (such as the Internet, catalog sales or other direct marketing) to market or sell goods or services either within or outside your territory.

There are no other restrictions on your right to solicit Applicants, Clients and Referrals Sources, whether from inside or outside your territory.

Territorial Rights and Limitations

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.

Although we do not grant exclusive territories, we do grant you certain territorial protections. During the term of your Franchise Agreement we will not: (a) operate, or authorize any person other than you to operate, a P&A Agency from a designated location within your territory; or (b) engage in, or authorize any person other than you to engage in, Targeted Marketing that is directed into your territory. Other P&A Agencies may contact and work with Applicants, Clients and Referral Sources who reside or are located within your territory (and place Applicants with Clients located in your territory) as long as they do not solicit the Applicants, Clients or Referral Sources through Targeted Marketing directed into your territory.

Alternative Channels of Distribution

We reserve the right to sell, and license others to sell, competitive or identical goods and services within your territory through alternative channels of distribution (such as the Internet, catalog sales or other direct marketing). These goods and services may be identified by trademarks or services marks that are the same or as different from the Marks licensed to you. You are not entitled to any compensation for sales that take place through alternative channels of distribution.

Minimum Performance Requirements

Your territorial protections under the Franchise Agreement do not depend on achieving a certain sales volume, market penetration or other contingency.

Additional Franchises and Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

Competitive Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by a P&A Agency. However,

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we reserve the right to do so in the future.

ITEM 13 TRADEMARKS

We grant you the right to operate a P&A Agency under the trademark “Patrice & Associates” and the associated logo. By trademark, we mean trade names, trademarks, service marks and logos used to identify your P&A Agency or the products or services you sell. We may change the trademarks you may use from time to time, including by discontinuing use of the Marks listed below. If this happens, you must change to the new trademark at your expense.

Our affiliate, Patrice IP, LLC, Inc., owns the following trademark that has been registered on the Principal Register of the United States Patent and Trademark Office:

REGISTERED MARKS		
Mark	Registration Number	Registration Date (Last Renewal Date)
PATRICE & ASSOCIATES	3560253	January 13, 2009 (February 14, 2018)

All required affidavits have been filed and we have filed all required renewals.

On December 14, 2022, we entered into an Intellectual Property License Agreement with Patrice IP, LLC (the “License Agreement”). Under the terms of the License Agreement, Patrice IP, LLC granted us the right to use the Marks in the Patrice & Associates System and sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. Patrice IP, LLC is permitted to terminate the License Agreement only if we: (a) declare bankruptcy or become insolvent; (b) breach Patrice IP, LLC’s quality control standards and fail to cure the breach within a 60-day cure period; or (c) consent to the termination. If the License Agreement is terminated, it states all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. No other agreements limit our right to use or sublicense use of the Marks.

You must follow our rules when using the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You cannot use the Marks relating to the sale of any product or service we have not authorized.

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We will take the action we think appropriate. We are not required to take any action if we do not feel it is warranted. We may require your assistance, but you may not control any proceeding or litigation relating to our Marks. You must not directly or indirectly contest our or Patrice IP, LLC’s right to the Marks.

The Franchise Agreement does not require that we: (a) protect your right to use the Marks; (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our Marks or if the proceeding is resolved in a manner unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; or (c) pending material litigation involving any of the Marks. We are not aware of any infringing uses that could materially affect your use of the Marks.]]

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise.

Although we have not filed an application for copyright registration for the Manual, our website, the P&A Database or our marketing materials, we do claim a copyright to these items.

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During the term of the Franchise Agreement, we allow you to use certain confidential and proprietary information (some of which constitute “trade secrets”) relating to the development, marketing and operation of a P&A Agency. Examples include:

- methods and techniques
- standards and specifications
- policies and procedures
- Applicant and Client lists and information
- supplier lists and information
- marketing strategies
- financial information
- information comprising the System and P&A Database

We own all operational data, Applicant data and Client data relating to your P&A Agency. All data in the P&A Database is owned by us, even if you are another franchisee enters the data into the P&A Database. You must treat this data as confidential and proprietary. We license you the right to utilize this data during the term of your Franchise Agreement. We consider all information in the Manual and the P&A Database to be confidential.

We provide access to our confidential information through the Manual, the P&A Database, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your P&A Agency in compliance with the Franchise Agreement and Manual. You may not disclose our confidential information to any person (other than your employees on a need-to-know basis) without our prior permission.

You must promptly notify us if you discover any unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You may not control any proceeding or litigation involving allegations of unauthorized use of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements known to us at this time.

We will own all ideas, improvements, inventions, marketing materials and other concepts you develop relating to a P&A Agency.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an owner with overall responsibility for the management and operation of your P&A Agency (the “Managing Owner”). The Managing Owner must:

- be approved by us
- successfully complete all training programs we require
- dedicate full-time efforts to the Business (unless you hire a Manager)
- have general management power and authority of the business affairs of the P&A Agency, including the power and authority to act on your behalf and legally bind you
- at all times hold at least a 51% ownership interest in the franchise (or the entity that is the franchisee under the Franchise Agreement) unless we waive this requirement

You may hire a manager (your “Manager”) to manage, or to assist the Managing Owner with management of, your P&A Agency. The Managing Owner is not required to dedicate full-time efforts to your P&A Agency as long as a trained Manager is managing your P&A Agency. Any person you hire as a Manager must:

- successfully complete all training programs we require (including completion of initial training within 45 days after being hired)

- dedicate full-time efforts to the management and supervision of your P&A Agency
- have general management power and authority of the business affairs of the P&A Agency, including the power and authority to act on your behalf and legally bind you

At all times, your P&A Agency must be under the direct, full-time, day-to-day supervision of either the Managing Owner or a trained Manager. The Managing Owner must monitor and supervise the activities of the Manager to ensure the P&A Agency is operated in accordance with the Franchise Agreement and Manual. We do not require that your Manager or other employees own any equity interest in the franchise.

All of your employees, agents and representatives who may have access to our confidential information (including all Recruiters and Managers) must sign the Brand Protection Agreement. If you are an entity, each owner (i.e., each person holding an ownership interest in you) and the spouse of each owner must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "B".

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services you sell. You must offer all goods and services we require. You may not sell any goods or services we have disapproved. At any time, we may change the goods and services you sell and you must comply with the change.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of franchise term	1 (Definition of "Term") & 4.1	Term is equal to 5 years.
b. Renewal or extension of the term	4.1 & 4.2	If you meet our conditions for renewal, you can enter into 3 consecutive successor franchise agreements. Each renewal term will be 5 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
c. Requirements for you to renew or extend	4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, etc.); sign general release (subject to state law); and upgrade equipment to current standards. We may refuse renewal if you receive 2 or more default notices from us during the term. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d. Termination by you	20.1	You can terminate if we default and fail to timely cure.
e. Termination by us without cause	20.4	We can terminate without cause if you provide your written consent.
f. Termination by us with cause	20.2 & 20.3	We can terminate if you default.
g. "Cause" defined - curable defaults	20.2 & 20.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults").

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
h. “Cause” defined - non-curable defaults	20.2	The following defaults cannot be cured: failure to successfully complete training; failure to open in timely manner; insolvency, bankruptcy or seizure of assets; abandonment; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; material misrepresentations; unauthorized invoicing or collection of Placement Fees; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement by owner or spouse; 2 or more breaches in any 12-month period; or termination of any other agreement between you (or your affiliate) and us (or our affiliate) due to your default.
i. Your obligations on termination/ non-renewal	21.1	Obligations include: cease use of intellectual property; cease access to P&A Database; return Manual and branded materials; assign telephone numbers, listings, domain names and Applicant/Client information, contracts and accounts; cancel fictitious names; comply with data retention policies; pay amounts due (also see “r”, below).
j. Assignment of contract by us	19.1	No restriction on our right to assign.
k. “Transfer” by you – definition	1 (definition of “Transfer”) & 19.2	Includes ownership change or transfer of contract or assets.
l. Our approval of transfer by you	1 (definition of “Permitted Transfer”), 19.2 & 19.3	You may engage in a Permitted Transfer (defined in Note 2 in Item 6) without approval. We must approve other Transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	19.2	Transferee must: meet our qualifications; successfully complete training (or arrange to do so); obtain required licenses and permits; agree in writing to assume your obligations under agreements relating to the Business; and sign then-current form of franchise agreement for remainder of term (or at our option, take assignment of existing franchise agreement). You must: be in compliance with Franchise Agreement; upgrade equipment to current standards (or get a commitment from transferee to do so); pay transfer fee; subordinate transferee’s ongoing payments owed to you (if any) to transferee’s financial obligations owed to us; and sign general release (subject to state law). We must notify you that we do not intend to exercise our right of first refusal.
n. Our right of first refusal to acquire your business	19.5	We can match any offer for your business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	19.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other transfers. We may designate manager to operate the P&A Agency prior to transfer.
q. Non-competition covenants during the term of the franchise	14.3	No involvement in a competing business.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	14.3 & 21.1	No involvement for 2 years in competing business within your territory or the territory of any other P&A Agency. May not solicit Applicants or Clients in P&A Database.
s. Modification of the agreement	24.3 & 24.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.
t. Integration/ merger clause	24.8	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	22	Subject to state law, all disputes must be mediated or arbitrated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
v. Choice of forum	22	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Maricopa County, Arizona).
w. Choice of law	24.1	Subject to state law, Delaware law governs.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Defined Terms

For purposes of this FPR, the following terms have the meanings given to them below.

"FPR" means the financial performance representation set forth in Item 19 of this Disclosure Document.

"Franchised Outlet" means any P&A Agency that is owned by a franchisee.

"Measuring Period" means the period of time commencing January 1, 2024 and expiring December 31, 2024.

"Placement Fees" are the fees charged by franchisees when successfully placing a candidate with a client company. "All Placement Fees" include all placement fees for client agreement, while "Executive Search Placement Fees" are comprised of a subset of placement fees that involve placement of executive

management personnel. We subtract from gross Placement Fees any fees associated with placements that fell through (“fallouts”) and any unused fees or credits that expired during the same timeframe.

“**Qualifying Outlet**” means any Franchised Outlet that satisfies all of the following criteria: (a) the outlet was open and operating throughout the entire Measuring Period; (b) the outlet is not a Resale Outlet; (c) the outlet made at least one placement during the Measuring Period.

“**Resale Outlet**” means any P&A Agency that has executed a resale agreement.

System Statistics

For purposes of this FPR each P&A Agency may be referred to as an “outlet.” As of December 31, 2024 (the last day of the Measuring Period), there were 189 Franchised Outlets in operation, 100 of which are Qualifying Outlets. This FPR is limited to data from Franchised Outlets. There were no company-owned P&A Agencies in operations during 2024; therefore the FPR does not include data from Company-Owned Outlets. Of the 189 outlets that were open as of the end of the Measuring Period, 89 did not qualify as “Qualifying Outlets” because they did not make at least one placement during the Measuring Period and therefore had no operations.

These figures are based on the actual placement fees for hires, without any deductions for fees, costs or expenses. There are no material differences between the operations of the Qualifying Outlets and the franchised business offered under this Disclosure Document.

Financial Performance Representation

The following table presents the historical financial results achieved by the Qualifying Outlets during the Measuring Period. These figures are based on the actual placement fees for hires, without any deductions for fees, costs or expenses.

2024 Placement Fees of Qualifying Outlets		
	All Placement Fees	Executive Search Placement Fees
Combined Total Placement Fees	\$5,070,505	\$1,984,254
Average Placement Fee	\$10,121	\$23,622
Highest Placement Fee	\$97,500	\$97,500
Lowest Placement Fee	\$2,000	\$15,000
Median Placement Fee	\$7,920	\$19,500
Total Placements	501	84
Number & Percent that Achieved/Surpassed Average	174 of 501 (35%)	25 of 84 (30%)

Notes:

1. **Source of Data:** As we provide the billing and collection for all of our franchisees, we have all of the information regarding the collected fees. The data has not been audited.
2. The FPR does not include any expense information. As a franchisee, you will incur expenses, such as payroll, marketing, inventory replenishment, utilities as well as the initial and ongoing fees imposed under the Franchise Agreement.
3. **Client Development Expectations:** Success in the P&A business model is influenced in part by the franchisee’s ability to generate their own client base and leverage the P&A database. Franchisees are advised to allocate at least 20 hours per week specifically to new business development activities. Franchisees are encouraged to aim for a placement mix that reflects approximately 50% sourced from corporate clients and 50% from self-generated client relationships.

You should consult with your advisors to develop your own estimates of revenue for your P&A Agency.

Some P&A Agencies have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jason Miller, 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255 or by phone at (301) 327-5059, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	179	171	-8
	2023	171	188	+17
	2024	188	189	+1
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	179	171	-8
	2023	171	188	+17
	2024	188	189	+1

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 TO 2024**

State	Year	Number of Transfers
CA	2022	0
	2023	1
	2024	0
DE	2022	0
	2023	0
	2024	1
NY	2022	1
	2023	0
	2024	0
TX	2022	0
	2023	1
	2024	1
Total	2022	1
	2023	2
	2024	2

TABLE 3 - STATUS OF FRANCHISED 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
AL	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
AZ	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
CA	2022	12	2	0	0	0	0	14
	2023	14	2	4	0	0	2	10
	2024	10	0	2	1	0	0	7
CO	2022	5	0	0	0	0	0	5
	2023	5	1	2	1	0	0	3
	2024	3	3	0	0	0	0	6
CT	2022	4	1	0	0	0	0	5
	2023	5	1	0	0	0	0	6
	2024	6	1	0	0	0	0	7
DC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

TABLE 3 - STATUS OF FRANCHISED 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
DE	2024	2	0	0	0	0	0	2
FL	2022	14	6	2	1	0	0	17
	2023	17	2	2	1	0	0	16
	2024	16	2	1	2	0	0	15
GA	2022	5	2	3	1	0	0	3
	2023	3	3	0	0	0	0	6
	2024	6	2	0	0	0	0	8
HI	2022	2	0	0	1	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
ID	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
IL	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	1	0	0	0	0	5
IN	2022	4	1	0	1	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
IA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	1	1	0	0	0
KS	2022	1	1	0	0	0	0	2
	2023	2	1	1	0	0	0	2
	2024	2	0	0	0	0	0	2
KY	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	0	2	0	0	0	3
LA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MD	2022	8	0	0	3	0	0	5
	2023	5	1	0	0	0	0	6
	2024	6	0	2	0	0	0	4
MA	2022	4	1	0	1	0	0	4
	2023	4	2	1	0	0	0	5
	2024	5	1	0	0	0	0	6
MI	2022	4	0	1	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	1	0	1	0	0	4
MO	2022	6	0	1	2	0	0	3
	2023	3	0	1	0	0	0	2
	2024	2	0	0	0	0	0	2

TABLE 3 - STATUS OF FRANCHISED 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
MN	2022	2	0	0	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	1	0	0	0	0	2
MS	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NE	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
NV	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	1	0	0	0	0	5
NJ	2022	6	1	1	0	0	0	6
	2023	6	0	2	0	0	0	4
	2024	4	0	0	0	0	0	4
NH	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NY	2022	9	2	2	0	0	0	9
	2023	9	1	0	0	0	0	10
	2024	10	3	1	0	0	0	12
NC	2022	9	2	2	0	0	0	9
	2023	9	3	0	0	0	0	12
	2024	12	0	0	0	0	0	12
OH	2022	4	1	0	0	0	0	5
	2023	5	0	1	0	0	0	4
	2024	4	0	0	0	0	0	4
OK	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	1	0	0	0	2
OR	2022	2	1	0	0	0	0	3
	2023	3	1	1	0	0	0	3
	2024	3	0	1	0	0	0	2
PA	2022	4	1	0	1	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	1	1	1	0	0	3
RI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	1	0	0	0	0
SC	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	1	1	0	0	0	5
SD	2022	1	0	0	0	0	0	1

TABLE 3 - STATUS OF FRANCHISED 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
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
TN	2022	5	0	1	2	0	0	2
	2023	2	2	1	0	0	0	3
	2024	3	0	1	0	0	0	2
TX	2022	13	1	1	3	0	1	9
	2023	9	7	0	0	0	0	16
	2024	16	4	2	0	0	0	18
UT	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
VA	2022	15	0	0	0	0	0	15
	2023	15	3	0	0	0	0	18
	2024	18	0	3	0	0	0	15
WA	2022	3	0	1	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
WV	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
BC	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ontario	2022	3	2	0	1	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	1	0	0	0	3
TOTAL	2022	179	25	15	17	0	1	171
	2023	171	39	18	2	0	2	188
	2024	188	28	21	6	0	0	189

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Total	0	0	0

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2024. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the 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 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.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. Audited financial statements of Patrice Franchising, LLC for the period ended December 31, 2024, December 31, 2023, and December 31, 2022 are attached to this Disclosure Document as EXHIBIT "G".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D"-1 State Addenda
- EXHIBIT "D"-2 Franchisee Disclosure Questionnaire (**Questionnaire may not be signed or used if the franchisee resides within, or the franchised business will be located within, a franchise registration state**)
- EXHIBIT "D"-3 General Release
- EXHIBIT "D"-4 Franchise Resale Agreement

Attachments to Franchise Agreement

- ATTACHMENT "B" Franchise Owner Agreement
- ATTACHMENT "C" ACH Authorization Form
- ATTACHMENT "D" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "I" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677 <u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 <u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360 <u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 <u>MICHIGAN</u> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, MI 48913 (517) 335-7567 <u>MINNESOTA</u> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500 <u>NEW YORK</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8222 <u>Agents for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231 <u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712	<u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527 <u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563 <u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 <u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 <u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 <u>Mailing Address:</u> Department of Financial Institutions Securities Division PO BOX 41200 Olympia, WA 98504-1200 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555
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EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

Corporation Service Company
251 Little Falls Dr.
Wilmington, Delaware, 19808
302-636-5401

In states listed in EXHIBIT "A", the additional agent for Service of Process is listed in EXHIBIT "A".

EXHIBIT "C"
TO DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

[See Attached]



FRANCHISE AGREEMENT

FRANCHISEE: _____
DATE: _____

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ATTACHMENTS

ATTACHMENT "A"	Deal Terms
ATTACHMENT "B"	Franchise Owner Agreement
ATTACHMENT "C"	ACH Authorization Form
ATTACHMENT "D"	Confidentiality Agreement

PATRICE & ASSOCIATES FRANCHISE AGREEMENT

This Patrice & Associates Franchise Agreement (this “Agreement”) is entered into as of _____, 202__ (the “Effective Date”) between Patrice Franchising, LLC, a Delaware limited liability company (“we” or “us”) and _____, a(n) _____ (“you”).

