


FRANCHISE DISCLOSURE DOCUMENT-UNIT

 The logo for CR3 American Exteriors features a stylized 'CR3' in white and grey on a black background, with the words 'AMERICAN EXTERIORS' in white text on an orange banner to the right.	<p>Tectum Franchising LLC d/b/a CR3 American Exteriors, a Virginia Limited Liability Company 780 Lynnhaven Parkway Suite 240 Virginia Beach, VA 23452 888-393-9903 www.CR3America.com</p>
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We offer qualified individuals the right to operate a business that offers, sells, and performs roofing and remodeling services for commercial and residential customers under the “CR3 American Exteriors” mark.

The total investment necessary to begin operation of a CR3 American Exteriors franchised business ranges from \$77,000 to \$222,300, which includes \$41,000 that must be paid to us or an affiliate prior to opening.

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 Mark Luterman at 1446 Baltimore Street, Suite E, Hanover, PA 17331 or by phone at (717) 634-4026.

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

Investing in a franchised business is complex. The information in this Disclosure Document can help you make up your mind. More information on franchising such as “*A Consumer’s Guide to Buying a Franchise*” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission (FTC). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 2025; Amended June 3, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
Will my business be the only CR3 American Exteriors in the 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 CR3 American Exteriors franchisee?	Item 20 or Exhibits E-1 and E-2 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

Business model can change. The 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 D.

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 Virginia. Out-of-State mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations;
 - (iv) The failure of the franchisee or proposed

transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

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

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Exhibits to Franchise Disclosure Document

Exhibit	Description
A	State Addenda
B	Franchise Agreement
C	Financial Statements
D	State Administrators/Agents for Service of Process
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Table of Contents-Operations Manual
G	State Effective Dates
H	Receipt

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

The franchisor is Tectum Franchising LLC d/b/a CR3 American Exteriors (“we”, “us”, “our” or “franchisor”). “You”, “your” or “Franchisee” means the person or entity to whom we grant a franchise. The terms “you”, “your” and “Franchisee” also refers to the person or entity that buys this franchise including any guarantors. If you are a corporation, limited liability company, or other entity, then “you”, “your” and “Franchisee” will also include your owners.

The Franchisor

We are a Virginia Limited Liability Corporation formed on July 12, 2022, as a Virginia Limited Liability Company. Our principal place of business is located at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Our operational support center is located at 1446 Baltimore Street, Suite E, Hanover, PA 17331. We operate under the name, “CR3 American Exteriors” and the trademarks described in Item 13 (the “Marks”). We do not do business or intend to do business under any other names. Our agents for service of process are listed in Exhibit D of this Disclosure Document.

We grant qualified individuals the right to operate a business that offers, sells, and performs roofing and remodeling services to commercial and residential customers under the “CR3 American Exteriors” Mark (the “Franchised Business”). Our affiliate, C3 American Exterior Inc., identified below, has offered the same or similar products and services since 2017 through their outlets. Affiliate locations are company locations for purposes of this Disclosure Document.

We, the franchisor, began franchising in September of 2022. We do not conduct business in any other line of business; however, we do also offer Area Representative franchises to solicit and support unit franchisees. We have not offered and do not offer franchises in any other line of business. We do not have any parents or predecessors. We, the franchisor, have not conducted a business of the type conducted by the franchisee, except through our affiliate C3 Roofing & Remodeling Inc as described below in this Item 1.

Description of the Franchised Business

We offer the opportunity to operate a Franchised Business that offers, sells, and performs roofing and remodeling services for commercial and residential customers within a defined territory (the “Approved Location”). The services provided by the Franchised Business will include (i) roofing services; (ii) gutter systems; (iii) exterior siding; (iv) window and door replacement; and (v) other products and services that we may approve and modify from time to time (the “Approved Products and Services”).

We are a customer-centric company. We require each Franchised Business to operate according to our proprietary business methods and system (the “System”) while using CR3 American

Exterior's marks, logos, trade dress, (the "Marks"). We continue to develop, use, and control the Marks in public to represent the System's standards of quality, integrity, and respect.

We offer the opportunity to operate a Franchised Business through a Franchise Agreement. Our standard Franchise Agreement is attached to this Disclosure Document as Exhibit B ("Franchise Agreement").

Parents

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

Affiliates

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

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

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

We have an affiliate, Loyalty Brokers LLC d/b/a Loyalty Business Brokers, formed December 30, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Loyalty Business Brokers also offers franchise opportunities for business brokerage.

Loyalty Business Brokers opportunities for Area Representatives to recruit and support unit franchisees This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business. As of December 31, 2024, Loyalty Business Brokers had a total of 3 unit franchised outlets and 2 Area Representative franchised outlets. They do not provide any products or services to you.

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

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

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

We have an affiliate, Hewitt Construction Services LLC, formed on May 14, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Hewitt Construction Services LLC previously operated under the C3 American Exteriors mark and offered the Approved Products and Services offered in this disclosure document in 2024. This affiliate has not in the past and does not now offer franchises in any lines of business. They do not provide any products or services to you.

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

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

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

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

Area Representatives

In 2025, we began offering an Area Representative franchise program, through a separate Franchise Disclosure Document, pursuant to which Area Representatives will recruit and support unit franchisees in exchange for a portion of the initial franchise fee and royalty. Area Representatives will not have management responsibility related to the franchise. There may be an area representative with area representative rights over your Territory when you sign a Franchise Agreement or during the term. We will provide a roster of any current area representatives upon your reasonable request. As of December 24, 2024, we have 0 Area Representative outlets.

The Market and Competition

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

Your primary customers will be commercial or residential property owners, property managers, and other individuals responsible for the construction, maintenance or repair of commercial or residential property. You will operate year-round; however, the construction industry is generally seasonal, in that more construction activity tends to occur during warmer months and some construction activities may be weather-dependent. Seasonal weather also varies across different regions the country, which can lead to various levels of seasonality in the construction industry. Adverse weather conditions like extreme temperatures, heavy rain, snow, or ice can result in reduced workload, job fluctuations, increased costs, decreased demand, and labor availability issues, particularly for exterior projects like roofing.

Industry Specific Laws and Regulations

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

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

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ITEM 2
BUSINESS EXPERIENCE

Chief Operating Officer: Carnie Fryfogle III

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

President: Mark Luterman

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

Advisor: John T. Hewitt

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

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ITEM 3 LITIGATION

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

Pending Actions:

Ira Lubert and John Martinson v. John T. Hewitt, ATAX, LLC, and Loyalty, LLC (Case No 250503829) filed May 30, 2025, in the Court of Common Pleas of Philadelphia County, Pennsylvania. The Plaintiffs are investors in ATAX, LLC, and claim that they were solicited to invest in ATAX as a qualified opportunity zone business (QOZB), yet it did not qualify as a QOZB. Further, Plaintiffs claim that, as a result of the non-QOZB status, the defendants promised certain changes, some of which defendants have not made, specifically an amendment to ATAX's Operating Agreement and certain financial controls. The Plaintiffs also allege that Hewitt, with the assistance of certain Loyalty employees, made cash withdrawals from ATAX and paid those funds to himself, to Loyalty, and to other Loyalty brand companies without ATAX Board approval. The Plaintiffs sue for (1) Fraud Against Defendant Hewitt, (2) Aiding and Abetting Fraud (Against Defendant Loyalty), (3) Breach of Fiduciary Duty (Against Defendants Hewitt and Loyalty), (4) Conversion (Against Defendants Hewitt and Loyalty), (5) Breach of Contract (Against Defendants Hewitt, Loyalty, and ATAX), (6) Unjust Enrichment (Against Defendants Hewitt and Loyalty), (7) Breach of Virginia Stock Corporation Act (Against Defendants Hewitt and Loyalty), and (8) Violation of Pennsylvania Voidable Transfers Act (Against Defendants Hewitt and Loyalty). Plaintiffs seek a judgment, an order rescinding their investments, redemption of their ownership interests at a fair value, monetary damages in an amount to be determined at trial, fees, and interest. Defendants offered to buy out the Plaintiffs' investments for a profit that would be beneficial to Plaintiffs. Defendants intend to file an Answer generally denying the allegations and vigorously contesting the claims made. No trial date has been set.

Concluded Actions:

JTH Tax LLC d/b/a Liberty Tax Service v. John T. Hewitt, Loyalty LLC, ATAX LLC, ATAX Franchise, Inc. and Yneva Marte (Case No.2:21-cv-00076-RBS-LRL) filed February 4, 2021 in the United States District Court for the Eastern District of Virginia. Plaintiff filed the action alleging that ATAX franchisees maintained signage that is confusingly similar to trade dress and logos of the plaintiff. The Plaintiff also allege that Mr. Hewitt tortiously interfered with certain contractual relations by discussing with existing and former franchisees of the Plaintiff opportunities at ATAX. The complaint alleges that Mr. Hewitt breached his employment agreement by sharing and using trade secrets, confidential and proprietary information for his own benefit or the benefit of a third party by convincing existing and prospective franchisees of the Plaintiff to leave and instead open ATAX franchises. Lastly, the complaint alleges that Mr. Hewitt engaged in a conspiracy to unfairly compete against and damage Liberty Tax by convincing customers and prospective customers to pick ATAX over Liberty Tax. Plaintiffs sought \$20 million in actual damages, treble damages, costs, and legal fees along with injunctive relief. The

Defendants have denied the allegations. The matter was settled on December 31, 2021. Under the Settlement Agreement, Defendants agreed to pay the Plaintiff \$545,000 over 6 years, and to refrain from: (1) unfairly competing with Liberty Tax by tortiously interfering with its franchise agreements; (2) diverting or attempting to interfere with or divert any leases from Liberty; (3) palming off any of ATAX's products or services as those of Liberty; (4) any action or statement that could reasonably cause likelihood of confusion that any ATAX location is associated with Liberty; (5) possessing, misappropriating, using or disclosing Liberty's confidential information; and (6) accessing any of Liberty's computer systems or databases. ATAX agreed to permanently close three specific ATAX locations and use their best efforts to assign leases for those locations to Liberty. The Court retained jurisdiction to enforce the final consent order.

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

Kirke Franz Szawronski v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc., d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4170), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff was a former employee and filed a lawsuit claiming breach of employment agreement with Plaintiff by failing to pay 6-months' severance. Plaintiff also asserted a claim for defamation. This matter, along with the *K&A Publicidad, Inc.* matter described above, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

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

Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks

compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into *In Re: Liberty Tax, Inc. Stockholder Litigation* (*see below*).

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

RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al., (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

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

Governmental Actions Against John T. Hewitt:

In the Matter of a Consent Order between The Commissioner of Financial Protection and Innovation and John T. Hewitt, before the Commissioner of Financial Protection and Innovation for the State of California. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.), The Commissioner has determined pursuant to her authority under the FIL that John T. Hewitt is “subject to” the Final Order entered in the matter of United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern 25 District of Virginia (the Final Order). John T. Hewitt agreed that he is required to disclose the Final Order in Item 3 of any Franchise Disclosure Document filed by any present or future Franchisor where John T. Hewitt is a director, trustee, general partner, principal officer, or maintains management responsibility relating to the sale or operation of the respective Franchisor, along with disclosure of this governmental action.

Governmental Actions against Unrelated Entities:

United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service, (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern District of Virginia. The Department of Justice (DOJ) filed a complaint asserting that Liberty Tax failed to maintain adequate controls over the tax returns prepared by its franchisees and failed to take steps to prevent the filing of potentially false or fraudulent returns prepared by its franchises despite notice of fraud at some of its franchisee stores. The primary focus of the DOJ’s investigation that preceded the complaint related to the alleged operational wrongdoing of 12 franchisees. Also on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed settlement order setting forth certain enhancements to the Liberty Tax service compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the compliance program; and work with Liberty Tax to make further enhancements to improve the compliance program. As part of the proposed order, Liberty Tax agreed not to rehire John T.

Hewitt, under whose supervision the alleged conduct at issue occurred. Liberty Tax further agreed not to grant John T. Hewitt any options or other rights to acquire equity in Liberty Tax or to nominate him to the company's board of directors. On December 20, 2019, the court granted the joint motion and the motion to seal, which fully resolved the legal proceedings initiated by the DOJ. Although he is referenced in the court's order, John T. Hewitt was not a named party to this case.