1. DEFINITIONS. Capitalized terms not defined above have the meanings given to them below:

“Account” means the checking account you designate from which we may deduct fees and other amounts owed to us and our affiliates in accordance with §13.5.

“ACH Agreement” means the ACH Authorization Agreement attached hereto as ATTACHMENT "D" which authorizes us to electronically debit your Account for amounts owed to us and our affiliates.

“Agencies” is defined in §21.1.

“Agreement” is defined in the Introductory Paragraph.

“Anti-Corruption Laws” means those Laws that make it unlawful to offer, pay, promise or authorize to pay any money, gift or anything of value (including bribes, entertainment, kickbacks or any benefit), directly or indirectly, to: (a) any Government Official in order to assist with obtaining, retaining or securing an improper business advantage; or (b) any other Person with the intention of inducing or rewarding improper performance of a relevant function or activity.

“Applicant” means a Person seeking an employment position.

“Applicant Data” means and includes any and all data that pertains to an Applicant, including, without limitation, name, address, contact information, date of birth, educational background, employment history, criminal history and any other information collected from the Applicant, including all information included within an Applicant’s resume, background check and employer references.

“Authorized Activities” means all activities we authorize you to conduct in connection with this Agreement, including the development, ownership and operation of the P&A Agency.

“Business” means the franchised business you operate pursuant to this Agreement.

“Business Data” means, collectively or individually, Applicant Data, Client Data and Operational Data.

“Claim” or “Claims” means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

“Client” means any Person seeking an Applicant to fill a job position.

“Client Data” means and includes any and all data that pertains to a Client, including, without limitation, name, address, contact information, job positions, job descriptions, employment information, employment policies, employment terms and any other information collected from the Client.

“Competitive Business” means any business that meets at least one of the following criteria: (a) any business that offers management recruiting services for the hospitality industry; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competitive Business does not include any P&A Agency operated pursuant to a valid franchise agreement or license agreement with us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Definitive Agreements and all attachments thereto and amendments thereof; (d) the components of the System and P&A Database; (e) all information within or comprising the Manual; (f) all information contained within the P&A Database and any associated software; and (g) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, designs, sketches, drawings, policies,

processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that: (i) are designated as confidential; (ii) are known by you to be considered confidential by us; and/or (iii) are by their nature inherently or reasonably to be considered confidential. Confidential Information does not include any information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you or your Owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a P&A Agency, whether now in existence or created in the future.

“Definitive Agreements” means, collectively, this Agreement, any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a P&A Agency or any other franchised concept, and all ancillary agreements executed in connection with any of the foregoing, including, without limitation, each related Franchise Owner Agreement.

“Designated Location” means the location within your Territory from which you will operate your P&A Agency. Your initial Designated Location is set forth in Part B of ATTACHMENT "A".

“Dispute” means any Claim, dispute or disagreement between the parties, including any matter pertaining to the interpretation or enforcement of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the parties.

“Effective Date” is defined in the Introductory Paragraph.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Equity Interest” means a direct or indirect ownership or beneficial interest in the capital stock of, partnership or membership interest in, or other equity, ownership or beneficial interest in (including the right to vote) an Entity.

“Excluded Claim” is defined in §22.

“Force Majeure” means acts or circumstances that are beyond a party’s control, including fire, storm, flood, earthquake, explosion or accident, acts of war or terrorism, rebellion, insurrection, sabotage, epidemic, failures or delays of transportation and strikes, provided that: (a) the non-performing party provides written notice to the other party of the Force Majeure event within a reasonable period of time after the occurrence of such event; (b) the non-performing party is without fault and the delay or failure could not have been prevented by reasonable precautions by the non-performing party; (c) insolvency, lack of required funds or financing, currency fluctuations, currency devaluations, foreign exchange controls or inflation shall never be deemed Force Majeure; and (d) an epidemic or pandemic of a contagious illness or disease, or economic or financial changes caused by an epidemic or pandemic of a contagious illness or disease, shall never be deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the P&A Agency as a result of such epidemic or pandemic.

“Franchisee Entity” means the Entity, if applicable, that: (a) signs this Agreement as the franchisee (i.e., “you”) if this Agreement is signed by an Entity; or (b) assumes this Agreement subsequent to its execution by the original Owners.

“Franchise Owner Agreement” means the Franchise Owner Agreement that must be signed by the Owners (and their spouses, if applicable) pursuant to §9, the current form of which is attached hereto as ATTACHMENT "B".

“General Release” means our then-current form of Waiver and Release of Claims you and your Owners must sign pursuant to §4.2 (in connection with a renewal of your franchise rights) or §19.2 (in connection with a Transfer).

“Government Official” means any: (a) officer or employee of a Governmental Authority; (b) commercial or similar entity owned or controlled by a Governmental Authority, including state-owned and state-operated companies or enterprises; (c) public international organization (e.g., United Nations, World Bank); (d) political party or official thereof; or (e) candidate for political office.

“Governmental Authority” means any national, provincial, state, county, local, municipal or other government, or any ministry, department, agency or subdivision thereof, whether administrative or regulatory, or any other body that exercises similar functions, and including any court or taxing authority.

“Gross Sales” means the total amount of all sales of products, services and merchandise sold from, through or in connection with the P&A Agency, whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes. Gross Sales includes all fees and other amounts owed to us and our affiliates that we deduct from Gross Sales before remitting the balance to you.

“Improvement” means any idea, addition, modification or improvement to (a) the goods or services offered or sold at a P&A Agency, (b) the method of operation of a P&A Agency, (c) the processes, systems or procedures utilized by a P&A Agency, (d) the marketing, advertising or promotional materials, programs or strategies utilized by a P&A Agency or (e) the trademarks, service marks, logos or other intellectual property utilized by a P&A Agency, whether developed by you, your Owners, your employees or any other Person associated with you or your P&A Agency.

“Indemnified Party” or “Indemnified Parties” means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parents, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks, P&A Database and System.

“Interim Manager” means the Person we designate to temporarily manage your P&A Agency under the circumstances described in §8.5.

“Interim Term” is defined in §4.3.

“Know-how” means all of our trade secrets and other proprietary information relating to the development, marketing or operation of a P&A Agency, including, but not limited to: methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; information contained in the P&A Database; and information comprising the System or included in the Manual.

“Law” means and includes all laws, judgments, decrees, orders, rules, regulations, ordinances, advisory opinions or official legal interpretations of any Governmental Authority.

“Losses and Expenses” means and includes any or all of the following: compensatory, exemplary and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to reputation or goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or otherwise incurred by an Indemnified Party as a result of a Claim.

“Manager” means a Person you hire who: (a) provides full-time day-to-day management and supervision of your P&A Agency; and (b) meets the minimum criteria and requirements set forth in §8.2.

“Managing Owner” means the Owner you designate and we approve with primary responsibility for the daily management and supervision of the P&A Agency.

“Manual” means our confidential Brand Standards Manual for the operation of a P&A Agency, together with any other operations, administration and managers’ manuals and all books, computer programs, pass-word protected portions of an Internet site, pamphlets, memoranda and other publications prepared by us or on our behalf.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize P&A Agencies to use, including “Patrice & Associates” and the associated logo.

“Microsite” means the local website we develop to promote your P&A Agency as further described in §6.3.

“Operational Data” means and includes all data and information pertaining to the operation of your P&A Agency, including, without limitation, employee data, expense data, financial accounting data and Gross Sales data.

“Owner” means a Person who either: (a) directly signs this Agreement as the franchisee (either alone or in conjunction with one or more other Persons); or (b) directly or indirectly (through one or more intermediaries) owns any Equity Interest in the Franchisee Entity (if the franchisee under this Agreement is an Entity).

“P&A Agency” means any recruitment business that is authorized to operate under our Marks and use our System. A P&A Agency may refer to a P&A Agency operated by us, our affiliate, you or another franchisee, as the context may require.

“P&A Database” means our proprietary database that includes qualified hospitality management candidates, hospitality management positions, and a billing and collection service.

“PCI-DSS” means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at <https://www.pcisecuritystandards.org> as of the Effective Date.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner holding less than a 51% ownership interest in the Business or the Franchisee Entity, as applicable; and/or (b) a Transfer to a newly established Franchisee Entity for which the Owners collectively own and control 100% of the Equity Interests.

“Person” means an individual, Entity, unincorporated organization, joint venture, Governmental Authority, estate (or executor thereof) or trust (or trustee thereof).

“Placement” means a placement of an Applicant with a Client for which a Placement Fee is earned.

“Placement Fee” means any compensation paid by a Client to us or to any other Person as a result of or in connection with a Placement.

“Post-Term Restricted Period” means, with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable, then Post-Term Restricted Period means a period of one (1) year after the termination, expiration or Transfer of this Agreement.

“Post-Term Restricted Period” means, with respect to an Owner, a period of two (2) years after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of his or her entire ownership interest in the Business or the Franchisee Entity, as applicable; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable, then Post-Term Restricted Period means a period of one (1) year after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of his or her entire ownership interest in the Business or the Franchisee Entity, as applicable.

“Prohibited Activities” means and includes any of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (b) disparaging or otherwise making negative comments about us, any of our affiliates, the System and/or other P&A Agencies; (c) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); (d) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor; or (e) soliciting or contacting any Applicant or Client in the P&A Database (or any potential Applicant or Client you communicated with during the two (2) year period preceding the termination, expiration or Transfer of this Agreement) for any purpose other than the operation of your P&A Agency.

“Recruiter” means a Person you hire who: (a) provides recruitment services on behalf of your P&A Agency; and (b) meets the minimum criteria and requirements set forth in §8.3.

“Referral Source” means any Person that is in a position to refer potential Applicants and/or Clients to a P&A

Agency.

“Restricted Territory” means the geographic area within: (a) your Territory; and (b) any territory assigned to another P&A Agency that is operating as of the Effective Date and remains in operation during all or any part of the Post-Term Restricted Period; *provided, however*, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then Restricted Territory means the geographic area within your Territory.

“Split Placement” means any Placement involving the placement of an Applicant solicited and entered into the P&A Database by one franchisee with a Client solicited by and credited to a different franchisee.

“Successor Agreement” means our then-current form of Patrice & Associates Franchise Agreement you must sign pursuant to §4.2 in order to renew your franchise rights.

“System” means our specially developed system for the operation of a recruiting business that consists of: operating procedures; methods and techniques for financial controls, record keeping and billing and collection procedures; policies and procedures for accounting and reporting; personnel management programs; sales, marketing and advertising programs and strategies; training and business development programs and materials; our proprietary P&A Database and other software; and our proprietary Know-How.

“Targeted Marketing” means any advertising or marketing that is directed by a franchisee into a specific territory for purposes of soliciting Clients, Applicants or Referral Sources from within that territory. Marketing that is distributed, circulated or received both within the franchisee’s territory and within another territory is not considered Targeted Marketing if: (a) the franchisee uses reasonable efforts to limit the circulation or distribution of the advertising to areas within the franchisee’s territory; and (b) the majority of the recipients of the advertising are located within the franchisee’s territory and there is only incidental circulation or distribution within a territory assigned to another P&A Agency operated us, our affiliate or another franchisee. Targeted Marketing also does not include: (a) marketing we conduct as part of our administration of the brand and system development fund; (b) any system-wide marketing or advertising efforts conducted or approved by us; or (c) marketing or advertising by means of any Microsite that we develop and host. The meaning of “Targeted Marketing” that is “directed into a territory” may be further defined in the Manual, but examples include:

- (a) direct mail sent to addresses located within a given territory;
- (b) telephone calls made to Persons or businesses known to reside or be located within a given territory;
- (c) television or radio advertising intended to be published or played within a given territory;
- (d) advertising in a newspaper, magazine or other publication distributed to subscribers residing within a given territory;
- (e) social media or other digital marketing sent to smartphones or other devices with IP addresses registered within a given territory; and
- (f) direct face-to-face marketing conducted from any physical location within a given territory, such as being an exhibitor at a job expo that takes place within a given territory.

“Technology Systems” means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, data management systems, point-of-sale system, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“Term” means the period of time beginning on the Effective Date and expiring on the earlier to occur of: (a) the 5th anniversary of the Effective Date; or (b) the date this Agreement is effectively terminated for any reason.

“Territory” means the geographic area described in Part C of ATTACHMENT "A".

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the franchise rights or intellectual property rights granted by this Agreement (or any interest therein);
- (c) the Business conducted by you pursuant to this Agreement (or any interest therein);
- (d) the P&A Agency's assets (other than the sale of fixtures or equipment in the ordinary course of business);
or
- (e) an Equity Interest in the Franchisee Entity;

including by merger or consolidation, by issuance of additional Equity Interests in the Franchisee Entity, or by operation of Law, will or a trust upon the death of an Owner (including the Laws of intestate succession).

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

2. GRANT OF FRANCHISE. We hereby grant you the right and license to own and operate one (1) P&A Agency from the Designated Location using our Intellectual Property. As a franchisee, you will establish and operate a recruiting business that specializes in providing management candidates to the retail, restaurant and hospitality industry as well as all other industries. Subject to the restrictions set forth in §3.2, you may operate your P&A Agency and conduct the following activities anywhere within the United States: (a) solicit, recruit and place Applicants with Clients according to job openings listed on the P&A Database; (b) solicit Clients for purposes of posting job openings on the P&A Database (all Clients will contract with us but you will be “credited” with Clients you originate); and (c) solicit and establish referral relationships with Referral Sources. We reserve all rights not expressly granted to you.

3. TERRITORY.

3.1. Territorial Rights. You are not granted an exclusive Territory. However, during the Term we will not: (a) operate, or authorize any Person other than you to operate, a P&A Agency from a designated location within your Territory; or (b) engage in, or authorize any Person other than you to engage in, Targeted Marketing that is directed into your Territory for purposes of soliciting Applicants, Clients or Referral Sources. Other P&A Agencies may contact and work with Applicants, Clients and Referral Sources who reside or are located within your Territory (and place Applicants with Clients located in your Territory) as long as they do not solicit the Applicants, Clients or Referral Sources through Targeted Marketing that is directed into your Territory.

3.2. Extra-Territorial Operations. Except as otherwise permitted by this §3.2 and our then-current Client Development Policy set forth in the Manual, you may not: (a) advertise or market outside your Territory; (b) operate your P&A Agency outside your Territory; or (c) engage in any other business activities outside your Territory in connection with your P&A Agency. You are permitted to market and advertise outside of your Territory, and you are permitted to contact and work with Applicants, Clients and Referral Sources who reside or are located outside your Territory, as long as: (a) you comply with all policies and procedures in the Manual governing extra-territorial marketing, including our Client Development Policy; and (b) you do not engage in Targeted Marketing outside your Territory, regardless of whether the Targeted Marketing is directed into the territory of another P&A Agency or an open territory. You may also perform Placements involving Applicants and/or Clients who reside or are located outside your Territory as long as you do not solicit the Applicants and/or Clients through Targeted Marketing directed into the territory of another P&A Agency.

4. TERM AND RENEWAL.

4.1. Generally. This Agreement grants you the right to operate your P&A Agency only during the Term. Provided that you satisfy all conditions for renewal specified below, you may enter into a maximum of three (3) Successor Agreements upon expiration of the Term. The Successor Agreement shall be the current form of franchise agreement we use in granting franchises as of the expiration of the Term or renewal term, as applicable, the terms of which may vary materially and substantially from the terms of this Agreement. Upon renewal, we also reserve the right to modify the boundaries of your Territory

in accordance with our then-current territory guidelines and criteria. Each renewal term will be five (5) years. The parties may agree to further renewals after expiration of the third (3rd) renewal term, but neither party is obligated to do so. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

4.2. Renewal Requirements. In order to renew, you and the Owners (as applicable) must:

- (a) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term or renewal term, as applicable;
- (b) not be in default under any Definitive Agreement at the time you send the renewal notice or the time you sign the Successor Agreement;
- (c) sign the Successor Agreement and all ancillary documents we require franchisees to sign;
- (d) sign a General Release; and
- (e) upgrade your equipment to comply with our then-current standards and specifications.

We may refuse to enter into a Successor Agreement if we issue two (2) or more default notices to you during the Term or last renewal term, as applicable. If we elect not to renew or offer you the right to renew, we will send you a written notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision. If you have any objection to our notice of non-renewal, including a dispute as to the basis for our decision, you must send us a written notice of objection that sets forth the basis for your objection. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a written notice of objection during such 30-day period shall constitute your agreement to the non-renewal of your franchise. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date shall constitute our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above.

4.3. Interim Term. If you do not sign a Successor Agreement but continue to operate your P&A Agency after the Term expires, we may either treat this Agreement as: (a) expired as of the Term expiration date with you operating in violation of our rights; or (b) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of termination of the Interim Term. In the latter case, all your obligations remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations imposed on you upon expiration of the Term will take effect upon termination of the Interim Term.

5. TRAINING AND CONFERENCES

5.1. Franchise Training Program. The Managing Owner must attend and successfully complete our initial franchise training program before you open your P&A Agency. You may, but need not, send additional Owners to our initial franchise training program. Our initial training program also includes the 90-day mentoring program described in §6.4. Upon execution of this Agreement, you must pay us a nonrefundable \$7,000 initial training fee, which covers initial franchise training for the Managing Owner as well as the 90-day mentoring program.

5.2. Manager Training Program. If you choose to hire a Manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new Manager or Managing Owner, as applicable, must attend and successfully complete our then-current initial training program, including the 90-day mentoring program, before assuming responsibility for the management of your P&A Agency. You must pay us a nonrefundable \$3,500 manager training fee for each Manager we train. The Manager training fee is due at the time training is scheduled.

5.3. Executive Recruiting Training & Certification. Upon execution of this Agreement, you must pay us a nonrefundable \$10,000 executive recruiting training and certification fee. Before participating in

executive recruiting, you must complete the executive recruiting training and certification. Executive recruiter training and certification is a supplemental module to our initial training. It addresses executive recruiting (also known as executive search), which involves placing higher-level candidates under retained or partially retained fee arrangements. The training covers securing clients, sourcing top-tier talent, and guiding candidates through the placement process.