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

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us an initial fee of \$40,000 (the "Initial Franchise Fee") to obtain the right to establish and operate a single franchise location. This payment is due in full before you attend Initial Training, usually when you sign the Franchise Agreement. We will refund the Initial Franchise Fee paid by you if we do not approve your application or if you do not pass our Initial Training in accordance with our current passing standards, provided that you return all training materials to us. The Initial Franchise Fee is fully earned by us and is non-refundable once we have completed our obligation to provide Initial Training and you have successfully completed Initial Training.

Initial Technology Fee

You must pay us an initial technology setup fee of \$1,000 (the "Initial Technology Package Fee"). This fee includes setup and a one-month license to use a designated third-party technology platform. This fee is due in full before you attend the Initial Training so that you may be trained on the technology platform. This fee is non-refundable once paid.

Discounts

In the event that you are an existing franchisee of one of our current Loyalty Brands Affiliates, your Initial Franchise Fee will be discounted by 25%. From time to time, we may also offer special incentive programs as part of our franchise development efforts. In our last fiscal year, the Initial Franchise Fees charged ranged from \$20,000 to \$40,000, based on existing business level, business experience, presence in the local market, and similar factors. We reserve the right to offer, modify, or withdraw any incentive program without notice to you. We may finance the Initial Franchise Fee as provided in Item 10.

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

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ITEM 6 OTHER FEES

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE (Note 2)	REMARKS
Royalty Fee	The greater of (i) 6.0% of monthly Gross Revenue collected (the "Royalty Fee") or (ii) \$2,000.00 (the "Minimum Royalty Fee"). (Note 3)	By the 10 th day of the month.	Royalty Fee's start the first month in operation; however, the Minimum Monthly Royalty Fee, if applicable, will not begin until the 7 th month of operation. Payments are due on the prior month's revenues.
Ongoing Technology Fee	Our then-current Technology Fee (as of the Issuance Date, the fee is \$1,000/month).	Monthly.	Technology fee begins after you open for business. We may increase (or decrease) this fee during the term of the Franchise Agreement because of increased (or decreased) vendor charges we incur and pass on to our franchisees. The Technology Fee may increase only up to the actual costs of a third-party vendor plus a 10% administrative fee. (Note 4).
Advertising Fund	The Advertising Fund Contribution is 1% of previous month's Gross Revenue.	By the 10 th day of the month.	
Late Payment	The lower of 12% interest annually, or the maximum allowed by law.	When payment is past due.	
Training	You are required to pay your expenses as well as your employees' expenses in attending any initial or ongoing training programs.	Time of Program	Initial Training is conducted in-person in Hanover, Pennsylvania and online (See Item 11).

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE (Note 2)	REMARKS
			However, we may, in our discretion, offer training at your location.
Transfer Fee	20% of our then-current Initial Franchise Fee (as of the Issuance Date, the fee is \$8,000). Transfer Fee is subject to state law.	Prior to acceptance of the transferee	Payable at closing. We may increase (or decrease) our Initial Franchise Fee in our sole judgment.
Credit Card Processing Fee	Then current rate charged by third-party credit card processor.	At time of charge	You agree to pay a credit card processing fee if you pay any sums to us by credit card, to the extent permitted by law.
Insufficient Funds Fee	\$50 per transaction.	As incurred	You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.
Interest	Highest applicable legal rate not to exceed 12% per annum on amounts you owe.	As incurred	Applies to all Royalty Fees, Technology Fee, Advertising Fund contributions and any other amounts that are past due for more than 5 days.
Audit Fee	Cost of audit plus 18% interest per annum on underpayment and \$50 per month late payment.	As invoiced	Payable if an audit discloses an underreporting of Gross Revenues or underpayment to us by 2% or more.

Note 1: Except where otherwise specified, we uniformly impose and collect all the fees in this table; you pay them to us, and we do not refund them.

Note 2: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule

3 to the Franchise Agreement. All royalties on transactions will be paid at the time of deal closing through escrow attorney.

Note 3: “Gross Revenue” shall mean all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business excluding only sales and use taxes.

Note 4: The Technology Fee currently includes a license to use a third-party technology platform designed to help businesses streamline their operations, enhance customer experiences, and boost their digital presence.

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ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Low**	High	Method of payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	\$40,000	\$40,000	Check or EFT	At signing of Franchise Agreement.	Us
Initial Technology Package Fee	\$1,000	\$1,000	Check or EFT	Before Initial Training	Us
Real Estate/Security Deposit (Note 2)	\$0	\$5,000	As Incurred	Before beginning operations	Lessor
Leasehold Improvements (Note 3)	\$3,000	\$10,000	As Incurred	Before beginning operations	Third Parties
Computer Systems (Note 4)	\$0	\$3,000	As Incurred	Before beginning operations	Third Parties
Vehicles (Note 5)	\$0	\$60,000	As Incurred	Before beginning operations	Third Parties
Initial Equipment (Note 6)	\$2000	\$15,000	As Incurred	Before beginning operations	Us and/or Third Parties
Branding, Equipment and Supplies (Note 7)	\$500	\$1,000	As Incurred	Before beginning operations	Third Parties
Certificates, Licenses, and Permits (Note 8)	\$0	\$2500	As Incurred	Before beginning operations	Government Agents
Insurance (Note 9)	\$2,500	\$5,500	As Incurred	Before beginning operations	Third Parties
Professional Fees-Legal & Accounting (Note 10)	\$500	\$3,500	As Arranged	Before Beginning Operations	Attorney, Accountant
Utility Deposits (Note 11)	\$0	\$1,000	As Incurred	Before beginning operations	Suppliers

Type of Expenditure*	Low**	High	Method of payment	When Due	To Whom Payment is to be Made
Local Brand Optimization (Note 12)	\$1,000	\$2,500	As Incurred	As incurred	Third Parties
Initial Training (Note 13)	\$500	\$3,900	As Incurred	As incurred	Third Parties
Telecommunications Services (Note 14)	\$0	\$400	As Incurred	As Incurred	Third Parties
Additional Funds – 3 months (Note 15)	\$26,000	\$68,000	As incurred	Before and after opening	Employees, Third Parties
Total	\$77,000 to \$222,300				

*The initial fees listed above which are paid to us are nonrefundable as paid. Whether such fees paid to third parties are refundable would depend upon their policies.