- 5.4. **Training of New Managing Owner or Manager.** If you appoint a new Managing Owner or hire a new Manager after we conduct our pre-opening initial training program, the new Managing Owner or Manager, as applicable, must attend and successfully complete our then-current initial training program no later than 45 days after such Person is appointed or hired. You must pay our then-current initial training fee for each new Managing Owner and/or Manager that we train. The training fee is due at the time training is scheduled.
- 5.5. **Recruiter Training Program.** All of your Recruiters must attend and successfully complete our Recruiter training program before they commence work for your P&A Agency. If you hire a new Recruiter after you open your Business, you have the option to: (a) train the new Recruiter yourself using the Proctor Program; or (b) have us train the Recruiter. You may not train Recruiters unless you are certified to use the Proctor Program. At the time you hire each Recruiter, you must pay us a Recruiter training fee of: (a) \$0 if you train the Recruiter using the Proctor Program; or (b) \$500 if we train the Recruiter.
- 5.6. **Ongoing Training.** We may, but need not, offer ongoing business development training covering various topics such as hiring and training Recruiters, business expansion, Client development, leadership training, territorial enhancement or any other topic we deem appropriate. We may designate participation at these training programs as mandatory or optional. We do not charge a training fee for training programs we offer pursuant to §5.6.
- 5.7. **Additional Training Upon Request.** Upon your written request, we may, but need not, provide additional assistance or training to you at a mutually convenient time. You must pay us a training fee of \$600 per day for each Person to whom we provide additional training or assistance that you request. The training fee is due 10 days after invoicing.
- 5.8. **Training Location.** Currently, all training programs are offered virtually. At any time, we may require that training be held at our corporate headquarters or any other location we designate.
- 5.9. **Conferences.** We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting P&A Agencies. Attendance at these conferences is mandatory for your Managing Owner and Manager (if you have a Manager). You must pay us a conference registration fee of \$495 per Person per conference. We may charge you the conference registration fee regardless of whether your Managing Owner or Manager attend. The conference registration fee is due 30 days prior to the conference; *provided, however*, that the conference registration fee for your first conference is due during initial franchise training.

6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** We provide you with access to our Manual in text or electronic form during the Term. The Manual will help you develop and operate your P&A Agency. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **P&A Database.** We will license you the right to utilize our proprietary P&A Database, which includes qualified hospitality Applicants and hospitality management positions with Clients. You must utilize the P&A Database to perform the specific functions described in the Manual. You must follow all policies and procedures in the Manual with respect to the use of the P&A Database and your entry and/or accessing of data, including procedures for notifying us of new Clients you solicit. You must pay us: (a) a weekly P&A Database licensing fee equal to 7% of your weekly Gross Sales, which is due on each royalty payment due date; and (b) an additional licensing fee of \$60 per month per Recruiter for each Recruiter associated with your P&A Agency, which is due on the first day of each

month. At any time, we may require that your Managing Owner, Manager and Recruiters execute our current form of P&A Database User Agreement and Privacy Policy, which we may change from time to time.

- 6.3. Website & Microsite.** We will maintain a corporate website for our brand. We may modify and/or discontinue the website at any time in our sole discretion. We will also develop and host a Microsite for your P&A Agency (i.e., a local webpage to promote your P&A Agency) that will be linked to our website and include your contact information and any other information we deem appropriate. Upon execution of this Agreement, you must pay us a nonrefundable \$7,000 website development fee that covers the cost for us to develop and host your Microsite and includes all required maintenance and support during the initial Term. We must approve all content on your Microsite, but we will consider information you suggest in good faith. We will own our corporate website, your Microsite and the associated domain names at all times. We may subcontract the website development and maintenance services to any third-party supplier of our choosing.
- 6.4. Mentor Program and Group Calls.** As part of initial franchise training, we will provide you with a mentor (who may be an established franchisee) during the 90-day period after you commence operating your P&A Agency. During this time, your mentor will hold daily one-on-one calls with you (on business days only) to provide mentoring, coaching and support. During your first six (6) weeks of operation, we will also conduct two (2) group conference calls each week with you and other newly operational franchisees to provide additional training and support.
- 6.5. General Guidance.** Based on periodic inspections of your P&A Agency or reports you submit to us, we provide our guidance and recommendations on ways to improve the operation of your P&A Agency. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by telephone, e-mail or similar methods of communication.
- 6.6. Payment of Compensation.** On each royalty payment due, we pay you compensation earned from Placements in accordance with this Section. The weekly compensation is calculated based on Placement Fees we collect during the immediately preceding weekly reporting period. We pay you the following compensation:
- (a) if you place the Applicant with a Client originated by you or us, we pay you 76% of the Placement Fee (i.e., after deducting 24% for our percentage-based fees);
 - (b) if you place the Applicant with a Client originated by another franchisee in a Split Placement transaction, we pay you 56% of the Placement Fee (i.e., after deducting 24% for our percentage-based fees and 20% that is paid to the franchisee who originated the Client); and
 - (c) if another franchisee places the Applicant with a Client credited to you in a Split Placement transaction, we pay you 20% of the Placement Fee (i.e., after deducting 24% for our percentage-based fees and 56% that is paid to the franchisee who placed the Applicant).

Notwithstanding the above, you and the other franchisee may agree in writing to a different allocation of the Placement Fee between you and the other franchisee in connection with a Split Placement transaction; *provided, however*, that the written agreement must be provided to us prior to completion of the Placement. In addition to deducting our percentage-based fees, we reserve the right to deduct any other amounts you owe us and, if applicable, any collections costs we incur with respect to a delinquent account, before remitting the balance of the Placement Fee to you.

6.7. Billing and Collection Services.

- (a) Generally. We will provide all billing and collection services in connection with the operation of your Business. We will provide customer imprinted invoices, envelopes and postage. We will pay you each Friday based on amounts we collect during the prior weekly reporting period. You are prohibited from invoicing or collecting payments from Clients without our prior written approval.

Any payment you receive from a Client must be immediately disbursed to us in accordance with the procedures in the Manual.

- (b) **Authorization.** You hereby authorize us to: (i) bill Clients on a scheduled basis, as set forth in the Manual; (ii) accept payment of Placement Fees and other amounts owed from Clients, including cash and all other forms of payment; (iii) collect accounts receivable; and (iv) maintain revenue records. You further authorize us to deduct the following amounts from Placement Fees we collect on your behalf: (i) our percentage-based fees (i.e., royalty fee, brand fund fee, P&A Database fee and billing services fee); (ii) all out-of-pocket costs we incur pursuant to §6.7(c) to enforce collection of delinquent accounts, including attorneys' fees, credit card fees, credit card fees, court costs and other costs of collection; and (iii) any other fees or amounts owed to us. We will remit the balance of the Placement Fees to you.
 - (c) **Delinquent Accounts.** We will utilize reasonable efforts to collect payments from Clients with delinquent accounts. We will provide ongoing phone contact and reminder notices emailed or otherwise transmitted to delinquent customers on a monthly basis. We have no obligation to hire attorneys, commence litigation, or perform any acts (other than to send scheduled statements and reminders) in order to enforce payment of accounts by Clients; *provided, however*, that if we choose to hire an attorney, collection agency or commence other legal proceedings or remedies to enforce payment, we may deduct all out-of-pocket costs we incur from any amounts we receive from the Client before remitting the balance to you. We are not responsible if a Client fails to pay and we are unable to recover amounts owed provided that we comply with our obligations described in this §6.8. You hereby waive the right to bring a Claim based on our inability to collect payment from a Client provided that we comply with our obligations described in this §6.8. For the avoidance of doubt, if we are unable to collect payments from Clients with delinquent accounts, you do not owe any percentage-based fees in connection with the associated placement.
 - (d) **Taxes.** You are, and will continue to be, solely responsible for complying with all local, state and federal tax requirements, including income tax, sales, tax, use tax any any other applicable Tax, along with proper reporting requirements.
 - (e) **Refunds.** All customer hires include a "guarantee period" during which the Applicant must remain continuously employed by the Client before the full Placement Fee is "earned". If an Applicant leaves the job before expiration of the guarantee period, you must refund to us all amounts we paid to you in connection with the Placement of such Applicant. You must refund these amounts within 10 days after notification from us.
- 6.8. Marketing Assistance.** As further described in §10.1 and §10.2, we administer the brand and system development fund and may provide other marketing assistance during the Term.
- 6.9. Email Addresses.** We will provide you with one (1) or more Patrice & Associates email addresses for use with your P&A Agency. You and your Recruiters must exclusively use the email addresses we provide for all communications with us, Applicants, Clients, Referral Sources, suppliers and other Persons in any way relating to your Business. You may not use any email address we provide for any purpose unrelated to your P&A Agency. We will own the email addresses and accounts but allow you to use them during the Term. We have the right to access these email accounts and emails as part of an inspection.
- 6.10. Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and our franchisees. We will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.

7. ESTABLISHING YOUR BUSINESS

- 7.1. **Designated Location.** Prior to opening, you must identify and notify us of the address of the Designated Location from which you will operate your P&A Agency. Your Designated Location may be the principal residence of your Managing Owner or Manager or you may lease a separate commercial office. Your Designated Location must be located within your Territory, unless we approve otherwise in writing. You do not need our approval of the specific site of your Designated Location. If you relocate your Designated Location, you must notify us of the new Designated Location at least 30 days prior to relocating.
- 7.2. **Opening.** You must open your P&A Agency to the public within 90 days after the Effective Date. You may not open your P&A Agency prior to receipt of our written authorization to open. We need not issue our authorization to open before:
- (a) the Managing Owner successfully completes our initial training program;
 - (b) you purchase all required insurance and furnish us with evidence of coverage; and
 - (c) you obtain all required licenses, permits and other governmental approvals.

You are deemed to have opened and commenced operation of your P&A Agency upon successful completion of the franchise initial training program (excluding the 90-day mentor program that takes place after opening). We may, but need not, issue to you a Certificate of Completion of Training confirming the opening of your P&A Agency. BY VIRTUE OF OPENING YOUR P&A Agency, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.

- 7.3. **Grand Opening Marketing.** As a part of your grand opening, you must purchase job board placements through our designated online job search vendors. You must purchase products and services that comprise grand opening marketing directly from third-party suppliers we specify, however, in order to benefit from volume discount, the franchisor may act as a “pass through” for certain vendors.

8. MANAGEMENT AND STAFFING.

- 8.1. **Owner Participation.** You must designate the Owner who will serve as your Managing Owner. The Managing Owner will have overall responsibility for the management and operation of your P&A Agency. The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate full-time efforts to the day-to-day management and supervision of your P&A Agency (unless you hire a Manager); (d) have general management power and authority of the business affairs of the P&A Agency, including the power and authority to act on your behalf and legally bind you; and (e) at all times hold at least a 51% ownership interest in the Business or the Franchisee Entity, as applicable, unless we waive this requirement. Any new Managing Owner you appoint must successfully complete our then-current initial training program within 45 days after being appointed as the Managing Owner.
- 8.2. **Manager.** You may hire a Manager to assist the Managing Owner with the onsite management and supervision of your P&A Agency. Any Person you hire as a Manager must: (a) successfully complete all training programs we require; (b) dedicate full-time efforts to the day-to-day management and supervision of your P&A Agency; (c) have general management power and authority of the business affairs of the P&A Agency, including the power and authority to act on your behalf and legally bind you; and (d) sign a Brand Protection Agreement. The Managing Owner must monitor and supervise the activities of the Manager to ensure the P&A Agency is operated in accordance with this Agreement and the Manual.

8.3. Recruiters. You may hire one or more Recruiters to provide recruitment services on behalf of your P&A Agency. Any Person you hire as a Recruiter must: (a) successfully complete all training programs we require; and (b) sign a Brand Protection Agreement. Either the Managing Owner or a trained Manager must supervise the activities of your Recruiters. For each Recruiter you hire, you must pay us: (a) the applicable Recruiter training fee; (b) a \$125 setup fee; and (c) a \$60 per month licensing fee for access to the P&A Database, as further described in §6.2.

8.4. Employees. You must determine appropriate staffing levels for your Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by Law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business Entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. We will not provide any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer.

8.5. Interim Manager. We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to manage your P&A Agency if either: (a) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to appoint an approved replacement Managing Owner within 30 days thereof; or (b) you are in material breach. The Interim Manager will cease to manage your P&A Agency at such time that you appoint an approved replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to pay us a management fee equal to \$600 per day during the period of time that the Interim Manager manages your P&A Agency. You must also reimburse us for all travel and living expenses incurred by the Interim Manager. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

9. FRANCHISEE ENTITY. You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of the Franchisee Entity's organizational documents and a current Certificate of Good Standing. Each Owner of the Franchisee Entity, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement.

10. ADVERTISING & MARKETING.

10.1. Brand and System Development Fund.

- (a) Administration. We currently administer a brand and system development fund to promote public awareness of our brand and improve our System. We may use the fund to pay for any of the following in our sole discretion:
 - (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
 - (ii) conducting and administering promotions, contests or giveaways;
 - (iii) improving public awareness of the Marks;

- (iv) public and consumer relations and publicity;
- (v) brand development;
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) website development and search engine optimization;
- (ix) development and maintenance of an ecommerce platform;
- (x) development and implementation of quality control programs, including the use of client satisfaction surveys;
- (xi) conducting market research;
- (xii) changes and improvements to the System;
- (xiii) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
- (xiv) collecting and accounting for contributions to the fund;
- (xv) preparing and distributing financial accountings of the fund;
- (xvi) any other programs or activities we deem appropriate to promote or improve the System; and
- (xvii) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any of the foregoing marketing or advertising activities. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. A financial accounting of the operations of the fund, including deposits into and disbursements from the fund, will be prepared annually and made available to you upon request. In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions. Once established, we reserve the right to discontinue the fund at any time in our sole discretion upon at least 30 days' prior notice.

- (b) Contributions. On each royalty payment due date, you must pay us a brand and system development fund fee equal to 2% of Gross Sales collected during the prior reporting period. We deposit all fund contributions from you and other franchisees into the fund.

10.2. Marketing Assistance From Us. An initial supply of marketing materials is included in the marketing starter kit you purchase from us. We may create and make available to you other advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet, in which case you must arrange for printing the materials and paying all printing costs. Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

10.3. Your Marketing Activities.

- (a) Generally. Although you are encouraged to engage in local advertising, you are not required to spend any minimum amount on local advertising to promote your P&A Agency. However, you agree to participate at your own expense in all advertising, promotional and marketing programs that we require.
- (b) Standards for Advertising. All advertisements and promotions you create or use must be completely factual, conform to the highest standards of ethical advertising and comply with all Laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others. Any advertising to solicit Applicants for job openings must reflect that your P&A Agency is an equal opportunity employer and must specifically include the phrase “equal opportunity employer” within the advertising. We are not liable for any equal-opportunity-employer violations brought against you or your P&A Agency by the Equal Employment Opportunity Commission or otherwise. You cannot market or advertise outside your Territory except in compliance with §3.2 and our Client Development Policy.
- (c) Approval of Advertising. Prior to use, we must approve all advertising and marketing materials and programs you intend to use, including all advertising and marketing materials we did not prepare or previously approve (and including materials we prepare or approve and you modify). We must also approve the media you intend to use. You may not use any advertising materials, programs or media we have not approved (including materials, programs or media we previously approved and later disapprove). We have 20 days to review and approve advertising and marketing materials and programs you submit for approval. Our failure to issue our approval within the 20-day period constitutes our disapproval.
- (d) Social Media. You may advertise and market your P&A Agency using social media, provided that:
 - (i) you only utilize social media platforms we approve;
 - (ii) you strictly comply with our social media policy (as revised from time to time);
 - (iii) you immediately remove any post we disapprove (even if it complies with our social media policy);
 - (iv) you contract with and exclusively utilize any supplier we designate for social media marketing;
 - (v) you provide us with full administrative rights to your social media accounts; and
 - (vi) we retain ownership of all social media accounts relating to your P&A Agency.

We reserve the right to revoke your authorization to use social media at any time upon notice to you.
- (e) Internet and Websites. We will setup and maintain your Microsite in accordance with §6.3. Without our prior approval, which we may withhold in our sole discretion, you may not: (i) develop, host, create or otherwise maintain a website or other online or digital presence in connection with your P&A Agency (other than the Microsite we provide), including any website bearing our Marks; (ii) conduct digital or online advertising or marketing; or (iii) engage in ecommerce.
- (f) Charitable Contributions and Donations. In order to protect the Marks, you are prohibited from making any contribution or donation of items, services or funds to any charitable, religious, political, social, civic or similar type of organization (or to any Person on behalf of any such organization or to any Person for purposes of providing a benefit or support to any such organization) without our prior written approval, which we may withhold in our sole discretion.

11. OPERATING STANDARDS.

11.1. Generally. You agree to operate your P&A Agency: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with our standards, this Agreement and the Manual. You are only permitted to make such promises, representations and guarantees to Applicants, Clients and others, that we authorize in writing. You must preserve good customer relations and render competent, prompt, courteous and knowledgeable services in connection with your P&A Agency. You must exercise diligent efforts to recruit, screen, interview, indoctrinate, contract with, and assign, place and dispatch direct hire employees (i.e., Applicants) in accordance with our standards and procedures and without regard to race, color, religion, sex, national origin or age.

11.2. Brand Standards Manual. You agree to establish and operate your P&A Agency in accordance with the Manual. The Manual may contain, among other things:

- (a) a description of the authorized goods and services your P&A Agency may provide;
- (b) specifications, techniques, methods, operating procedures and quality standards;
- (c) reporting and insurance requirements;
- (d) policies and procedures pertaining to use of the P&A Database;
- (e) policies and procedures pertaining to marketing and advertising;
- (f) policies and procedures pertaining to data ownership, protection, sharing and use; and
- (g) a list of (a) the goods and services (or specifications for goods and services) you must purchase to develop and operate your P&A Agency and (b) any designated or approved suppliers for these goods or services.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. The modifications will become binding at the time we notify you of the modification (subject to any “grace period” we provide to implement the change). All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

11.3. Authorized Goods and Services. You agree to offer and provide all goods and services we require from time to time in our commercially reasonable discretion. You may not offer, sell or provide any other goods or services without our prior written permission. You may not use your P&A Agency or permit your P&A Agency to be used for any purpose other than offering the goods and services we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of this Agreement.