**The low-end estimate is for conversion of an existing business offering similar products and services into a CR3 Franchised Business. The low-end estimate will not apply to you if you do not have a similar business to convert. We provide this range because we anticipate as of the Issuance Date that the majority of new franchised outlets will be converting an existing business at the time they sign a Franchise Agreement with us. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. We base this estimate upon the years of experience our management team has in the industry.

Note 1: Initial Franchise Fee. The initial franchise fee is \$40,000.00 for a single franchise location. We base the table above on the purchase of a single franchise.

Note 2: Real Estate/Security Deposit. If you are converting an existing business and already own or rent a suitable commercial office/warehouse space of approximately 1,000-1,500 square feet in size (See Item 11), you will not incur an additional expense prior to beginning operations as a CR3 Franchised Business. If you are not converting an existing business, you will need to obtain a suitable space to begin operations unless we agree to defer this requirement in writing. This estimate does not include rent for any time period as no build out is anticipated prior to your opening; however, an estimate for three (3) months of rent is included under "Additional Funds - 3 Months".

Note 3: Leasehold Improvements. Your office space must be outfitted to meet our branding standards and specifications.

Note 4: Computer Systems. You may need to purchase computer equipment, or you may need to upgrade your current computer equipment to meet our specifications. You must subscribe to such software as we specify for work-flow management, bookkeeping, accounting, and other needs. If you already own a computer system that is suitable, you will not incur this expense.

Note 5: Vehicles. We do not require any vehicle used by you to meet specifications regarding year, make, or model. If you already own or rent a vehicle, you will not incur the expense of purchasing a vehicle; however, once you begin operations you will be required to outfit your vehicle with our branding and marks. We have included the estimated cost of branding in the category for Additional Funds – 3 months.

Note 6: Initial Equipment. You will need certain required equipment to provide the Products and Services. If you already own sufficient equipment, you will not incur this expense.

Note 7: Branding, Office Equipment, and Supplies. This estimate includes branding materials, signage, furniture & equipment and initial inventory of forms, stationery, and office supplies. If you already have these, you will not incur the purchase expense; however, you may be required to outfit materials with our branding.

Note 8: Certificates, Permits and Licenses. If you already own an existing business and already possess all required certificates, permits and licenses to provide the Products and Services then you will not incur this expense. States and localities will set costs for certificates, permits and licenses.

Note 9: Insurance. If you already own an existing business with sufficient insurance coverage, you will not incur this expense. If you do not maintain coverage to our specifications, you must obtain and maintain, at your own expense, the insurance coverage that we require as per the Manuals, as well as, satisfy any other insurance-related obligations. In addition, as you will operate from a commercial office space, you must obtain and maintain, at your own expense, the insurance coverage that is required for the operation of the office. We reserve the right to require you buy your insurance through an approved vendor/affiliate in the future. The cost of your premiums will depend on the insurance carrier's charges, terms of payments, and your insurance, risk and payment histories. See Item 8 for the required insurance. This low-end of this estimate assumes you already have an existing annual policy as a conversion business and the high-end estimate includes a high-end estimate for an annual policy.

Note 10: Professional Fees. This estimate is for costs associated with the engagement of professionals such as attorneys and accountants for advisories consistent with the start-up of a Franchised Business.

Note 11: Utility Deposits. If you do not already own an existing business with connected utilities, you may be required to pay security deposits required by your landlord and utility or other companies.

Note 12: Local Brand Optimization. We recommend that you spend a minimum of \$20,000 per year on local advertisement. (See Item 11). As part of your advertising spend, we may require you to consult with a preferred advertising vendor and develop an initial and ongoing advertising plan. You may incur this initial expense to develop and launch the advertising plan before you begin operations.

Note 13: Training Travel and Living Expenses. If any in-person training is required, the franchisee is responsible to pay for the travel, lodging, meals, and wages of attendees at Initial Training.

Note 14: Telecommunication Services. This estimate includes the security deposits and service fees for your telecommunications system. If you have an existing telephone line that you will use for your Franchised Business, you will not incur these costs.

Note 15: Additional Funds-3 months. The estimate of additional funds is based on your general operating expenses and rent for the first three months of operation. The estimate of additional funds does not include job-material costs, royalties, interest expenses, or owner's salary or draw. The low-end assumes no jobs will be completed in the first 3-months in operation, and therefore no subcontractor or direct labor expenses. The high-end includes an estimate of subcontractor expenses and labor expenses to complete five (5) jobs within the first 3-months in operation with an average customer cost of \$15,000 per job and an average payroll or independent contractors' expenses of \$5,400 per job.

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ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased

Advertising and Marketing. All advertising and promotion by you, in any manner or medium, must be conducted in a dignified manner and must conform to our standards and specifications. You will need to display the Marks in the manner required by us on all promotional materials used in the Franchised Business.

You must submit to us, for our prior written approval, samples of all advertising and promotional plans and materials that you desire to use that have not been prepared or previously approved by us. We have 15 days from the date that we receive your proposed advertising materials to approve or disapprove them. If we do not respond to you within 15 days of our receipt of your advertising materials, those materials are deemed disapproved.

Computer Hardware and Software

You must use the computer hardware and software that we specify in our Manual. You may need to purchase computer equipment, or you may need to upgrade your current computer equipment to meet our specifications. Further, you must subscribe to such software as we specify for work-flow management, bookkeeping, accounting, and other needs.

Building Supplies, Equipment, and Inventory

You must use building supplies, equipment, and inventory that meet or exceed industry standards for quality and safety. We issue specifications and standards to our franchisees and provide approved vendors and suppliers.

Vehicle.

Any motor vehicle operated by the Franchised Business must comply with our branding requirements and display our Marks. We do not provide specifications for the make and model of vehicles used by you; however, we issue specifications and standards to our franchisees and provide approved vendors and suppliers for branding.

Insurance.

You must obtain and maintain, at your own expense, such insurance coverage as required by your state laws. Moreover, you must obtain and maintain insurance coverage as we require, which may exceed insurance coverage required by your state laws. All insurance policies must name us as an “additional insured”. You must purchase the required insurance at least 30 days before opening your CR3 American Exterior Business or upon signing a lease for the Approved Location or commercial office/warehouse or flex space, whichever is earlier.

We currently require the following minimum coverage types and amounts:

Type	Minimum Amount
Comprehensive General Liability (Policy type: Occurrence; Must be with an Admitted carrier with rating of \geq A-VII, AM Best and include: waiver of subrogation, primary & non-contributory, contractual liability & independent contractors liability)	\$1,000,000 per occurrence, \$2,000,000 aggregate; \$2,000,000 products/complete operations aggregate; \$1,000,000 personal & advertising injury; \$50,000 damage to rented premises; \$5,000 medical
Commercial Automobile Liability (Must be with a carrier with rating of \geq A- VII, AM Best and include: owned auto, hired auto, and non-owned auto, and provide for waiver of subrogation and primary & non-contributory coverage)	\$1,000,000 each accident; \$1,000,000 uninsured; \$1,000,000 underinsured (\leq \$1,000 comprehensive and collision deductible)
Contractors Errors & Omissions (Policy type: Claims Made)	\$1,000,000 per occurrence, \$1,000,000 aggregate
Workers Compensation (Must be with a carrier with rating of \geq A- VII, AM Best, cannot exclude owner-operators, and must include waiver of subrogation and must include uninsured independent contractors)	\$1,000,000 each accident/incident/employee
Any other insurance required by federal, state, or local law	

We currently recommend, but do not require the following minimum coverage types and amounts:

Type	Minimum Amount
Contractors Pollution Liability (Policy type: Claims Made)	\$1,000,000 per occurrence, \$1,000,000 aggregate
Property /Business Interruption (Must be with a carrier with rating of \geq A- VII, AM Best)	\geq \$10,000, Full replacement cost value per business personal property, full replacement cost value per tenant improvements, \geq \$25,000 business interruption + franchise royalties, full cover equipment
Cyber Liability	\$250,000 per occurrence, \$250,000 aggregate, \$250,000 third party liability
Employment Practices Liability	\$250,000 per occurrence, \$250,000 aggregate, third party included, \geq \$25,000 wage & hour (\$10,000 max deductible)
Umbrella	\$1,000,000 per occurrence, \$1,000,000 aggregate, underlying general liability

(Must be with a carrier with rating of \geq A- VII, AM Best)	
Trailer Coverage	\geq \$50,000

Site. We require you to obtain a commercial office space approximately 1,000-1,500 square feet as described in our Operations Manual.

Whether We or Our Affiliates are Approved Suppliers

We are an approved supplier of advertising material, our online software system, our website services, and training services and the only approved supplier of our online software system, our website services, and training services. Our software system and our website services are provided to franchisees as part of the Technology Fee and Software Fee.

Officer Interests in Suppliers

Our officers own an interest in us. Otherwise, there are no approved or designated suppliers in which our officers hold an ownership interest. From time to time our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

Alternative Suppliers:

We apply certain general criteria in approving (or revoking) a proposed supplier, including the supplier’s quality and pricing of products or services, reputation, ability to provide products or services that meet our specifications, responsiveness, ability to provide products or services within the parameters required by the CR3 American Exteriors System, quickness to market with new items, financial stability and insurance coverage, credit program for franchisees, freight costs and the ability to provide support to our franchisees. To the extent we make these general criteria available to franchisees, we will do so through the Operations Manual or other written communication.

We may permit franchisees to contract with alternative suppliers who meet the franchisor’s criteria. There are no fees associated with our review of alternative suppliers or our approval to purchase from alternative suppliers. If you wish to propose another supplier, you must do so by sending a request in writing to CR3 American Exteriors, 780 Lynnhaven Pkwy, Ste 240, Virginia Beach, VA 23452.

We will review the proposed supplier to determine whether to consider adding the supplier to our list of approved vendors. We reserve the right to approve or revoke approval of any supplier. We will notify you within 30 days of receipt of our request if we approve or disapprove of an alternative supplier. If we have not responded within 30 days, then the request is deemed approved if the alternative supplier meets the requirements as specified in the Operations Manual. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

We have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors (collectively, "Rebates") which may or may not be reasonably related to services we provide to these third parties. We have the right to receive fees and payments from third- party manufacturers, suppliers, and/or distributors of up to 15% or more of each of these third parties' sales of equipment, products, services, materials and supplies to CR3 America Exteriors franchisees. We have the right to increase or decrease this percentage in the future. We will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor.

During the fiscal year ended December 31, 2024, we earned \$373 in revenue from Rebates. Our total revenue was \$533,813, meaning approximately 0.7% of our revenue came from required purchases or leases. Our affiliates did not sell or lease any products or services to our franchisees and therefore did not earn any revenue from required purchases or leases. Likewise, our area representatives did not earn any revenue from required purchases or leases.

Required Purchases as a Proportion of Costs:

We estimate that your Required Purchases will account for approximately 45% to 50% of your total costs incurred in establishing your CR3 American Exterior Business, and approximately 15% to 35% of your ongoing costs to operate the CR3 American Exterior Business after the initial start-up phase.

Purchase Agreements and Cooperatives:

We may, in our discretion, negotiate purchase agreements, including price terms, for the benefit of franchisees, with approved and designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the CR3 American Exterior Franchised Businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. Presently there are purchase and supply agreements in effect with various approved manufacturers and distributing partners for source restricted products or services. However, there are currently no purchasing or distribution cooperatives.

Material Benefits:

We may, but are not required to, provide material benefits to you because of your use of approved suppliers. Further, when your franchise is up for renewal, to continue your franchise rights, we

require you to be in compliance with your Franchise Agreement which includes compliance with any supplier standards that are contained in our Operations Manual.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	5.3	11
b. Pre-opening purchases/leases	4	7, 8
c. Site development and other pre-opening requirements	5	11
d. Initial and ongoing training	5.4, 6.2	11
e. Opening	3.1	11
f. Fees	4	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	6.1, 6.3	8, 11
h. Trademarks and proprietary information	3.14, 6.7, 8.6	13, 14
i. Restrictions on products/services offered	6.1(B)	8, 16
j. Warranty and customer service requirements	6.1, 6.3	6
k. Territorial development and sales quotas	2, 4.2	12
l. Ongoing product/service purchases	3, 4.3	8
m. Maintenance, appearance & remodeling requirements	None	Not Applicable