11.4. Suppliers and Purchasing. You must purchase or lease all products, supplies, equipment, services and other items specified in the Manual from time to time. If required by the Manual, you must purchase certain goods and services only from suppliers we designate or approve (which may include, or be limited exclusively to, us or our affiliate). Our right to specify the suppliers you may use is necessary so we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of P&A Agencies, protect our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based on your purchases, we have no obligation to pass them through to you or use them for any particular purpose. If you want us to approve a supplier you propose, you must send us a written notice specifying the supplier’s name and qualifications and provide any additional information we request. We will approve or reject your request within 45 days after we receive your notice and all additional information (and samples) we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 45-day period. You must

reimburse us for all costs and expenses we incur in reviewing a proposed supplier within 10 days after invoicing.

11.5. Equipment Maintenance and Changes. You must maintain your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. Our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period we reasonably specify.

11.6. Technology Systems.

- (a) Generally. You must acquire and utilize all Technology Systems we require from time to time. The Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, data management and storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose we deem appropriate. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to provide us with independent and unlimited access to data collected through your Technology Systems. Upon request, including upon termination or expiration of this Agreement, you must provide us with the user IDs and passwords for your Technology Systems.
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, enter into a license agreement with us (or our affiliate) in a form we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We may also enter into master agreements with third-party suppliers relating to any components of the Technology Systems and charge you for all amounts we pay to these suppliers based on your use of their software, technology, equipment, or services. The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. It also covers our costs and expenses to research and implement new ways for franchisees to provide recruitment services, including website developments, beta tests, new job boards, etc. The amount of the technology fee may change based on changes to the Technology Systems or prices charged by third-party suppliers with whom we enter into master agreements or the costs we incur for research and development. The technology fee does not include any amounts you pay directly to third-party suppliers for any components of the Technology Systems. The technology fee is due 10 days after invoicing or as we otherwise specify. As of the Effective Date, we charge a technology fee of \$350 per month.

- (e) **10DLC Compliance.** We require that you use our designated text-to-hire platform for all text-based hiring communications to ensure compliance with the 10DLC (10-Digit Long Code) texting rules. Your failure to implement or maintain the test-to-hire platform, follow our guidelines, or comply with 10DLC regulations may expose you and the franchise system to significant legal and financial risks. You will bear sole responsibility for such noncompliance and must indemnify us from any associated losses, fines, or damages.

11.7. Failure to Comply with Standards. You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures (including, without limitation, failure to provide required reports in a timely manner) and you fail to correct the non-compliance within the period of time we require, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to \$100 per occurrence. We may impose an additional \$100 fine for every 48 hours the same non-compliance issue remains uncured following our imposition of the initial fine.

12. FRANCHISE ADVISORY COUNCIL. We may, but need not, create a franchise advisory council (FAC) to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We consider all suggestions in good faith but are not bound by them. The FAC would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of FAC representatives to communicate with us on matters raised by the FAC. You would have the right to be an FAC member as long as you comply with this Agreement and do not act in a disruptive or abusive manner. As a member, you would be entitled to all voting rights and privileges granted to other FAC members. Each member would have one vote on all matters on which members are authorized to vote.

13. FEES

13.1. Initial Franchise Fee. You agree to pay us a \$65,000 initial franchise fee in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed.

13.2. Royalty Fee. On each weekly royalty fee due date, you must pay us a royalty fee equal to 10% of your Gross Sales collected during the prior weekly reporting period. Our current royalty fee due date is Friday and our current weekly reporting period runs from Friday to Thursday each week. We may change the royalty fee due date and our weekly reporting period upon 30 days' prior notice.

13.3. Other Fees and Payments. You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in this §13.

13.4. Taxes. You agree to indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any Governmental Authority as a result of the conduct of your P&A Agency or the license of any of our or our affiliates' intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes does not extend to income-type taxes which a Governmental Authority imposes on us or our affiliates' income.

13.5. Late Fee. If any sum due under this Agreement has not been received by us when due (or there are insufficient funds in your Account to cover the sum when due), then in addition to this sum you must pay us default interest on the amount past due at a rate equal to the lesser of 18% per annum (pro-rated on a daily basis) or the highest rate permitted by applicable Law. If no due date is specified, interest begins to run 10 days after we bill you. We will not impose a late fee for any amount paid pursuant to §13.6 if, but only to the extent, sufficient funds were available in your Account to be applied towards the payment when due. However, we may impose a late fee for any amount we are unable to reasonably determine due to your failure to furnish us with a report required by §15.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due. This §13.5 shall not constitute our agreement to accept late payments or extend credit to

you.

- 13.6. Method of Payment.** In accordance with §6.8, we will invoice and collect payments from Clients, deduct our fees and other amounts owed to us from such payments, and remit the balance to you on each royalty fee due date. No later than 15 days after the Effective Date, you must send us a completed and fully executed ACH Agreement authorizing us to electronically debit your designated Account for all amounts owed to us and our affiliates on the applicable due date (other than amounts deducted from Gross Sales and fees due within 15 days after the Effective Date). You must sign all other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all Gross Sales into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon demand, together with any late charge imposed pursuant to §13.5. We may also impose a \$50 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds. Certain fees, such as the monthly recruiter licensing fee described in §6.2, maybe be paid by credit card.

14. BRAND PROTECTION COVENANTS.

- 14.1. Reason for Covenants.** The Intellectual Property, training and assistance we provide would not be acquired except through implementation of this Agreement. You agree that competition by you, the Owners or Persons associated with you or the Owners (including family members) could seriously jeopardize our franchise system because you and the Owners receive an advantage through knowledge of our day-to-day operations and Know-how. You and the Owners agree to comply with the covenants in §14 to protect the Intellectual Property and our franchise system.
- 14.2. Intellectual Property and Confidential Information.** You and the Owners agree to: (a) refrain from using any Intellectual Property or Confidential Information in any business or for any purpose other than the operation of your P&A Agency pursuant to this Agreement; (b) at all times maintain the confidentiality of our Confidential Information; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) stop using the Intellectual Property and Confidential Information immediately upon the expiration, termination or Transfer of this Agreement (any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Intellectual Property and Confidential Information immediately at the time he or she ceases to be an Owner).
- 14.3. Unfair Competition.** You and the Owners may not engage in any Prohibited Activities during the Term or Post-Term Restricted Period. Notwithstanding the foregoing, you and the Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not place job applicants with businesses or other employers that are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.
- 14.4. Family Members.** Because (a) an Owner could circumvent the intent of §14 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child or grandchild) and (b) it would be difficult for us to prove whether the Owner disclosed Confidential Information to the family member, each Owner agrees that he or she will be presumed to have violated the terms of §14 if any member of his or her immediate family engages in any Prohibited Activity during the Term or Post-Term Restricted Period or uses or discloses Confidential Information. However, the Owner may rebut this presumption with evidence conclusively showing he or she did not disclose Confidential Information to the family member.

- 14.5. Employees.** All employees, officers, directors, independent contractors and other Persons associated with you or your P&A Agency must sign and send us a Confidentiality Agreement before accessing our Confidential Information. You must: (a) use best efforts to ensure these individuals comply with the Confidentiality Agreements; (b) immediately notify us of any breach that comes to your attention; and (c) reimburse us for all expenses we incur to enforce a Confidentiality Agreement, including attorneys' fees and court costs.
- 14.6. Covenants Reasonable.** You and the Owners agree that: (a) the covenants in §14 are reasonable both in duration and geographic scope; (b) our use and enforcement of similar covenants with other franchisees benefits you and the Owners by preventing them from unfairly competing with your P&A Agency; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the covenants in §14.
- 14.7. Breach of Covenants.** You and the Owners agree that: (a) any breach of §14 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at Law; and (b) we are entitled to injunctive relief if you or an Owner breach §14, together with any other relief available at equity or Law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires us to post a bond despite our agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at Law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

15. YOUR OTHER RESPONSIBILITIES

15.1. Insurance. For your protection and ours, you agree to maintain the following insurance policies:

- (a) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your P&A Agency, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (b) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your P&A Agency, containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate; or if your Designated Location is a principal residence, you may instead obtain a \$1,000,000 umbrella policy on the homeowner's policy;
- (c) privacy and cyber security liability insurance containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$1,000,000 in the aggregate;
- (d) business interruption insurance providing coverage for 100% of all expenses and financial obligations for a minimum period of six (6) months (including fees owed to us, which shall be deemed to include average weekly royalty fees, brand fund contributions and P&A Database fees imposed during the 52-week period preceding the event triggering coverage under the insurance policy);
- (e) employer's liability insurance with minimum coverage of at least \$100,000 or such higher amount required by applicable Law;
- (f) worker's compensation insurance as required by Law; and
- (g) any other insurance required Law or specified in the Manual from time to time.

Your insurance must include coverage for your indemnification obligations set forth in §18. You must provide us with proof of coverage prior to opening, within 10 days after any policy renewal and at any other time on demand. You agree to obtain these policies from licensed insurance carriers are rated A or better by Alfred M. Best & Company, Inc. Each policy must endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the

insurance carrier of all subrogation rights against us; and (c) provide that we receive 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any policy fails to meet these criteria, we may disapprove the policy and you must immediately secure a new policy meeting our criteria. Upon 10 days' notice, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance, including excess liability (umbrella) insurance, due to inflation, identification of special risks, changes in Law or standards of liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain a required policy, we may, at our option, obtain the policy on your behalf. If we do so, you must promptly sign any application or other form required to obtain the policy and reimburse us for all premiums and other costs we incur.

- 15.2. Books and Records.** You must prepare complete and accurate books, records, accounts and tax returns pertaining to your Business and keep copies for at least six (6) years after their preparation. You must send us copies of your books and records within seven (7) days of our request. You must provide us with independent access to your QuickBooks Online account with permission to read all reports.
- 15.3. Reports.** You agree to prepare all reports we require in the form and manner we specify and send us a copy of any report we require upon request. We may independently access your Technology Systems to retrieve and compile any Business Data we deem appropriate.
- 15.4. Financial Statements.** No later than the 20th day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business in the format we prescribe. Within 60 days after the end of each calendar year, you must prepare and send us a balance sheet (as of the end of the calendar year) and profit and loss statement for the prior calendar year. Financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared in compliance with United States Generally Accepted Accounting Principles, consistently applied; and (c) submitted in any format we reasonably require. We may require that your financial statements be reviewed or audited by a certified public accountant if you submit materially inaccurate financial statements on a prior occasion. You must send us a copy of any financial statement required by this Section upon request. You authorize us to disclose Operational Data to prospective franchisees, regulatory agencies and others for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.
- 15.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals and operate your P&A Agency in full compliance with all applicable Laws. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any Governmental Authority that may adversely affect the operation of your P&A Agency or your financial condition.
- 15.6. Ownership and Protection of Data.** We are the exclusive owner of all Business Data, regardless of whether such Business Data is collected by you, us or another Person. We hereby grant you a license to utilize the Business Data solely for purposes of operating your P&A Agency in compliance with this Agreement. You must protect all Applicant Data and Client Data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy Laws with respect to data, which if compromised, could have a negative impact on our image or consumer confidence. You agree: (a) to comply with all applicable data protection Laws as well as our data processing and data privacy policies in the Manual (if any); and (b) upon our request, to sign any data processing and/or data privacy agreement required by us or by Law. You further agree to:
- (a) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS;
 - (b) establish appropriate administrative, technical and physical controls consistent with Law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that you store, process, transmit or come in contact with;
 - (c) promptly notify us if you suspect there is, or has been, a security breach or potential compromise

of any such credit card information;

- (d) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and
- (e) promptly notify us of any noncompliance PCI-DSS requirements to discuss your remediation efforts and timeline.

16. INSPECTION AND AUDIT

16.1. Inspections. For quality control purposes and to ensure compliance with this Agreement, we (or our representative) may enter your Designated Location, evaluate your operations and inspect your books, records, accounts and tax returns. We will determine the scope of the inspection, which may include, among other things:

- (a) examining, copying and auditing your books, records, accounts and tax returns;
- (b) accessing your Technology Systems and retrieving any Business Data we deem appropriate (you hereby agree to provide us with access upon request);
- (c) inspecting and testing your equipment; and
- (d) contacting your Applicants, Clients, Referral Sources, Manager (if applicable), Recruiters and other staff.

We may conduct the inspection at any time and without prior notice; provided, however, that if your Designated Location is a principal residence, we will provide at least three (3) days' prior notice and will conduct the inspection during reasonable hours. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Business. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your Technology Systems and retrieving any Business Data we deem appropriate in connection with the inspection.

17. INTELLECTUAL PROPERTY

17.1. Ownership and Use. You acknowledge that: (a) we are (or our affiliate is) the exclusive owner of the Intellectual Property and the associated goodwill; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license to operate your P&A Agency during the Term pursuant to, and only in compliance with, this Agreement and the Manual. You may not use the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You must comply with all provisions in the Manual governing use of the Intellectual Property. You will not acquire any goodwill, title or interest in or to the Intellectual Property.

17.2. Intellectual Property Changes. We may change the Intellectual Property at any time in our sole discretion, including the Copyrighted Materials, Know-how, Marks and/or System. You must, at your expense, implement all Intellectual Property changes we require in accordance with our instructions. We are not liable for any expenses, losses or damages you incur (including the loss of any goodwill associated with a Mark) due to a change to the Intellectual Property.

17.3. Use of Marks. You agree to: (a) use the Marks as the sole identification of your P&A Agency; *provided, however*, that you must identify yourself as the independent owner of your P&A Agency in the manner we prescribe; (b) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, displays, receipts, stationery and forms we designate to give notice of trademark and service mark registrations and copyrights; and (c) obtain any fictitious or assumed name registrations required by applicable Law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other

modifying words, designs or symbols (other than logos we license to you); (b) use the Marks when signing a contract, lease, check or other agreement or in any other manner that may cause confusion or imply we are liable for your obligations; (c) register or attempt to register a Mark, or a trademark confusingly similar to a Mark, with a Governmental Authority; or (d) challenge or contest the validity or ownership of our Marks.

17.4. Use of Know-how. We disclose our proprietary Know-how to you during training programs, in the Manual and through other guidance furnished during the Term. You do not acquire any interest in the Know-how other than the right to utilize it, during the Term, solely for purposes of developing and operating your P&A Agency in compliance with this Agreement and the Manual.

17.5. Improvements. If you (or your Owner or employee) conceive of or develop an Improvement, you must send us a written notice describing the Improvement. You must obtain our approval prior to using the Improvement. Any Improvement we approve may be used by us and any third parties we authorize to operate a P&A Agency, without any obligation to pay royalties or other fees to you or any other Person. You or your Owner or employee, as applicable, must assign ownership of the Improvement to us or our designee, without charge, together with all associated intellectual property rights, including the right to grant sublicenses. If applicable Law precludes you from assigning ownership to us, then you must grant us a perpetual royalty-free license to use, commercialize and sublicense the Improvement in any manner we deem appropriate.

17.6. IP Disputes. You must immediately notify us of any IP Dispute. You may not communicate with any Person other than us and our counsel in connection with the IP Dispute. We have sole discretion in deciding what action, if any, to take in response to an IP Dispute. We exclusively control all litigation and other proceedings relating to IP Disputes. You must execute all documents, render all assistance, and perform all acts that our counsel deems necessary or advisable to protect or maintain our interest in the proceeding and/or protect the Intellectual Property.

18. INDEMNITY. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses they incur as a result of or in connection with:

- (a) the marketing, use or operation of your P&A Agency;
- (b) the breach of a Definitive Agreement committed by you or your Owner or affiliate;
- (c) the breach of an agreement with a third party committed by you or your Owner or affiliate;
- (d) any representations made by you or your Owner to a transferee in connection with a Transfer;
- (e) any Claim relating to taxes or penalties a Governmental Authority assesses against us as a direct result of your failure to pay or perform functions required of you under this Agreement;
- (f) libel, slander or disparaging comments made by you or your Owners, officers, employees or independent contractors regarding the System, a P&A Agency or an Indemnified Party (this provision does not apply to disclosure of truthful information to Governmental Authorities or other franchisees);
- (g) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners);
- (h) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees; or
- (i) any failure to implement or maintain the text-to-hire platform, follow our guidelines, or comply with 10DLC regulations.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties have the right, in their sole discretion, to: (a) retain counsel of their choosing to represent

them with respect to the Claim; and (b) control the response thereto and the defense thereof, including the right to settle the Claim. You may participate in the defense at your expense. You must fully cooperate and assist the Indemnified Parties with defense of the Claim and reimburse all costs and expenses they incur in defending the Claim including, without limitation, mediation, arbitration or court expenses, expert fees and Travel Expenses incurred by attorneys or expert witnesses to attend proceedings or hearings relating to the matter. Your indemnification obligations survive, and continue in full force and effect after, the Transfer, termination or expiration of this Agreement.

19. TRANSFERS

19.1. By Us. This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for any obligations incurred by us prior to the effective date of the assignment. We may also delegate our obligations under this Agreement to one or more Persons without assigning the Agreement.

19.2. By You. The rights and duties created by this Agreement are personal to you and the Owners. We are granting you franchise rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior approval. Any Transfer (other than a Permitted Transfer) without our approval is void and constitutes a breach of this Agreement. We will not unreasonably withhold our approval of a proposed Transfer if all of the following conditions are satisfied:

- (a) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to own and operate a P&A Agency and meet all our criteria for franchisees;
- (b) you and your affiliates and Owners are in full compliance with all Definitive Agreements;
- (c) the transferee's owners successfully complete, or make arrangements to attend, the initial training program (and the transferee pays us any applicable training fee);
- (d) the transferee and its owners, obtain all licenses and permits required by applicable Law to own and operate the P&A Agency;
- (e) the transferee signs an agreement, in a form satisfactory to us, agreeing to discharge and guarantee all of your obligations under this Agreement and any other agreement relating to the Business;
- (f) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (g) you upgrade all equipment to comply with our then-current standards and specifications (or you obtain a commitment from the transferee to do so within the period of time we approve);
- (h) you or the transferee pay us a \$10,000 transfer fee to defray expenses we incur in connection with the Transfer (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker, which amount shall be in addition to the transfer fee);
- (i) you and your Owners sign a General Release of all claims arising before or contemporaneously with the Transfer;
- (j) you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);
- (k) we choose not to exercise our right of first refusal described in §19.5; and

- (l) you or the transferring Owner, as applicable, and the transferee satisfy any other conditions we reasonably require as a condition to approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand full compliance with all terms of the franchise agreement by the transferee.