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
n. Insurance	6.6	8
o. Advertising	3.2	8, 11
p. Indemnification	6.5	8/15
q. Owner's participation/management/staffing	6.1	15
r. Records and reports	6.4	11
s. Inspections and Audits	4.11, 6.4	11
t. Transfer	7.0	17
u. Renewal	1.2	17
v. Post-termination obligations	8.6	15, 16, 17
w. Non-competition covenants	8.7	15, 16, 17
x. Dispute resolution	9	17

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ITEM 10 FINANCING

We offer the following financing program:

Item Financed ¹	All or a Portion of the Initial Franchise Fee.
Source of Financing ²	Us
Down Payment	Varies
Amount Financed	Up to 100%
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	Varies
Security Required	The Franchised Business including all accounts, equipment, furniture, and assets and any earnings from any financial services business; Personal guarantee.
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt ³	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell ⁴	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing ⁵	None

¹ **Discretionary**-We may in our sole discretion provide financing to you.

² **Form**-Schedule 7 of the Franchise Agreement contains the form of Promissory Note that you must sign for us to extend financing to you.

³ **Corporate Guarantee**- If the franchisee is a corporation, each officer and shareholder of the franchisee must execute a personal guaranty for the note, agreeing to be personally and jointly and severally liable for its repayment. Schedule 7 has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.

⁴ **Intent to Sell**-We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.

⁵ **Commissions/Rebates**-We do not receive any direct or indirect payments or other consideration for placing financing.

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

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

Pre-Opening Obligations

Initial Training. We provide an Initial Training program in Hanover, Pennsylvania, online, or at another designated area, at our choosing. The topics covered in Initial Training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.4). The Initial Training must be completed within 60 days of signing the Franchise Agreement. If any in-person training is required, the franchisee will be responsible for their travel, hotel, and food. (Franchise Agreement, Section 6.2).

Site Selection. We do not provide site selection services. However, we may give guidance regarding site selection. You will need to lease approximately 1,000-1,500 square feet of separate commercial office/warehouse or flex space for your equipment, supplies, and inventory. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site. Any proposed site within your Territory will be deemed approved if we do not approve or disapprove within 30 days. If you do not locate a site to begin operations within 4 months of signing the franchise agreement, we may, in our sole discretion: (1) allow more time; (2) terminate the Franchise Agreement without any refund to you; or (3) require you to immediately begin making monthly payments of an amount equal to the Minimum Monthly Royalty Fee. (Franchise Agreement, Section 3.1).

We consider the following factors when reviewing a proposed site: (i) population density, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) accessibility, (vii) traffic, (viii) size, (ix) condition and character, (x) parking, and (xi) available signage.

We do not generally own the premises and lease it to you and we do not provide assistance with your lease or purchase negotiation.

Conforming and Buildout. We do not provide assistance with conforming the premises to local ordinances and building codes. We do not provide assistance with obtaining any building permits, or with constructing, remodeling, or decorating the premises.

Assistance to Hire and Train Employees. You are solely responsible for hiring, firing, compensating, withholding, and remitting applicable payroll taxes and day-to-day supervision and control over your employees. The Operations Manual may recommend best practices on how to hire and train employees; however, nothing in the Operations Manual will be construed to shift control over your employees to us. We do not provide further assistance with hiring or training employees. (Franchise Agreement 5.5).

Assistance to Obtain Equipment, Signs, Fixtures, Opening Inventory, and Supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items. (Franchise Agreement, Section 5.6).

Operations Manual. We provide access to our Operations Manual, franchisee portal or dashboard, and other written and visual materials (collectively, our “Manuals”) to offer guidance in the operation of your Franchised Business. You are required to operate your Franchised Business in compliance with the current and any future versions of the Manuals. (Franchise Agreement, Section 5.1).

Length of Time Before Opening: The typical length of time between signing of the Franchise Agreement and opening of your outlet is 2-4 months. You agree to begin operations and be open for business no later than 4 months from the time both parties execute the Franchise Agreement. If you do not begin operations within this timeframe, we may, in our sole discretion: (1) allow more time; (2) terminate the Franchise Agreement without any refund to you; or (3) require you to immediately begin making monthly payments of an amount equal to the Minimum Monthly Royalty Fee. (Franchise Agreement, Section 3.1).

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) enter into a lease or purchase agreement; (3) comply with zoning; (4) obtain licenses and permits; (5) perform construction/remodeling; (6) weather conditions; (7) acquire and install furniture, fixtures, equipment, and signage; and (8) hire and train staff.

During the Operation of the Franchise:

Marketing Support. We offer marketing assistance and support. (Franchise Agreement, Section 3.13).

Additional Training or Seminars. We may elect to require or offer additional training or seminars. (Franchise Agreement, Section 5.4.B).

Establishing Prices. We do not establish prices at which the franchisee must sell its products and services. We may make pricing recommendations based on industry wide standards and the going rates in the particular market as part of the initial and ongoing training. We may also include such pricing recommendations in the Manuals. This information is solely for training and educational purposes. Each franchisee is solely responsible for establishing their own prices.

The Advertising Program for the Franchise System:

Our Obligation to Conduct Advertising. We may use online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside national or regional agencies. We are not required to spend any amount on advertising in the area or Territory where you will be located. Further, we are not obligated to advertise for the franchise system. (Franchise Agreement, Section 2).

Corporate Website. We will develop and maintain a website to advertise, market and promote your Franchised Business, the services your Franchised Business offers and sells, and/or the Franchised Business Franchise Opportunity. Within the website, we will that contains your location's contact information. (Franchise Agreement, Section 3.4)

Digital Marketing. We may create, operate, and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, LinkedIn, TikTok and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 3.5).

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 3.8).

Print Material. We supply you with templates of fliers, coupons, and other print material. (Franchise Agreement, Section 3.7).

Use of Your Own Advertising Material. Your advertising promotion and marketing must be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that we periodically prescribe. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 3.8).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business without first obtaining our written approval. (Franchise Agreement, Section 3.10).

Local Advertising. We recommend that you spend a minimum of the greater of \$20,000 or 3-5% of Gross Revenue per year on local advertising pursuant to our guidelines. (Franchise Agreement, Section 3.2(B)).