- 19.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause the former Franchisee Entity to sign a corporate guarantee in the format we require to secure performance of the new Franchisee Entity's financial obligations under all Definitive Agreements (if the Permitted Transfer results in a new Franchisee Entity). You and the Owners (and transferee) must sign all documents we reasonably request to effectuate and document the Permitted Transfer.
- 19.4. Owner Death or Disability.** Within 180 days after an Owner's death or permanent disability, the Owner's Equity Interest in the Business or Franchisee Entity must be Transferred to another Person in compliance with §19.2 or §19.3. An Owner is deemed to have a "permanent disability" only if he/she has a medical or mental problem preventing him/her from substantially complying with his/her obligations under this Agreement or operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.
- 19.5. Our Right of First Refusal.** If you or an Owner wish to engage in a Transfer, you or the Owner, as applicable, must obtain and send us a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receiving the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 60 days to prepare for closing. You or the Owner, as applicable, must provide us with all customary representations and warranties regarding the title to and condition of the assets or Equity Interest that we purchase, or at our option, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §19.2, including our approval of the transferee. If the sale is not completed within 120 days after we receive the offer, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

20. TERMINATION

- 20.1. By You.** You may terminate this Agreement if we commit a material breach and fail to cure within 90 days after you send us a written notice specifying the nature of the breach. If you terminate pursuant to §20.1, you must still comply with your post-termination obligations described in §21 and all other obligations that survive the expiration or termination of this Agreement.
- 20.2. By Us.** We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default and "good cause" for termination:
- (a) if you become insolvent by reason of your inability to pay your debts as they become due;
 - (b) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
 - (c) if your P&A Agency, or a substantial portion of the assets associated with your P&A Agency, are seized, taken over or foreclosed by a Government Official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor;

- (d) if the Managing Owner fails to satisfactorily complete initial training as required by §5.1;
- (e) if you fail to open your P&A Agency within the time period required by §7.2;
- (f) if you abandon or fail to operate your P&A Agency for five (5) consecutive business days, unless the failure is due to Force Majeure or another reason we approve;
- (g) if a Governmental Authority suspends or revokes a license or permit held by you or an Owner that is required to operate the P&A Agency, and you fail to successfully overturn the suspension or revocation within five (5) days;
- (h) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material Law applicable to your P&A Agency;
- (i) if you or an Owner commits an act that can reasonably be expected to materially and adversely affect the reputation of the System or the goodwill associated with the Marks;
- (j) if you or an Owner makes any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (k) if you fail to pay any amount owed to us, our affiliate or an approved or designated supplier within 10 days after demand for payment;
- (l) if you directly invoice for, or collect Placement Fees from, any Client or in connection with any Placement without our prior written authorization to do so;
- (m) if you make an unauthorized Transfer;
- (n) if you make an unauthorized use of the Intellectual Property;
- (o) if you breach any of the brand protection covenants described in §14;
- (p) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;
- (q) if you breach any of your obligations under this Agreement two (2) or more times in any 12 month period; or
- (r) if we or any affiliate of ours terminates any Definitive Agreement due to a default by you or your affiliate.

20.3. Additional Conditions of Termination. In addition to our termination rights in §20.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other Definitive Agreement, which shall constitute "good cause" for termination, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we send you a default notice pursuant to §20.3, we may suspend access to the P&A Database for you and your Recruiters until you cure the breach.

20.4. By Mutual Agreement. If you and we mutually agree in writing to terminate this Agreement, any notice or cure period that might otherwise apply shall be deemed waived.

21. POST-TERM OBLIGATIONS.

21.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (a) immediately cease use of the Intellectual Property;
- (b) immediately cease access to, or use of, the P&A Database;

- (c) pay us all amounts you owe;
- (d) comply with all covenants described in §14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- (e) comply with our instructions to return or destroy all copies of the Manual, all Copyrighted Materials and all signs, brochures, advertising and promotional materials, forms and other materials bearing the Marks or containing Confidential Information;
- (f) comply with our data retention policies pertaining to the Business Data;
- (g) cancel all fictitious or assumed name registrations relating to your use of the Marks;
- (h) provide us with a list of all of your prospective Applicants and Clients;
- (i) assign all Applicant and Client files, records and contracts in your possession or under your control to us or our designee;
- (j) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) any telephone numbers and/or domain names associated with your P&A Agency; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (k) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

Subsections (e), (i) and (j) above shall not apply if you Transfer your P&A Agency to an approved transferee or we exercise our right to purchase your P&A Agency.

If an Owner transfers his or her entire Equity Interest in the Business or Franchisee Entity but you continue to operate the P&A Agency pursuant to this Agreement, then this Section shall not apply to you (or to any remaining Owner) and the former Owner shall be subject only to the obligations set forth in subsections (a) and (b).

22. DISPUTE RESOLUTION.

22.1. Negotiation and Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, either party may submit the Dispute to mediation before a mutually-agreeable mediator prior to arbitration. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation): (a) shall be strictly confidential; (b) shall constitute “settlement negotiations” for purposes of federal and state rules of evidence; and (c) shall not be admissible or otherwise used for any purpose in any court or arbitration proceeding (except evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in mediation). The mediator may not be called as a witness for any purpose in any court or arbitration proceeding. Any Dispute involving Claims alleging a breach of §14, §17 and/or §21 (referred to as “Excluded Claims”) is not subject to mandatory negotiation or mediation unless both parties agree otherwise.

22.2. Arbitration. If a Dispute is not resolved by mediation within 60 days after a party makes a demand for mediation, then either party may submit the Dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators

will not have authority to award exemplary or punitive damages. Any Dispute involving an Excluded Claim is not subject to mandatory arbitration unless both parties agree otherwise.

- 22.3. Litigation.** If a Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance the choice of venue provision below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator or arbitrator, has exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an Excluded Claim (i.e., whether any Claim alleges a breach of §14, §17 or §21).
- 22.4. Venue.** All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently Maricopa County, Arizona). The parties irrevocably waive any objection to such venue and consent to the jurisdiction of such courts.
- 22.5. Attorneys' Fees and Costs.** If a Dispute is resolved through an arbitration or judicial proceeding, the substantially prevailing party is entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees and arbitration or court costs. In addition, if you or an Owner breach any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur as a result of the breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.
- 22.6. Waivers.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY CLAIM (OTHER THAN FOR PAYMENT OF MONIES OWED OR AN EXCLUDED CLAIM) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO ARBITRATE OR LITIGATE A DISPUTE ON A CLASS ACTION BASIS.

23. REPRESENTATIONS.

- 23.1. Corporate Representations.** You and the Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets are bound; (b) violate any order, injunction, decree, judgment or ruling of a Governmental Authority; or (c) violate any applicable Law. If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and perform its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement constitutes the legal, valid and binding obligation of, and is enforceable against, the Franchisee Entity in accordance with its terms.
- 23.2. Franchise Compliance Representations.** You and the Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates in connection with this franchise or (ii) such earlier time in the sales process that you requested a copy.
- 23.3. General Representations.** You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.

23.4. Anti-Terrorism Compliance. You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge: (a) no property or interest owned by you or any Owner is subject to being “blocked” under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of an Equity Interest in the Business or Franchisee Entity) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name, alias, pseudonym, nickname or address on any Terrorist List, including the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at www.home.treasury.gov); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other U.S. Laws currently in effect, or enacted in the future, that prohibit corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you must immediately notify us of the occurrence of any event or development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

24. GENERAL PROVISIONS

24.1. Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship are governed by the Laws of Delaware without reference to its principles of conflicts of law, but any Delaware Law that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

24.2. Relationship of the Parties. Nothing in this Agreement creates a fiduciary relationship between the parties or is intended to make either party a general or special agent, legal representative, joint venture, partner, employee or servant of the other for any purpose. Throughout the Term you must, in all dealings with third parties, conspicuously identify yourself as a franchisee and the independent owner of your P&A Agency. You must include a written indication of independent ownership on all agreements, forms, letterhead, advertising materials, business cards and other materials that we specify. Neither party may: (a) make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other; or (b) represent that our relationship is other than franchisor and franchisee. In addition, neither party will be obligated by any agreements or representations made by the other that are not expressly authorized by this Agreement.

24.3. Severability and Substitution. Each section of this Agreement (and each portion thereof) shall be severable. If applicable Law imposes mandatory non-waivable terms that conflict with a provision of this Agreement, the terms required by such Law shall govern to the extent of the inconsistency. If a court or arbitrator concludes that any promise or covenant in this Agreement is unreasonable or unenforceable: (a) the court or arbitrator may modify such promise or covenant to the minimum extent necessary to make it enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make it enforceable.

24.4. Waivers. Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement, including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party’s failure to comply with such terms, by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by a party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other franchisees; or (d) our acceptance of payment from you after your breach.

24.5. Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly

provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.

- 24.6. Force Majeure.** Neither party shall be liable for loss or damage or deemed in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however*, that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 24.7. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement; *provided, however*, that the additional insureds listed in §16.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to §16.1 and §18, respectively.
- 24.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY §11.2 AND §24.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email or informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which together with any Amendments or Addenda executed on or after the Effective Date constitutes the entire understanding and agreement of the parties. There are no other oral or written understandings or agreements between the parties about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.
- 24.9. Good Faith Covenant.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.
- 24.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.
- 24.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement, or the Transfer of an Equity Interest in the Business or Franchisee Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, §13, §14, §16, §18, §21, §22 and §24.
- 24.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer

to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

24.13. Time of Essence. Time is of the essence in this Agreement and every term thereof.

24.14. Notice. All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days’ prior written notice):

YOU:	As set forth in Part A of <u>ATTACHMENT "A"</u>
US:	Patrice Franchising, LLC 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255 Attention: Chief Executive Officer Email: jasonmiller@patriceandassociates.com

Notice shall be considered given on the earliest to occur of: (a) the third (3rd) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested; (b) the first (1st) calendar day after sent by email or comparable electronic system; or (c) the date delivered by hand.

24.15. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

[Signature Page Follows]

The parties below have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Patrice Franchising, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

YOU (If you are an Entity):

_____,
a(n) _____

By: _____
Name: _____
Title: _____

YOU (If you are not an Entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO FRANCHISE AGREEMENT
DEAL TERMS

A. Franchisee Details

Name of Franchisee: [_____]

Is the franchisee one or more natural Persons signing in their individual capacity? **Yes:** ____ **No:** ____

Type of Entity and State of Formation* (if applicable): [_____]

** If the franchisee is a business Entity, each Person holding a direct or indirect Equity Interest in the Franchisee Entity, and spouse of each such Person who is a natural Person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect Equity Interest in the Business or Franchisee Entity, as applicable, along with a description of their Equity Interest.

Owner's Name	% Equity Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: _____

Attention: _____

Email: _____

B. Approved Site

The address of your Designated Location is: [_____]

C. Territory

The Territory referenced in the Franchise Agreement shall consist of the following geographic area (as may be further depicted on the map attached on the following page):

[_____]

If there are any changes to the zip codes or other boundaries that define your Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date and depicted on the map on the following page.

[Insert Map Below (if applicable)]

ATTACHMENT "B"
TO FRANCHISE AGREEMENT
FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner who is a natural Person, in favor of Patrice Franchising, LLC, a Delaware limited liability company, and its successors and assigns (“us”). Each signatory to this Agreement is referred to as “you”.

1. **DEFINITIONS.** Capitalized terms not defined above have the meanings given to them below, or if not defined below, the meanings given to them in the Franchise Agreement:

“Franchise Agreement” means the Patrice & Associates Franchise Agreement executed by Franchisee with an effective date of _____, 202__.

“Franchisee” means _____.

“P&A Agency” means any franchise we authorize to operate under the Marks and use our System.

“Restricted Period” means the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity; *provided however*, that if a court of competent jurisdiction determines this period of time is too long to be enforceable then Restricted Period means the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity.

2. **BACKGROUND.** In your capacity as an Owner (or the spouse of an Owner) of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. In addition, you understand that certain terms of the Franchise Agreement apply to “Owners” and not just Franchisee. You agree to comply with this Agreement to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to Owners.

3. **BRAND PROTECTION COVENANTS.**

- (a) Intellectual Property and Confidential Information. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any capacity or for any purpose other than the operation of Franchisee’s P&A Agency in compliance with the Franchise Agreement and Manual; (ii) at all times maintain the confidentiality of the Confidential Information; (iii) refrain from making unauthorized copies of documents containing Confidential Information; (iv) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (v) immediately stop using the Intellectual Property and Confidential Information at such time that you are (or your spouse is) no longer an Owner. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable Law precludes you from assigning ownership to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
- (b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are an owner of Franchisee or while your spouse is an owner of Franchisee, as applicable; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competitive Business during the Restricted Period as long as the Competitive Business is not located within, and does not place job applicants with businesses or other employers that are located within, the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period (other than having an interest in a Competitive Business permitted by this Section), your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to

your breach).

- (c) Family Members. You could circumvent the purpose of §3 by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family member: (i) engages in any Prohibited Activities at any time that you are prohibited from doing so; or (ii) uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
- (d) Covenants Reasonable. You agree that: (i) the covenants in §3 are reasonable in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with these covenants. Although you and we believe the covenants in §3 are reasonable we may, upon written notice to you, unilaterally modify the brand protection covenants in §3 of this Agreement by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure the covenants are enforceable under applicable Law.
- (e) Breach. You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. **TRANSFER RESTRICTIONS.** We must approve all Persons who own an Equity Interest in the Business or Franchisee Entity. If you are an Owner, you agree that you will not Transfer any Equity Interest in the Business or Franchisee Entity except in accordance with §19 of the Franchise Agreement.

5. **FINANCIAL SECURITY.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all other Definitive Agreements (collectively, the "Secured Agreements") you hereby personally and unconditionally: (a) guarantee to us and our successors and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (i) acceptance and notice of acceptance by us of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness guaranteed; (iv) any right you may have to require that an action be brought against Franchisee or any other Person as a condition of liability; and (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (a) your direct and immediate liability under this guaranty is joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Secured Agreements upon demand if Franchisee fails to promptly do so; (c) your liability is not contingent or conditioned upon our pursuit of any remedies against Franchisee or any other Person; and (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence we grant to Franchisee or any other Person, including the acceptance of any partial payment or performance, or the compromise or release of any Claims, none of which shall in any way modify or amend this guarantee, which remains continuing and irrevocable during the term of each Secured Agreement and following the termination, expiration or transfer of each Secured Agreement to the extent any financial obligations under a Secured Agreement survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy of Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement will be impaired, modified, released or limited in any manner whatsoever by any impairment, modification, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement,

resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

6. **REPRESENTATION.** You represent to us that you received a copy of the executed Franchise Agreement.
7. **DISPUTE RESOLUTION.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution provisions set forth in the Franchise Agreement, which are incorporated into this Agreement by reference as if fully set forth herein. **You acknowledge and agree that your breach of this Agreement constitutes a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with its terms.**
8. **MISCELLANEOUS.**
 - (a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.
 - (b) This Agreement is governed by the Laws of Delaware.
 - (c) Any Claim or defense you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
 - (d) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.
 - (e) We may deliver to you any notice contemplated by this Agreement in the same manner and to the same address listed in the notice provision of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

Each of the undersigned has executed this Agreement as of the date or dates set forth below.

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

ATTACHMENT "C"
TO FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name

Business No.

Franchisee Mailing Address (street)

Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different from above)

Franchisee Fax No.

Franchisee Email Address

Bank Account Information:

Bank Name

Bank Mailing Address (street, city, state, zip)

☐ Checking ☐ Savings

Bank Account No.

(check one)

Bank Routing No. (9 digits)

Bank Mailing Address (city, state, zip)

Bank Phone No.

Authorization:

Franchisee hereby authorizes Patrice Franchising, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____

Date: _____

Name: _____

Title: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT "D"
TO FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Patrice Franchising, LLC, a Delaware limited liability company, and its successors and assigns (“us”).

1. DEFINITIONS. Capitalized terms that are not defined above have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s P&A Agency, job applicants, clients, referral sources and business operations, whether collected by you, Franchisee, us or any other person.

“Confidential Information” means and includes: (a) Know-How; (b) Business Data; (c) information in the Manual or comprising the System; (d) terms of the Franchise Agreement (and related agreements) signed by Franchisee in connection with the P&A Agency; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose the information to you without breaching a confidentiality covenant imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a P&A Agency.

“Franchisee” means the PATRICE & ASSOCIATES® franchisee for whom you are an employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a P&A Agency, (b) method of operation of a P&A Agency, (c) processes, systems or procedures utilized by a P&A Agency, (d) marketing, advertising or promotional materials, programs or strategies utilized by a P&A Agency or (e) trademarks, service marks, logos or other intellectual property utilized by a P&A Agency, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the development, marketing or operation of a P&A Agency, including, but not limited to: methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; information contained in the P&A Database; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a P&A Agency.

“Marks” means means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize P&A Agencies to use, including “Patrice & Associates” and the associated logo.

“P&A Agency” means any franchise we authorize to operate under the Marks and use our System.

“System” means our specially developed system for the operation of a recruiting business that consists of: operating procedures; methods and techniques for financial controls, record keeping and billing and collection procedures; policies and procedures for accounting and reporting; personnel management programs; sales, marketing and advertising programs and strategies; training and business development

programs and materials; our proprietary P&A Database and other software; and our proprietary Know-How.

2. **BACKGROUND.** You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.
3. **INTELLECTUAL PROPERTY & CONFIDENTIAL INFORMATION.** You agree to: (a) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee's P&A Agency; (b) maintain the confidentiality of Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an employee or independent contractor of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
4. **FAMILY MEMBERS.** You could circumvent the intent of this Agreement by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family member uses or discloses Confidential Information. You may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
5. **BREACH.** You agree that: (a) any failure to comply with this Agreement is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (b) we are entitled to injunctive relief if you breach this Agreement together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.
6. **MISCELLANEOUS.**
 - (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.
 - (b) This Agreement is governed by the laws of Delaware. Any legal proceedings arising out of this Agreement must be brought exclusively in a court of competent jurisdiction in Maricopa County, Arizona.
 - (c) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

By: _____

Name: _____

Date: _____

EXHIBIT "D"
TO DISCLOSURE DOCUMENT
OTHER AGREEMENTS

EXHIBIT “D”-1

STATE ADDENDA

[See Attached]

STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

BACKGROUND AND PURPOSE

The following modifications are made to the Patrice & Associates Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by Patrice Franchising, LLC (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede certain portions of the Franchise Agreement between you and us dated _____, 202__ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

CALIFORNIA

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.
2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
4. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.
5. The Franchise Agreement and Supplemental Agreements require binding arbitration. The arbitration will occur in Arizona with the costs being borne by the party filing for arbitration.
6. 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 or Supplemental Agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement and Supplemental Agreements require application of the laws of Delaware. In accordance with Section 310.114.1, this provision may not be enforceable under California law.
8. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
9. The Franchise Agreement and Supplemental Agreements contain a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.
10. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
11. In California, default interest is limited to 10% per annum.
12. 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 Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
13. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
14. OUR WEBSITE (www.patriceandassociates.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY

COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.

15. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.
16. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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 with the franchise.
17. Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
 - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - (d) Violations of any provision of this division.

HAWAII

1. The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

2. Our registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".
4. The states in which this filing is or will be shortly on file include the following:

5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: _____
6. The states, if any, which have revoked or suspended the right to offer these franchises include the following:

7. The states, if any, in which the filing of these franchises has been withdrawn include the following:

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois. Therefore, any arbitration proceeding may be brought in Arizona in accordance with the dispute resolution provision set forth in the Franchise Agreement and Supplemental Agreements.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.
6. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).
6. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

7. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Disclosure Document is amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:
 - a. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.
 - b. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
 - c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
 - d. In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
 - e. The Franchise Agreement and Supplemental Agreements provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
2. The Franchise Disclosure Questionnaire, which is attached as an Exhibit to the Disclosure Document, is amended as follows:

All representations requiring prospective franchisees to assent to the release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

In recognition of the requirements of the Maryland Franchise Law, the Franchise Agreement and Supplemental Agreements are amended to add the following:

3. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
4. 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 Law.
5. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
6. The Franchise Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.
7. Any acknowledgments or representations by you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.
8. Nothing in the Franchise Agreement, Supplemental Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

MICHIGAN

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has

breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases):
 - (a) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and
 - (b) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.
7. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.
8. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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 with the franchise.

NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES 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 CANNOT 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 of the Disclosure Document:

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

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions other than routine litigation incidental to the business that is 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 ten years 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 a 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; this proviso intends that the

nonwaiver 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 a 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 the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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 earliest 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.

NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law (the “North Dakota Franchise Law”), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee’s business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
11. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.
4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.
5. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.
3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.
4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.
5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.
6. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

WASHINGTON

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. **Claims Limitation.** The claims limitation provision in Section 22.6 of the Franchise Agreement does not apply to Washington franchisees.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement. We are responsible for checking the appropriate box or boxes.

- | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|
| ☐ California | ☐ Michigan | ☐ South Dakota |
| ☐ Hawaii | ☐ Minnesota | ☐ Virginia |
| ☐ Illinois | ☐ New York | ☐ Washington |
| ☐ Indiana | ☐ North Dakota | ☐ Wisconsin |
| ☐ Maryland | ☐ Rhode Island | |

Dated: _____, 202____

FRANCHISOR:

Patrice Franchising, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

[_____]

By: _____

Name: _____

Title: _____

EXHIBIT “D”-2

FRANCHISEE DISCLOSURE QUESTIONNAIRE

[See Attached]

MAY NOT BE SIGNED OR USED IF FRANCHISEE RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN, A FRANCHISE REGISTRATION STATE¹

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Patrice Franchising, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a PATRICE & ASSOCIATES® franchise. We require that you complete this Questionnaire (a) so that we can determine whether our franchise sales team followed proper sales procedures and (b) to provide us with reasonable assurance that, prior to signing the Franchise Agreement, you have had an adequate opportunity to review the Franchise Disclosure Document and its attachments, consult with legal and/or business advisors of your choosing, and ask us questions about any disclosures or terms that you do not understand. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question.

- | | | | |
|-------|------|-----|---|
| Yes__ | No__ | 1. | Have you received from us and personally reviewed the Franchise Agreement together with all of its attachments?
<i>[If you answer “no,” please explain in Explanation Section]</i> |
| Yes__ | No__ | 2. | Have you received from us and personally reviewed a Franchise Disclosure Document (“FDD”)?
<i>[If you answer “no,” please explain in Explanation Section]</i> |
| Yes__ | No__ | 3. | Did you sign a receipt for the FDD indicating the date you received it? |
| Yes__ | No__ | 4. | Do you understand all the information contained in the FDD and Franchise Agreement?
<i>[If you answer “no,” please identify any information you don’t understand in Explanation Section]</i> |
| Yes__ | No__ | 5. | Did you receive the FDD at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money? |
| Yes__ | No__ | 6. | Did you receive a complete execution copy of the Franchise Agreement, with all material terms filled in, at least seven (7) calendar days before you signed it? |
| Yes__ | No__ | 7. | Have you reviewed the FDD and Franchise Agreement with a lawyer, accountant or other professional advisor? |
| Yes__ | No__ | 8. | Have you discussed the benefits and risks of developing and operating a PATRICE & ASSOCIATES® franchise with an existing PATRICE & ASSOCIATES® franchisee? |
| Yes__ | No__ | 9. | Do you understand the risks of developing and operating a PATRICE & ASSOCIATES® franchise? |
| Yes__ | No__ | 10. | Do you understand the success or failure of your franchise will depend in part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 11. | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Arizona if not resolved informally or by mediation? |
| Yes__ | No__ | 12. | Do you understand that the Franchise Agreement and the attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the PATRICE & ASSOCIATES® franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or its attachments will not be binding? |

¹ Registration states include California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

Yes__ No__ 13. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the costs involved in operating a PATRICE & ASSOCIATES® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

[If you answer "yes," please describe the statement or promise in Explanation Section]

Yes__ No__ 14. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the training, assistance or support that will be provided to you that is not contained in the FDD or that is contrary to, or different from, the information in the FDD?

[If you answer "yes," please describe the statement or promise in Explanation Section]

Yes__ No__ 15. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the actual, average, projected or hypothetical profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a PATRICE & ASSOCIATES® business may generate, other than any information included in Item 19 of the FDD?

[If you answer "yes," please describe the statement or promise in Explanation Section]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION SECTION

Please include any explanations below and refer to the applicable question number.

EXHIBIT “D”-3

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of _____, 202__ (the “Effective Date”) by _____, a(n) _____ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Patrice Franchising, LLC, a Delaware limited liability company (“us,” and together with you and Owner, the “Parties”).

Background

- A. We signed a Franchise Agreement with you, dated _____, 202__ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a PATRICE & ASSOCIATES® franchise.
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**].
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

Agreement

- 1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
- 2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

“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.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

- 3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

- 4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor

Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Communications with Governmental Authorities. Nothing in this Agreement shall restrict or be deemed to preclude you from disclosing truthful information to governmental authorities in response to any request for information you receive from them.
7. Miscellaneous.
 - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
 - (b) This Agreement shall be construed and governed by the laws of the State of Delaware.
 - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
 - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
 - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
 - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
 - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
 - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

[_____]

By: _____

Name: _____

Title: _____

FRANCHISE OWNERS:

Name: _____

Name: _____

Name: _____

EXHIBIT “D”-4

FRANCHISE RESALE AGREEMENT

[See Attached]

FRANCHISE RESALE AGREEMENT

This Franchise Resale Agreement (the “Agreement”) is entered into as of [____], 202[____] (the “Effective Date”) between Patrice Franchising, LLC, a Delaware limited liability company (“we” or “us”) and [____], a(n) [____] (“you” and together with us, the “Parties”).

BACKGROUND

- A. On [____], 202[____], the Parties entered into a(n) Patrice & Associates Franchise Agreement (the “Franchise Agreement”), pursuant to which we granted you the right, license and obligation to develop, open and operate a(n) PATRICE & ASSOCIATES® franchise located at [____], territory number [____] (your “P&A Agency”).
- B. You have notified us that you desire to sell the P&A Agency and you have requested our assistance in effectuating the sale and transfer of the P&A Agency.
- C. We have agreed to assist you in your efforts to sell the P&A Agency subject to the terms and conditions set forth in this Agreement.

AGREEMENT

- 1. **Background Recitals.** The statements made in the Recitals above are true and accurate and are incorporated herein.
- 2. **Defined Terms.** Any capitalized term that is not defined herein shall have the meaning ascribed to it in the Franchise Agreement.
- 3. **Term.** The term of this Agreement (the “Term”) begins on the Effective Date and expires on [____], 202[____]. If the Parties renew the term of the Franchise Agreement, then the Parties may (but need not) renew the Term of this Agreement upon mutually agreeable terms and conditions.
- 4. **Consent to Cease Operations.** We hereby consent to your cessation of operations of your P&A Agency without such actions constituting a default under the Franchise Agreement. This consent applies solely to the cessation of operations and shall not be interpreted as a waiver of any other obligations you may have under the Franchise Agreement.
- 5. **Consent to Sell Franchise Post-Cessation.** Contingent upon your maintaining contact with us via email at least once every thirty (30) days, we hereby consent to allow you to sell your P&A Agency following cessation of operations. Failure to fulfill this communication requirement shall result in our right to terminate this consent and treat your P&A Agency as abandoned.
- 6. **Responsibility for Broker/Referral Fees.** You understand and agree that, notwithstanding the cessation of operations or the sale of your P&A Agency, you remain responsible for the payment of any broker or referral fees due if a lead originates from your territory and is approved by us, resulting in the purchase of a single unit Franchise. Such fees shall be paid in accordance with the terms and conditions set forth by us or our designated broker/referral partner, as applicable.
- 7. **Engagement.** You hereby engage us to provide franchise brokerage services during the Term on a non-exclusive basis. We hereby accept the engagement and agree to assist you in your efforts to: (a) locate one or more qualified buyers for your P&A Agency; and (b) sell your P&A Agency to a qualified buyer that we approve as meeting our minimum qualifications and eligibility requirements for a franchisee. You agree that we may offer (and publicly list) your P&A Agency for sale at any price equal to or greater than \$[____].
- 8. **Sales Assistance.** During the Term, we agree to provide reasonable assistance in connection with your efforts to sell your P&A Agency. We will utilize our current franchise recruiting system and our internal and external franchise sales network (our “Franchise Recruitment Program”) in an effort to identify qualified candidates to purchase your P&A Agency. We shall pre-qualify all leads to ensure they meet our minimum qualifications

and eligibility requirements for franchisees. We do not represent or guaranty that our efforts to identify a qualified buyer willing to purchase your P&A Agency will be successful. Under no circumstances will we have any liability to you based on the services we render pursuant to this Agreement.

9. **Your Obligations.** We will expend valuable time and resources attempting to market and sell your P&A Agency. For this reason, you may not refuse any purchase offer that we present to you for a purchase price of at least \$[_____]. However, you will have an opportunity to negotiate a higher price after we introduce the potential buyer to you. You agree to cooperate with us in good faith and provide all reasonable assistance and information we request in order to effectuate the purposes of this Agreement and facilitate the sale of your P&A Agency. You agree to promptly provide all potential buyers with full access to your books and records for due diligence purposes. Throughout the Term, you agree to remain in full compliance with all terms of the Franchise Agreement. You understand that all terms in the Franchise Agreement governing transfer of your P&A Agency (including payment of the transfer fee) shall apply to any sale of your P&A Agency notwithstanding the execution of this Agreement.
10. **Purchase Agreement.** We assume no responsibility for preparing or negotiating the asset or stock purchase agreement between you and the buyer. You and the buyer are solely responsible for preparing and negotiating the asset or stock purchase agreement pursuant to which you will transfer ownership of your P&A Agency to the buyer.
11. **Fees and Costs.** If either (a) you sell your P&A Agency to a buyer solicited through our Franchise Recruitment Program or (b) we materially assist you in your efforts to sell your P&A Agency to a buyer solicited by you or an unaffiliated third party, then you agree to pay us the greater of 10% of the purchase price or \$_____ as a broker fee, and \$_____ as a marketing services fee (together, the “Service Fee”). The sales price shall be deemed to include the fair market value of any goods, services or other non-monetary consideration the buyer (or any other person) furnishes to you in full or partial consideration for the purchase of the P&A Agency. You must pay us the Service Fee in one lump sum concurrently with the closing of the sale of your P&A Agency to the buyer. The Service Fee shall be in addition to: (a) any transfer fee imposed under the Franchise Agreement which total \$_____.
12. **Indemnification.** Your indemnification obligation under the Franchise Agreement shall extend to and apply with respect to any damages we incur as a result of or in connection with: (a) your breach of this Agreement; or (b) your discussions, negotiations or relationship with potential buyers solicited through the Franchise Recruitment Program, including your breach of any agreement between you and such buyer.
13. **No Liability.** You hereby agree to hold harmless, and not assert any claims against, us, our affiliates, any of our (or our affiliates’) owners, officers, employees or other representatives, or any member of our Franchise Recruitment Program, in connection with any dispute or disagreement between you and any prospective or actual buyer of your P&A Agency.
14. **Default & Termination.** If you breach any obligation under this Agreement and fail to cure the breach within 10 days after notice from us, we may immediately terminate this Agreement upon notice to you and pursue any and all remedies available to us under this Agreement, the Franchise Agreement, at law or in equity. Your default under this Agreement constitutes a default under the Franchise Agreement. Similarly, your default under the Franchise Agreement constitutes a default under this Agreement.
15. **Effect of Expiration or Termination.** Upon expiration of the Term, we have no further responsibility or obligation to assist you with the sale of your P&A Agency unless otherwise agreed to by both Parties in writing. If, following the expiration or termination of this Agreement, you sell your P&A Agency to any person: (a) who was initially solicited through our Franchise Recruitment Program during the Term of this Agreement; and/or (b) with respect to whom we provided material assistance in connection with your sales efforts during the Term of this Agreement, then you agree to pay us the Service Fee in §11 notwithstanding the prior termination or expiration of this Agreement.

16. **Miscellaneous.**

- (a) **No Waiver.** By executing this Agreement, we shall not be deemed to have: (a) waived or impaired any right, power or option granted to us under the Franchise Agreement; or (b) waived or consented to any default or breach by you under the Franchise Agreement.
- (b) **Effect on Franchise Agreement.** All terms, conditions, covenants and representations set forth in the Franchise Agreement shall remain in full force and effect during the Term of this Agreement.
- (c) **Binding Nature.** This Agreement shall be binding upon the Parties hereto and their respective heirs, personal representatives, successors and assigns.
- (d) **Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- (e) **Headings.** The headings in this Agreement are for convenience only and are not to be construed as a part of this Agreement or in any way defining, limiting or amplifying the provisions hereof.
- (f) **Governing Law.** This Agreement shall be governed by, construed and enforced under the laws of the State of Delaware.
- (g) **Dispute Resolution.** Any dispute between the Parties relating to this Agreement shall be resolved in accordance with the dispute resolution procedures set forth in the Franchise Agreement, all of which are incorporated herein by this reference.
- (h) **Entire Agreement; Modification.** This Agreement constitutes the entire agreement and understanding between the Parties regarding the subject matter hereof. This Agreement may not be modified except in a writing signed by both Parties.
- (i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

The Parties have executed this Agreement effective as of the Effective Date first above written.

“FRANCHISOR”

Patrice Franchising, LLC

By: _____

Name: _____

Title: _____

“FRANCHISEE”

[_____]

By: _____

Name: _____

Title: _____

EXHIBIT "E"
TO DISCLOSURE DOCUMENT
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EXHIBIT "F"

TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Current Franchisees)

The following table lists franchisees that were open as of December 31, 2024.

FRANCHISEES OPEN AS OF DECEMBER 31, 2024				
State	City	Address	Phone	Owner Name(s)
AL	Pinson	6280 Walnut Drive	205-527-6190	Veronica Bryant
AL	Tuscalloosa	1439 Greystone Drive	205-310-0233	Vann Wilhite
AZ	Fountain Hills	11028 N. Valley Drive	908-403-3318	Colleen Casey
AZ	Scottsdale	9962 E. Desert Jewel Drive	480-381-0727	Sabrina & Leigh Anne Demetriades
AZ	Scottsdale	9252 E. Aster Drive	626-523-7726	John Gillen
AZ	Phoenix	4125 E Keresan Street	602-538-0542	Matt & Sarah Johns
CA	Madera	394 Travers Drive, S	559-612-3655	Dustin Chappell
CA	Moorpark	15609 Borges Ct	815-979-5086	Heather Haas
CA	Santa Monica	2636 32nd St	310-995-9406	Gary Kinsinger
CA	Modesto	3316 Fallen Oak CT	408-499-0391	Leah Lincea
CA	San Anselmor	112 Brookmead Ct	415-521-6036	Matthew & Aida Lopez
CA	San Jose	970 Cherry Ave	408-891-3885	Sheela Mohan- Peterson
CA	Sacramento	4510 Cabrillo Way	206-612-5019	Karen Weber
CANADA	Burlington	1141 Cooke Blvd	905-334-6859	Kyle Andrews
CANADA	North Vancouver	480 Evergreen Place	604-724-8987	Afshin Ardalan
CANADA	Kitchener Ontario	2-410 Pioneer Drive	519-722-6785	Srinivas Nayudu
CANADA	Toronto Ontario	3817 Bloor Street West	+974 662-44 889	Mohammad Sauban Siddiqui
CO	Colorado Springs	7015 Big Timber Drive	970-619-0844	Dana Glaxer
CO	Vail	P.O. Box 1392	970-390-0562	Carlie Knauer
CO	Johnstown	343 Celtic Road	970-888-1996	Matthew & Jennifer Lynskey
CO	Arvada	6977 Dudley Dr	303-919-9394	Greg Matchett
CO	Littleton	11146 W. Glasgow Ave	720-202-4341	Mandy May
CO	Thornton	14552 Race Street	303-818 3849	Mimie Yang
CT	Tolland	54 Josiah Lane	860-918-2954	Elizabeth Costa
CT	East Hampton	95 Main Street	860-574-3138	Jase & Melissa Doane
CT	Shelton	21 Rivendell Drive	203-952-7802	Yvette Eskeridge
CT	Canton	30 Canton Springs Road, PO Box 134	860-690-1948	David Evens