Advertising Fund. We maintain a brand development fund (the "Advertising Fund"). You are required to contribute one percent (1%) of your Gross Revenues per month into our Advertising Fund. Company outlets are not required to contribute to the Advertising Fund. We administer the Advertising Fund. The Advertising Fund will not be audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request. We will not use Advertising Funds to solicit new franchisees.

In our last fiscal year ending December 31, 2024, the Advertising Fund spent all of its funds except for \$1,971.56 (3%), which was carried over to be used in 2025. The 2024 Advertising Funds were spent as follows:

Category	Percent
Production	21.3%
Media Placement	7.05%
General/Subscriptions	69.2%
Administrative Expenses	2.53

Advisory Council. As of the Issuance Date, we do not have an advisory council but reserve the right to form one in the future. If we establish a Franchisee Advisory Council (“FAC”), it will be composed of franchisees that advises us on operational and advertising policy. We will select the members. The FAC will serve in an advisory capacity only. We have the power to form, change, or dissolve the advertising council.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Computer Systems:

Specifications. You will need an e-mail account, computer with internet access, and printer to operate the franchise. The computer system will be used by you to solicit clients, manage scheduling of clients, and manage your Franchised Business. You will generate and store data on your computer relating to business clients, vendors, and transactions. This information must be secured and safeguarded by you.

You must obtain and use in your Franchised Business a Windows compatible computer with high speed Internet access and video conferencing following these minimum guidelines:

Category	Operating Requirements
Operating System and Software	Currently supported Windows Operating System Currently supported Microsoft Office Professional Appropriate Antivirus Software Current versions of Adobe Acrobat
Processor Speed, Memory, Disk Space	Adequate to operate the above software
Internet	Access to Internet connection

You may obtain your computer hardware from any vendor so long as the computer system meets our requirements. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the computer system. We reserve the right to change the computer system at any time and require you to update and upgrade your system. There are no contractual limits on the frequency and cost of your obligations to maintain, upgrade, and update the computer systems in conformance with our directives. We need not reimburse you for any costs that you incur due to a change in the computer system. We estimate that the cost of the computer system and other equipment listed above is up to \$3000.

Neither we, nor any affiliate or third party, is obligated to provide ongoing maintenance, repairs, upgrades, or updates for the computer system; however, we will do so to the extent practicable under the circumstances.

We currently do not require that you purchase a maintenance, repair, upgrade, or update service contract for the computer system, but we reserve the right to do so in the future. The current annual cost of a service contract is about \$1,500.

Independent Access to Information. There are no contractual limits imposed upon our access to a your computer information. We have and you are required to provide independent access to the information that will be generated or stored in your computer systems which includes, but is not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request. (Franchise Agreement, Section 6.4(B)).

Operations Manual. The Operations Manual is provided in digital format through a web-based portal, which also contains the other written and visual materials. The Manuals along with all other information posted on our web-based portal is confidential and remains our property. Exhibit F contains the Table of Contents to the Operations Manual. The Operations Manual is available to our franchisees online and contains approximately 307 pages.

Initial Training Program. After you sign the Franchise Agreement and no later than six weeks before the opening of your Franchised Business, we provide an Initial Training Program as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on-the-job Training	Location ¹
CR3 American Exteriors Overview	2.00	0.00	Hanover, PA
Financials 101	1.00	0.00	Hanover, PA
Marketing	4.00	0.00	Hanover, PA
Pricing to job	2.00	0.00	Hanover, PA
Vendor Relationships	2.00	0.00	Hanover, PA
Supplies and Materials	1.00	0.00	Hanover, PA
Technology	1.00	0.00	Hanover, PA
Due Diligence	1.00	0.00	Hanover, PA
Operations	4.00	0.00	Hanover, PA

Getting Started	4.00	4.00	Hanover, PA, on-line or Your location
Post-In-Person Training - Operations	0.00	4.00	On-line or Your Location
Total	22.00	8.00	

Note 1- We presently hold Initial Training in Hanover, PA or online, at our choosing.

Instructors:

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

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

We hold Initial Training classes quarterly, or more often if necessary.

The instructional material includes the Manual, lectures, demonstrations, discussions, practice, and forms.

We do not charge for you to attend Initial Training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend Initial Training. (Franchise Agreement, Section 6.2(A)).

We require that you or, in the case of an entity, your principals, attend Initial Training. You may enroll your management personnel upon our approval. Your successful completion of Initial Training to our satisfaction is required to operate a franchise within 60 days of signing the Franchise Agreement. We advise you during or immediately after Initial Training if you have successfully completed the course. (Franchise Agreement, Section 6.2(A)).

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. You must pay any travel and living expenses that you or we incur to attend training or certification. (Franchise Agreement, Section 6.2(B)).

ITEM 12 **TERRITORY**

We will grant you a Territory for a specific geographic region that we define by zip codes, natural, or political boundaries. A Territory will normally include a minimum population of approximately 500,000 residents, as determined by the U.S. Census Bureau or mapping software that we feel is reliable. The franchise is for a specific location and will be designated on Schedule 1 of your Franchise Agreement.

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

While you will not receive an exclusive territory, your Territory will be protected in that we will not establish a company-owned location or allow another person to establish a franchised outlet selling the same or similar goods or services under the same or similar trademarks or service Marks within your Territory, except as described in this Item 12.

Our territories are not entirely exclusive, because you (and other franchisees of ours) may accept customers outside of your (or their) territory through general networking or referrals from existing customers. However, other activity outside of the Territory is restricted. You may not solicit clients outside of your Territory, through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing. We will permit you to utilize internet and social media marketing; however, you must take commercially reasonable efforts to ensure such marketing is geocentric and tailored to your Territory. Further, if more than 25% of your Gross Revenues are derived from approved operations from outside your Territory in any 12-month period during the term of your franchise agreement, then you must either purchase an additional franchise and execute a separate franchise agreement for such territory or purchase the right to expand the geographical boundaries of your existing Territory.

We may approve relocation of the Franchised Business if we feel that conditions have changed such that a relocation represents a sound business decision.