FRANCHISEES OPEN AS OF DECEMBER 31, 2024

State	City	Address	Phone	Owner Name(s)
CT	Behtel	18 Cole Lane	805-732-8513	Curtis Harbour
CT	Newington	205 Harding Ave	860-306-2307	Ed Liedke
CT	Lisbon	163 Mell Rd	843-384 3586	Laura Murfin
DC	Potomac	8311 Larkmeade Terrace	571-276-1757	Patricia Mayorca ¹
DC	Alexandria	6123 Algona Ct	571-835-2217	Jaclynn Graybill ²
DE	Lewes	33093 Cedarwood Lane	302-363-6949	Lisa Colombo
DE	Earleville	55 Maine Ave	410 925-8476	Shawn Hoye ³
FL	Sarasota	2721 Marlette Street	561-629 3386	Adam Badurek
FL	Fort Meyers	13867 Hunter Oak Drive	347-678-7910	Christopher Bousquet
FL	Orlando	4142 Cypress Glades Lane	201-951-8513	Leonardo Cirizola
FL	Winter Garden	1413 Portmoor Way	321-217-4349	Eric & Lisa Couloff
FL	Daytona Beach	15 Whistling Duck Court	386-262-9479	Tim Gates
FL	Tarpon Springs	1506 Ember Lane	727-667-3056	Linwood & Kathy Helfand
FL	Boca Raton	11496 Whisper Sound Drive	561-436-0240	Jacqueline Kleinau
FL	Loxahatchee	1336 Wandering Willow Way	571-291-1520	David & Chris Kohlasch
FL	Land O' Lakes	18115 Ramble on Way	847-630-2081	Yogesh / Pradnya Khadilkar Kulkarni
FL	West Palm Beach	14411 65th Way N	561-632-5822	Scott Philip
FL	Jacksonville	2021 Traymore Rd	614-214 6212	Sonia Postema
FL	Miami	7630 NW 25th Street	+57 320 2111116	Rafael Saray
FL	Naples	295A 8th Ave. S	239-302-5405	Matthew Smith
FL	Palmetto	751 10th Street East, Unit #120	941-284-1179	Gary Valerio
FL	Tampa	7507 N. 12th St	480-510-3645	Alex Yost
GA	Norcross	4299 Old Bridge Lane Northwest	678-557-1052	Kevin Bennett
GA	Dunwoody	4333 Dunwoody Park, # 3102	678-779-3576	Kimberly Briggs
GA	Marietta	4002 Edgewood Ct.	770-509-4810	Mercedes / James Concepcion Gray
GA	Woodstock	1048 Avery Creek Drive	678-571-8991	Kurt Dean
GA	Cartersville	56 Peppermill Dr SW	610-349-2317	Matthew DeWalt
GA	Brookhaven	1251 Club Walk Dr NE	404-932-9187	Isaac Stewart
GA	Austell	2100 Hydrangea Lane	770-846-0718	Princess Wells
GA	Snellville	4032 Concourse Trail	678-852-1511	Eric Wright
HI	Honolulu	1189 Waimanu Street, #3304	808-723 9000	Marcel & Nicolle Bekers
ID	Glenbrook	PO Box 481	203-536-8133	Gregory Ehlers ⁴
IL	Lombard	2720 South Highland Ave #762	815-210-5158	Julia Blair

FRANCHISEES OPEN AS OF DECEMBER 31, 2024

State	City	Address	Phone	Owner Name(s)
IL	Elk Grove Village	655 Perrie Drive Unit 205	847-364-7900	Helen Nourai
IL	Aurora	1219 Birchdale Lane	630-215 9728	William Small
IL	Crete	3551 S State St	917-374-7520	Susan & Maria Van Kley
IL	Roscoe	5924 Wainwright Ct	787-367-5683	Maria Vazquez
IN	Carmel	4433 Wentz Drive	317-218-3886	Mike Cinamon
IN	Carmel	14075 Knightstown Drive East	773-814-9698	William Comerford
IN	Indianapolis	7914 Cork Bend Lane	317-862-0356	Ed & Priscilla Curry
IN	Indianapolis	10849 Tournament Lane	513-227-6325	Mark Rubick ⁵
KS	Wichita	12522 W Binter Court	316-347-9480	Gregory & Sara
KS	Erie	14905 120th Road	720-470-4009	Kent & Gail Sieckman
KY	Ashland	1641 Maryland Parkway	606-831-4602	Erica Berry
KY	Crestwood	7501 Turner Ridge Road	502-417 8982	David Brown
KY	Paris	326 Redmon Rd	859-684-1979	Darrell Carlson
LA	Madisonville	428 Blue Heron Ln	760-586-5245	R. Whitney Davis
LA	Lafayette	917 Rosedown Lane	337-552-6920	Bruce Leininger
MA	Newton	217 Adams St	617-546-0822	Christopher Bovio
MA	Billerica	19 Meadowbank Road	978-664-4288	Fred Dobson
MA	Dorchester	68 Bird Street	617-279-9635	Hyissia Lewis-Ivey
MA	Revere	1510 N. Shore Rd	310-433-1090	Alexandra Pomponio
MA	Littleton	264 King Street	413-883-7987	Frank Rondeau
MA	Lawrence	300 Canal Street, Unit 8404	781-354-7520	Tom Scotto
MD	Hanover	7501 Trafalgar Circle	404-275 1579	Quiana Bills
MD	Reisterstown	11 Worthington Ridge Court	860-788 6233	Susan Herskovitz
MD	Randallstown	9039 Allenswood Road	443-799-5315	Michael & Ariel Hunt
MD	Pasadena	189 11th St	520-366-1514	Kenneth Schreifels
MI	Stanwood	11479 Fox Row	570-832-7126	Brian Czarnecki & Casey Chapman
MI	Midland	5706 Woodduck Way	616-916-8615	Glenn Forgie
MI	Redford	14358 Sarasota Street	313-570-6593	Bruce Perry
MI	Rochester Hills	1720 Northumberland Drive	248-802 6138	Rick & Betty Weaver
MN	Blaine	2804 Aspen Lake Drive NE	763-754-6070	Corina Mack
MN	Wyoming	25137 Ethan Ave	651-485-8564	Anita Pope
MO	Chesterfield	18803 Haystack Lane	314-724-4002	Clinton Carpenter
MO	St. Jacob	2130 Hidden Creek St	618-616-0057	Tim & Sherry Keith ⁶
MS	Starkville	47 Live Oak Lane	334-618-3414	Mike Kunkle
NC	Raeford	189 Booth Pond Rd	520-678-2500	Tim & Amy Ambrose

FRANCHISEES OPEN AS OF DECEMBER 31, 2024

State	City	Address	Phone	Owner Name(s)
NC	Harrisburg	9411 Rocky River Road	704-948-0410	Alan & Robin Bilskie
NC	Greensboro	1026 Fir Place	828-301-2627	Sheila Cox
NC	Asheville	707 Villas Ct	330-284-9536	Mandy Giust
NC	Apex	2101 Old Pine Needle Way	919-475-0805	Sally Kennedy
NC	Fuquay Varina	221 Wilbur Lake Dr	516-376-5306	Chaz Linder
NC	Morrisville	1121 Hemby Ridge Ln	908-696-3945	Meenakshi Madaan
NC	Durham	1042 Gentle Reed Drive	919-593-7045	Vania Mendes
NC	Morganton	251 Camelot Drive	864-395-2250	Tom Schmitt
NC	Raleigh	5248 Fairmead Circle	919-744-9926	Sarah Straniero
NC	Indian Trail	514 Carlisle Drive	704-363-4724	Steve Tubel
NC	Charlotte	8317 Aspen Court	704-305-2050	John Ward
NE	Lincoln	4244 Washington Street	402-853-6413	David Hotovy
NE	Gretna	6910 S 197th St	402-432-7905	Rowney Jensen
NH	Manchester	382 Day Street	603-413-8761	Melissa Oliveira Denis
NJ	Toms River	805 France Ct.	908-313-9252	Bryan Curtis
NJ	Englewood	284 Katherine St.	201-220-1897	Marvin Dillard
NJ	Hillsborough	10 Fredrick Ct	732-357-6264	Mary Beth Drake
NJ	Ponte Vedra Beach	108 Broad Way	908-356-0228	Marcus Williams
NV	Las Vegas	10845 Griffith Peak Drive Suite 550	702-933-8111	Magali Badio
NV	Sparks	5851 Desert Mirage Dr	414-550-5869	Jane Baudelaire
NV	Las Vegas	8936 Regatta Bay Place	917-494-5243	Joan Mastropaolo
NV	Las Vegas	7336 Cobblefield St	724-541-4393	Matt Pearce
NV	Harrisonburg	1866 East Market St Ste C (PMB # 111)	540-217-6491	George Wooten ⁷
NY	Albany	418 Broadway Suite R	929-949-9104	Fariyah Ahmed
NY	New York	6 Stuyvesant Oval Apt 8C	845-642-1847	Jodi Baer
NY	Lynn	7 Spinney Path	914-462-7872	Carol Bullock ⁸
NY	New York	555 W59th St 10B	917-497-9034	Francisco
NY	Brooklyn	151 Skillman Street, #3	917-519-3455	Rhabia Cowell
NY	Richmond Hill	84-06 109th Street, Apt. 8F	917-868 0196	Edward Donahue
NY	New York	100 Riverside Blvd	914-666-2344	Miles Gordon
NY	New York	301 West 118th St.	917-636-5621	Margo Kornfeld
NY	Slingerlands	72 Queen Anne Dr.	516-567-6663	Miten Negandhi
NY	New York	275 South Street	646-345-5275	Marc Richardson & Lorna Dominguez
NY	Patterson	21 Cross Rd	845-554-7728	Daniel Severance
NY	Long Beach	840 Shore Rd, Apt 2H	516-382-1184	Michael Tafla
OH	Beachwood	23980 Halburton Road	412-420-4139	Chuck & Sharon Helden
OH	Lorain	4628 Fields Way	440-420-5785	Nicholas & Leah Whited

FRANCHISEES OPEN AS OF DECEMBER 31, 2024

State	City	Address	Phone	Owner Name(s)
OH	Granville	101 Sentinel Pond Lane	740-644-2085	Terry & Shannon Wilcox
OH	Indianapolis	10849 Tournament Lane	513-227-6325	Mark Rubick ⁵
OK	Oklahoma City	11909 Aspen Creek Dr	405-370-7538	David Creecy
OK	Edmond	17908 Barrington Dr	210-912-4273	Amaziah (Dom) Dominic
OR	Portland	12855 NE Pacific St	310-489-8266	Mike Christie
OR	Portland	14234 NW Lakeshore Ct	503-789-1811	Manny & Marna Gatlin
PA	Media	51 N Feathering Ln	415-412-9506	William Creasi & John Izzo
PA	Wayne	10 Briar Rd	484-584-4220	Michael & Lisa McDugall
PA	Philadelphia	2731 Webb St	267-231-0467	Jennifer Scott
SC	Chesnee	12 Devon Lane	810-965-3655	Dennis Carpenter
SC	Bradley	224 Reedy Creek Road	772-342-6827	Tonya DiCola
SC	Atlanta	350 Allendale Dr. SE	864-918-9169	Mitch Rushing ⁹
SC	Lancaster	5124 Mill Race Lane	864-900-4620	Allison Sullivan
SC	Florence	734 Caledonia Court	843-617 5118	Timothy Walker
SD	Sioux Falls	2009 South Queens Ave, Ste 218	605-310-0578	Ted & Jonathan Thie
SD	Aberdeen	1215 Birchwood Lane	605-216-3255	Duane Witte
TN	Hendersonville	1076 luxborough Dr	228-209-9343	Darryl Jackson
TN	Nolensville	341 Baronswood Dr	615-910-3079	Bryan Morris
TX	Grapevine	401 Boyd Drive	813-451-5859	Todd Bolt & Lance May
TX	Port Isabel	314 W. Railroad	817-946-2787	Bess Ann / Kerry Bredemeyer
TX	West Columbia	2430 Ridgewood Drive	970-231-9613	Edward Carroll
TX	San Antonio	10838 Davis Farms	760-201-7837	Thomas & Maya Evers
TX	Fort Worth	8000 Lead Circle	405-757-1953	Vicki Gadson
TX	Pinehurst	34018 Mill Creek Way	281-910-7683	John Gatewood
TX	Lorena	2929 Gilchrist Dr	702-857-4895	Benjamin & Jennifer
TX	San Antonio	7218 Bella Garden	915-630-6114	Delma Gonzalez
TX	Lewisville	2100 Wallbrook Drive	512-484-2869	Thomas & Eric Kacor
TX	Corinth	4209 Creek Bend Court	972-999-3344	Kimberly / Kimberly Marzett / Tennyson
TX	Tulsa	11063-D South Memorial Drive	469-486-3175	John Mathew ¹⁰
TX	Florence	116 Huerta Rd	480-299-3192	Travis Miller
TX	Katy	19903 Parkwater Circle	713-907-8296	Laura Moore

FRANCHISEES OPEN AS OF DECEMBER 31, 2024

State	City	Address	Phone	Owner Name(s)
TX	Cedar Park	1803 Autumn Fire Dr	646-436-0934	Casey / Todd Nichik / Gerjes
TX	Plano	6308 Widgeon Dr	817-905-2768	Brent Troxel
TX	Midland	7000 Thomas Paine Dr	432-967-7067	Jonatan / Sandra Villegas
TX	McAllen	2604 Oriole Avenue	956-994-8253	Jeffrey Weller
TX	Katy	28207 Halle Ray Drive	346-307-4068	Daulen Zhangabylov
UT	Lehi	830 S 1620 West	801-560-1544	Guy Dansie
VA	Walkersville	114 Greenwich Dr	301-335-2714	Steve Hankins ¹¹
VA	Manassas	12000 Coloriver Road	703-362-8171	Ken Lacy
VA	Stafford	118 Affirmed Drive	719-238-9695	Sarah & Earl Smith
VA	Dover	9 E. Loockerman Street	240-421-0826	Dionne Spriggins ¹²
VA	Chesterfield	5406 Parrish Creek Circle	804-721-5096	Hezekiah Butler
VA	Richmond	346 Albemarle Ave	804-366-8220	Mary-Hunter Bartzen
VA	Alexandria	3508 Pike Rd	703-622-7659	Russell Billen
VA	Fairfax	3615 Lido Place	808-348-6095	Jennifer Edgerton
VA	Brightwood	3500 Lillards Ford Road	804-873-7393	Paige Riordan
VA	Floyd	116 Old Mill Road	423-258-2946	Nick & Victoria Mastrovito
VA	Winchester	203 Lake Sever Drive	571-293-8238	Roberto Sempe
VA	Melean	1778 West Wind Way	310-867-4568	Jonathan Litt
VA	Harrisonburg	1866 East Market St Ste C (PMB # 111)	540-217-6491	George Wooten ⁷
VA	Montclair	4497 Bunker Ct	520-234-6815	Shawn King
VA	Virginia Beach	2537 Bombay Landing	908-472-3490	Angelo & Karen Girardi
WA	Green Acres	1811 S Eden St	509-280-8882	Brian Monigold
WI	Roberts	694 104th Street	612-483-2193	Jill Johannsen
WI	Milwaukee	8026 W. Townsend St	414-698-7632	Larry Rhodes
WV	Charleston	994 Loudon Heights Rd	304-989-3397	Cassandra Kelly
WV	Huntingtown	730 Lazy Creek Lane	240-300-0043	Brian Martin ¹³

1. Franchise owner resides in Maryland but has DC territory.
2. Franchise owner resides in Virginia but has DC territory.
3. Franchise owner resides in Maryland but has Delaware territory.
4. Franchise owner resides in Las Vegas but has Idaho territory.
5. Franchise owner has two Regional Agreements with two Single Units (Ohio and Indiana).
6. Franchise owner resides in Illinois but has Missouri territory.
7. Franchise owner Has two Regional Agreements with two Single Units (Nevada and Virginia).
8. Franchise owner resides in Massachusetts but has New York territory.
9. Franchise owner resides in Atlanta but has South Carolina territory.
10. Franchise owner resides in Oklahoma but has Texas territory.
11. Franchise owner resides in Maryland but has Virginia territory.
12. Franchise owner resides in Delaware but has Virginia territory.
13. Franchise owner resides in Maryland but has West Virginia territory.

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2024.

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2024				
State	City	Address	Phone	Owner Name(s)
None				

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
None			

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

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

PATRICE FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

PATRICE FRANCHISING, LLC

Financial Statements

December 31, 2024 and 2023

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1499 West Palmetto Park Road, Suite 107 • Boca Raton, FL 33486
500 East Broward Blvd, Suite 1650 • Fort Lauderdale, FL 33394

Independent Auditors' Report

To the Managing Member of
Patrice Franchising, LLC:

Opinion

We have audited the accompanying financial statements of Patrice Franchising, LLC, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and member's equity (deficit), and cash flows for the years ended December 31, 2024 and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patrice Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024 and 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Patrice Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Patrice 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Patrice 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 Patrice Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Lena Sabey, PLLC

April 11, 2025

PATRICE FRANCHISING, LLC

Balance Sheets

December 31, 2024 and 2023

ASSETS	<u>2024</u>	<u>2023</u>
Current assets:		
Cash	\$ 269,111	\$ 287,213
Receivables, net	712,868	437,308
Prepaid expenses	30,427	37,468
Deferred franchise costs, current	<u>1,294,210</u>	<u>1,314,574</u>
Total current assets	2,306,616	2,076,563
Due from related party	2,194,391	1,599,755
Deferred franchise costs, noncurrent	<u>2,453,026</u>	<u>2,478,573</u>
Total assets	<u><u>\$ 6,954,033</u></u>	<u><u>\$ 6,154,891</u></u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 564,549	\$ 296,540
Accrued commissions	365,775	63,158
Retainer contract liability	57,625	93,375
Replacement credits contract liability	121,925	259,124
Deferred revenue, current	<u>1,786,333</u>	<u>1,823,881</u>
Total current liabilities	2,896,207	2,536,078
Deferred revenue, noncurrent	<u>2,999,009</u>	<u>3,182,379</u>
Total liabilities	5,895,216	5,718,457
Member's equity	<u>1,058,817</u>	<u>436,434</u>
Total liabilities and member's equity	<u><u>\$ 6,954,033</u></u>	<u><u>\$ 6,154,891</u></u>

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Statements of Income and Member's Equity (Deficit)

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues	\$ 8,189,202	\$ 9,256,878
Operating expenses:		
Direct expenses	6,104,280	6,989,998
Selling, general and administrative expenses	<u>1,462,539</u>	<u>1,758,808</u>
Total operating expenses	<u>7,566,819</u>	<u>8,748,806</u>
Net income	622,383	508,072
Member's equity (deficit):		
Beginning of year	<u>436,434</u>	<u>(71,638)</u>
End of year	<u>\$ 1,058,817</u>	<u>\$ 436,434</u>

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating activities:		
Net income	\$ 622,383	\$ 508,072
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	(58,533)	196,543
Change in operating assets and liabilities:		
Receivables	(217,027)	477,138
Prepaid expenses	7,041	(19,776)
Deferred franchise costs	45,911	(787,946)
Accounts payable and accrued expenses	397,677	(1,055,590)
Deferred revenue	(220,918)	375,417
Net cash provided by (used in) operating activities	<u>576,534</u>	<u>(306,142)</u>
Financing activities:		
Repayments from (advances to) related party, net	<u>(594,636)</u>	<u>457,355</u>
Net cash provided by (used in) financing activities	<u>(594,636)</u>	<u>457,355</u>
Net increase (decrease) in cash	(18,102)	151,213
Cash, beginning of period	<u>287,213</u>	<u>136,000</u>
Cash, end of period	<u><u>\$ 269,111</u></u>	<u><u>\$ 287,213</u></u>

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2024 and 2023

1. Nature of Business

Patrice Franchising, LLC (the "Company") was formed under the laws of the State of Delaware on August 15, 2022 for the purpose of operating a recruiting business specializing in retaining candidates for the retail, food and beverage and hospitality industries, as well as other industries, under a franchise business model. Operations commenced on December 3, 2022 (inception) following the execution of the December 2, 2022 subscription and contribution agreement discussed in Note 6.

2. Summary of Significant Accounting Policies

Basis of accounting:

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

Use of estimates:

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Cash:

Cash is maintained in immediately withdrawable accounts. At December 31, 2024, deposits with banks exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit by approximately \$27,000. The Company does not anticipate any losses in such accounts.

Receivables:

Receivables are primarily derived from placement fees, franchise fees, transfer and other fees and are carried at original invoice less an estimate made for credit losses based on management's best estimate of probable losses inherent in the receivables balance. Management determines any allowance for credit losses by regularly evaluating specific customer account activity. Receivables are written off when deemed uncollectible. The allowance for credit losses was \$20,010 and \$78,543 at December 31, 2024 and 2023, respectively.

Revenue recognition and contract assets and liabilities:

Revenues are comprised of placement fees, franchise revenue, technology fees and other fees. Franchise revenue is primarily derived from franchise fees, transfer fees, training fees, microsite set up fees, starter kit sales and advertising funds.

Revenues for the years ended December 31, 2024 and 2023 are included in the accompanying Statements of income and member's equity (deficit), as follows:

	2024	2023
Placement Fees	\$ 5,070,505	\$ 6,484,143
Franchise fees	2,626,920	2,509,661
Technology fees	384,277	258,049
Other fees	107,500	5,025
	<u>\$ 8,189,202</u>	<u>\$ 9,256,878</u>

(continued)

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Revenue recognition and contract assets and liabilities (continued):

Placement fees are generated from the provision of recruiting services, and are recorded at a point in time, when all services or conditions relating to the performance obligation have been substantially performed or satisfied, generally at the time of billing. Management believes the Company is the principal in the generation of placement fees, as the contract with the hiring entity is directly with the Company, who is responsible for ensuring the transfer of services.

Franchise fees include fees attributable to pre-opening services. The Company has made a policy election under Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), to account for pre-opening services as a single performance obligation distinct from the franchise license. Pre-opening services include assistance with the determination of the franchise territory, training of the franchisee and franchisee personnel, set up and launch of microsite, preparation and distribution of operating manuals and materials, information technology and advisory services and quality control program. The Company used the fair value approach to determine the stand-alone selling price for the pre-opening service performance obligation. Revenue earned from pre-opening services is recorded at a point in time, when all material, services or conditions relating to pre-opening services have been substantially performed or satisfied by the Company or its regional director, generally within 30 days of signing. The Company considers the remaining franchise fee revenue associated with the franchise license to be earned over time and is recognized on a straight-line basis over the term of the agreement from the time of signing.

Transfer fees are recognized over the term of the agreement from the date of transfer.

Franchise fees are payable by the franchisee upon the signing of the franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to another franchisee.

Receipts and expenditures related to market fund activities, which benefit the brand the franchisees operate under, are considered by management to be highly interrelated with the franchise right and therefore not considered distinct. As a result, revenues for the market fund are recognized as revenue as they are billed. Expenses incurred to provide brand building services are recognized when incurred.

Separate performance obligations for technology and other services are accounted for over time as the performance obligations are satisfied, generally concurrent with the time of billing.

For the years ended December 31, 2024 and 2023, approximately 63% and 70%, respectively, of revenues were recognized at a point in time, versus over time.

The Company incurs incremental costs in the course of obtaining franchise agreements. Such costs are capitalized and recognized as expense on a straight-line basis over the term of the related franchise agreement. The resulting contract assets at December 31, 2024 and 2023 are \$3,797,950 and \$3,793,147, respectively, reported as Deferred franchise costs in the accompanying Balance sheets.

Advertising:

Advertising costs include website and social media advertising, promotional expenses, trade shows and other advertising programs and are expensed as incurred. Advertising expense approximated \$324,000 and \$438,000 for the years ended December 31, 2024 and 2023, respectively, and is included in General and administrative expenses in the accompanying Statements of income and member's equity (deficit).

(continued)

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Income taxes:

The Company is a limited liability company taxed as a partnership and its income or loss is allocated to its members in accordance with their respective ownership percentage. Such members are generally responsible for income taxes related thereto and, accordingly, no income tax related accounts are recorded in the Company's financial statements.

The Company has evaluated its tax positions and any estimates utilized in its tax returns and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements.

Subsequent events:

Subsequent events were evaluated through April 11, 2025, which is the date the financial statements were available to be issued.

3. Contract Liabilities

Contract liabilities at December 31, 2024 and 2023 are included in the accompanying Balance sheets as follows:

	2024	2023
Deferred revenue	\$ 4,785,342	\$ 5,006,260
Retainer contract liability	57,625	93,375
Replacement credits contract liability	121,925	259,124
Total contract liabilities	<u>\$ 4,964,892</u>	<u>\$ 5,358,759</u>

4. Related Party Transactions

Patrice Holdings, LLC ("Holdings"), the Company's sole member, provides brand and marketing services to the Company, for which the Company was charged \$75,000 during both 2024 and 2023. In addition, Holdings paid approximately \$331,000 and \$485,000 in personnel costs on behalf of the Company in 2024 and 2023, respectively, which are included in General and administrative expenses in the accompanying Statement of income and member's equity (deficit).

For the years ended December 31, 2024 and 2023, the Company incurred \$448,500 and \$561,250, respectively, in commissions on new franchise sales to a related party.

5. Subscription and Contribution Agreement

In connection with the execution of the December 2, 2022 subscription and contribution agreement (the "SCA") between Patrice & Associates Franchising, Inc. and Patrice & Associates, Inc. (collectively, "P&A") and Holdings, substantially all assets and liabilities of Patrice were contributed to Holdings. In connection with the execution of the SCA, P&A issued a promissory note to Holdings for a total of \$2,000,000, the liability for which was recorded on the balance sheet of Holdings.

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2024 and 2023

6. Risks and Uncertainties

The Company monitors and seeks to minimize potential adverse effects of the Company's risk exposures, which are reviewed periodically for changes in market conditions and the Company's operations.

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, management believes the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

PATRICE FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

PATRICE FRANCHISING, LLC

Financial Statements

December 31, 2023 and 2022

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1499 West Palmetto Park Road, Suite 107 • Boca Raton, FL 33486
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Independent Auditors' Report

To the Managing Member of
Patrice Franchising, LLC:

Opinion

We have audited the accompanying financial statements of Patrice Franchising, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and member's equity (deficit), and cash flows for the year ended December 31, 2023 and for the period from December 3, 2022 (inception) through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patrice Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and for the period from December 3, 2022 (inception) through December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Patrice Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Patrice 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Patrice 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 Patrice Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Lero Sabey, PLLC

April 29, 2024

PATRICE FRANCHISING, LLC

Balance Sheets

December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 287,213	\$ 136,000
Receivables, less allowance for doubtful accounts	437,308	1,110,989
Prepaid expenses	37,468	17,692
Deferred franchise costs, current	<u>1,314,574</u>	<u>1,101,031</u>
Total current assets	2,076,563	2,365,712
Due from related party	1,599,755	2,057,110
Deferred franchise costs, noncurrent	<u>2,478,573</u>	<u>1,904,170</u>
Total assets	<u><u>\$ 6,154,891</u></u>	<u><u>\$ 6,326,992</u></u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 296,540	\$ 708,201
Accrued commissions	63,158	781,856
Retainer contract liability	93,375	38,730
Replacement credits contract liability	259,124	239,000
Deferred revenue, current	<u>1,823,881</u>	<u>1,668,562</u>
Total current liabilities	2,536,078	3,436,349
Deferred revenue, noncurrent	<u>3,182,379</u>	<u>2,962,281</u>
Total liabilities	5,718,457	6,398,630
Member's equity (deficit)	<u>436,434</u>	<u>(71,638)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 6,154,891</u></u>	<u><u>\$ 6,326,992</u></u>

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Statements of Income and Member's Equity (Deficit)

For the Year Ended December 31, 2023 and
the Period from December 3, 2022 (inception) through December 31, 2022

	<u>2023</u>	<u>2022</u>
Revenues	\$ 9,256,878	\$ 584,644
Operating expenses:		
Direct expenses	6,989,998	366,575
Selling, general and administrative expenses	<u>1,758,808</u>	<u>289,707</u>
Total operating expenses	<u>8,748,806</u>	<u>656,282</u>
Net income	\$ 508,072	\$ (71,638)
Member's equity (deficit):		
Beginning of year	<u>(71,638)</u>	<u>-</u>
End of year	<u>\$ 436,434</u>	<u>\$ (71,638)</u>

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Statements of Cash Flows

For the Year Ended December 31, 2023 and
the Period from December 3, 2022 (inception) through December 31, 2022

	2023	2022
Operating activities:		
Net income (loss)	\$ 508,072	\$ (71,638)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debt	196,543	142,349
Change in operating assets and liabilities:		
Receivables	477,138	(1,253,338)
Prepaid expenses	(19,776)	(17,692)
Deferred franchise costs	(787,946)	(3,005,201)
Accounts payable and accrued expenses	(1,055,590)	1,767,787
Deferred revenue	375,417	4,630,843
Net cash provided by (used in) operating activities	(306,142)	2,193,110
Financing activities:		
Repayments from (advances to) related party, net	457,355	(2,057,110)
Net cash provided by (used in) financing activities	457,355	(2,057,110)
Net increase in cash	151,213	136,000
Cash, beginning of period	136,000	-
Cash, end of period	\$ 287,213	\$ 136,000

See accompanying notes and independent auditors' report.

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2023 and 2022

1. Nature of Business

Patrice Franchising, LLC (the "Company") was formed under the laws of the State of Delaware on August 15, 2022 for the purpose of operating a recruiting business specializing in retaining candidates for the food and beverage and hospitality industries, as well as other industries, under a franchise business model. Operations commenced on December 3, 2022 (inception) following the execution of the December 2, 2022 subscription and contribution agreement discussed in Note 6.

2. Summary of Significant Accounting Policies

Basis of accounting:

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

Use of estimates:

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Cash:

Cash is maintained in immediately withdrawable accounts. At December 31, 2023, deposits with banks exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit by approximately \$41,000. The Company does not anticipate any losses in such accounts.

Receivables:

Receivables are primarily derived from placement fees, franchise fees, transfer and other fees and are carried at original invoice less an estimate made for doubtful accounts based on management's best estimate of probable losses inherent in the receivables balance. Management determines any allowance for doubtful accounts by regularly evaluating specific customer account activity. Receivables are written off when deemed uncollectible. The allowance for doubtful accounts was \$78,543 at December 31, 2023. There was no allowance for doubtful accounts at December 31, 2022.

Revenue recognition and contract assets and liabilities:

Revenues are comprised of placement fees, franchise revenue, technology fees and other fees. Franchise revenue is primarily derived from franchise fees, transfer fees, training fees, microsite set up fees, starter kit sales and advertising funds.

Revenues for the year ended December 31, 2023 and the period from December 3, 2022 (inception) through December 31, 2022 are included in the accompanying Statements of income and member's equity (deficit), as follows:

	2023	2022
Placement Fees	\$ 6,484,143	\$ 355,350
Franchise fees	2,509,661	201,936
Technology fees	258,049	17,358
Other fees	5,025	10,000
	<u>\$ 9,256,878</u>	<u>\$ 584,644</u>

(continued)

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue recognition and contract assets and liabilities (continued):

Placement fees are generated from the provision of recruiting services, and are recorded at a point in time, when all services or conditions relating to the performance obligation have been substantially performed or satisfied, generally at the time of billing. Management believes the Company is the principal in the generation of placement fees, as the contract with the hiring entity is directly with the Company, who is responsible for ensuring the transfer of services.

Franchise fees include fees attributable to pre-opening services. The Company has made a policy election under Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), to account for pre-opening services as a single performance obligation distinct from the franchise license. Pre-opening services include assistance with the determination of the franchise territory, training of the franchisee and franchisee personnel, set up and launch of microsite, preparation and distribution of operating manuals and materials, information technology and advisory services and quality control program. The Company used the fair value approach to determine the stand-alone selling price for the pre-opening service performance obligation. Revenue earned from pre-opening services is recorded at a point in time, when all material, services or conditions relating to pre-opening services have been substantially performed or satisfied by the Company or its regional director, generally within 30 days of signing. The Company considers the remaining franchise fee revenue associated with the franchise license to be earned over time and is recognized on a straight-line basis over the term of the agreement from the time of signing.

Transfer fees are recognized over the term of the agreement from the date of transfer.

Franchise fees are payable by the franchisee upon the signing of the franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to another franchisee.

Receipts and expenditures related to market fund activities, which benefit the brand the franchisees operate under, are considered by management to be highly interrelated with the franchise right and therefore not considered distinct. As a result, revenues for the market fund are recognized as revenue as they are billed. Expenses incurred to provide brand building services are recognized when incurred.

Separate performance obligations for technology and other services are accounted for over time as the performance obligations are satisfied, generally concurrent with the time of billing.

For the year ended December 31, 2023 and the period from December 3, 2022 (inception) through December 31, 2022, approximately 70% and 61%, respectively, of revenues were recognized at a point in time, versus over time.

(continued)

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue recognition and contract assets and liabilities (continued):

The Company incurs incremental costs in the course of obtaining franchise agreements. Such costs are capitalized and recognized as expense on a straight-line basis over the term of the related franchise agreement. The resulting contract assets at December 31, 2023 and 2022 are \$3,793,147 and \$3,005,201, respectively, reported as Deferred franchise costs in the accompanying Balance sheets.

Advertising:

Advertising costs include website and social media advertising, promotional expenses, trade shows and other advertising programs and are expensed as incurred. Advertising expense approximated \$438,000 for the year ended December 31, 2023 and \$33,000 for the period from December 3, 2022 (inception) through December 31, 2022, and is included in General and administrative expenses in the accompanying Statements of income and member's equity (deficit).

Income taxes:

The Company is a limited liability company taxed as a partnership and its income or loss is allocated to its members in accordance with their respective ownership percentage. Such members are generally responsible for income taxes related thereto and, accordingly, no income tax related accounts are recorded in the Company's financial statements.

The Company has evaluated its tax positions and any estimates utilized in its tax returns and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements.

Subsequent events:

Subsequent events were evaluated through April 29, 2024, which is the date the financial statements were available to be issued.

3. Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels (with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3):

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(continued)

PATRICE FRANCHISING, LLC

Notes to Financial Statements

December 31, 2023 and 2022

3. Fair Value Measurements (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash, receivables, accounts payable and accrued expenses, and accrued commissions: These financial instruments represent Level 1 inputs as the carrying amounts at face value approximate fair value because of the short maturity of these instruments.

4. Contract Liabilities

Contract liabilities at December 31, 2023 and 2022 are included in the accompanying Balance sheets as follows:

	2023	2022
Deferred revenue	\$ 5,006,260	\$ 4,630,843
Retainer contract liability	93,375	38,730
Replacement credits contract liability	259,124	239,000
Total contract liabilities	<u>\$ 5,358,759</u>	<u>\$ 4,908,573</u>

5. Related Party Transactions

Patrice Holdings, Inc. ("Holdings"), the Company's sole member, provides brand and marketing services to the Company, for which the Company was charged \$75,000 during 2023. In addition, Holdings paid approximately \$485,000 in personnel costs on behalf of the Company in 2023, which are included in General and administrative expenses in the accompanying Statement of income and member's equity (deficit).

For the year ended December 31, 2023 and the period from December 3, 2022 (inception) through December 31, 2022, the Company incurred \$561,250 and \$14,500, respectively, in commissions on new franchise sales to a related party.

6. Subscription and Contribution Agreement

In connection with the execution of the December 2, 2022 subscription and contribution agreement (the "SCA") between Patrice & Associates Franchising, Inc. and Patrice & Associates, Inc. (collectively, "Patrice") and Holdings, substantially all assets and liabilities of Patrice were contributed to Holdings. Concurrently, Holdings allocated approximately \$67,000 in net assets to the Company as of December 2, 2022, which management believes represents the fair value of allocated assets and liabilities on such date. In connection with the execution of the SCA, Holdings issued a promissory note to Patrice for a total of \$2,000,000, the liability for which is recorded on the balance sheet of Holdings at December 31, 2023.

7. Risks and Uncertainties

The Company monitors and seeks to minimize potential adverse effects of the Company's risk exposures, which are reviewed periodically for changes in market conditions and the Company's operations.

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, management believes the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

EXHIBIT "H"
TO DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	December 12, 2024 (amended April 15, 2025)
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.

EXHIBIT "I"
TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

RECEIPT

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

If Patrice Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Patrice Franchising, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

Jason Miller; 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255; 203-300-7945
Lauren Wanamaker; 9112 East Verde Grove View, Suite 101-E, Scottsdale, AZ 85255; (303) 921-1155

Issuance Date: April 15, 2025

Patrice Franchising, LLC's agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	List of State Administrators and Agents for Service of Process
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Other Agreements
EXHIBIT "D"-1	State Addenda
EXHIBIT "D"-2	Franchisee Disclosure Questionnaire
EXHIBIT "D"-3	General Release
EXHIBIT "D"-4	Franchise Resale Agreement
EXHIBIT "E"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "F"	List of Franchisees
EXHIBIT "G"	Financial Statements of Patrice Franchising, LLC
EXHIBIT "H"	State Effective Dates
EXHIBIT "I"	Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Patrice Franchising, LLC)

RECEIPT

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

If Patrice Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Patrice Franchising, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

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Print Name

Date

(Signature) Prospective Franchise Owner

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