We may grant to you the approval to open additional outlets within your Territory if circumstances so permit, such as within other businesses with whom we have formed a relation, or if there is a population increase. We may grant you additional franchise Territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another Territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

Continuation of your territorial rights during the term of the Franchise Agreement does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise Territory, even if there is a population increase in your Territory. However, your right to operate a Franchised Business in the Territory is subject to certain rights reserved by

us. We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:


- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (c) to establish and operate, and grant rights to others to establish and operate a Franchised Business or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement;
- (e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (g) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

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

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ITEM 13 TRADEMARKS

The Franchise Agreement licenses to you the right to use the following principal trademarks (“Marks”) registered with the U.S. Patent and Trademark Office (“USPTO”):

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

We intend to file all affidavits and to renew registration for the Marks when they become due.

You must use the Marks in strict compliance with the rules we prescribe and only in connection with the conduct of the Franchised Business. We prohibit you from using the Marks in connection with the sale of any unauthorized service, or in any manner not expressly authorized in writing by us.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or

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

If we discontinue or modify our Marks, you must adopt and use any new Marks as required by us. Any expenses you incur because of adopting and using these Marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

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ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright to our Operations Manual, all other content of our Manuals, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your Franchise Agreement, you must return to us our Operations Manuals and any confidential information.

There are no material determinations of the U.S. Copyright Office or a court regarding our copyrights. There are no agreements that limits the use of our copyrights, except the confidentiality duties in your Franchise Agreement, which requires you to keep our confidential information confidential. We have no duty to protect our copyrights or defend you against claims arising from your use of our copyrighted items. We do not know of any copyright infringement that could materially affect you. We are not required to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third party establishes to our satisfaction, in our discretion, that it possesses copyright or patent rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions.

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

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

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

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

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

Unless we approve your employment of an on-site general manager to operate your CR3 American Exteriors Franchise, you (if you are an individual) or one of your principal owners, officers, directors, or employees approved by us (if you are a legal entity) must actively participate in the actual operation of the franchise, and devote as much of your time as may be reasonably necessary for its efficient operation. If we agree to your employment of a general manager to supervise the day-to-day operation of your franchise, then the general manager will be the contact for the franchise, must have full authority to make decisions on your behalf and take actions as we may require in the operation of the Franchised Business and agree to abide by the terms of confidentiality and non-competition in the Franchise Agreement. You must not hire any general manager without our prior written approval of his or her qualifications. Each general manager and successor general manager must attend and successfully complete our Initial Training program for your franchise. The use of a general manager in no way relieves you of your obligations to comply with the Franchise Agreement and to ensure that your CR3 American Exteriors Franchise is operated properly.

If you fail to adhere to the above obligations, such failure will be deemed a default under the Franchise Agreement and, to ensure the continued integrity of the Marks and franchise system generally, we may service and manage all client accounts of the business on a temporary basis until you cure the default. We do not require that the general manager have an equity interest in your franchise, but he or she cannot have any interest in or business relationship with any business competitor of your franchise, and must sign a written agreement to maintain confidential the proprietary information described in Item 14 and conform with the covenants not to compete

Obligations of Owners.

If your CR3 American Exteriors is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you transfer your Franchise Agreement or any related interest to a business entity you own, you will remain personally bound by the terms of the Franchise Agreement. However, your spouse is not required to guarantee your performance under the Franchise Agreement.

You and your owners must at all times faithfully, honestly and diligently perform your and their obligations under the Franchise Agreement. You and they must continuously exert your and their best efforts to promote and enhance your franchise. Neither you nor your owners can engage in any other business or activity that may conflict with your or their obligations under your Franchise Agreement. You and any designated manager must pass a background check. However, your designated manager is not required to have an equity interest in the franchisee if it is an entity.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

If you operate a CR3 American Exteriors, you must offer, sell, and perform only those services and products we require or have approved from time to time. You must not offer or sell any products or perform any services that we have not authorized.

You may offer your services to any customers consistent with your territorial rights.

You must offer all services that we designate as required for all franchisees. Our System Standards may regulate required or authorized Products and Services. We have the right to change or add new or additional Products and Services that you must offer at your CR3 American Exteriors Franchise. There are no restrictions or limitations on our right to do so.

You will not, during the duration of the Franchise Agreement and for a period of two (2) years after expiration or termination of the Franchise Agreement, in the Territory or within twenty-five (25) miles of the boundaries of the Territory (“Restricted Market”), provide or offer to provide prospective clients services of a similar kind or nature (“Restricted Activities”). For the avoidance of doubt, Restricted Activities include directly or indirectly owning, managing, or providing services to a third party that sells offers or provides a similar service as your Franchised Business. This restriction applies even if you sell your Franchise Business.

You must operate the Franchised Business in strict conformity with all applicable federal, state, and local laws, ordinances, and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all laws, ordinances, and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE
RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	1.2.A	10 years.
b. Renewal or extension of the term	1.2.B	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.2.B	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must notify us in writing at least 180 days before the expiration, sign a new Franchise Agreement along with a general release of claims, and pay a renewal fee (if any). Currently, there is no renewal fee. The new Franchise Agreement will not contain materially different terms and conditions than your original contract. This entire provision is subject to state law.
d. Termination by franchisee	8.2	You may terminate the agreement if you sell the franchise pursuant to the terms of the Franchise Agreement, do not renew, or under any grounds permitted by applicable state law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	8.3	We can terminate only if you default, subject to state law.
g. “Cause” defined – curable defaults	8.4	Violate the agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice. This entire provision is subject to state law.
h. “Cause” defined – non-curable defaults	8.3	Do not pass Initial Training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, you or your principals, employees,

Provision	Section In Franchise Agreement	Summary
		or affiliates engage in, encourage, or threaten acts of violence, harassment, or intimidation against us, our employees, other franchisees or customers, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; intentionally understate payment amounts to us, fail to pay amounts due within 5 days if an audit reveals you understated payment amounts to us, or commit three or more breaches within 12 months. This entire provision is subject to state law.
i. Franchisee’s obligations on termination/renewal	8.6	Cease operations and stop using our Marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents. This entire provision is subject to state law.
j. Assignment of contract by franchisor	7.1	We may assign to a successor an interest who remains bound by terms of the franchise agreement.
k. “Transfer” by franchisee - defined	7.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business, subject to state law.
l. Franchisor’s approval of transfer by franchisee	7.2	We have the right to approve all transfers, subject to state law.
m. Conditions for franchisor’s approval of transfer	7.2	<p>You must be:</p> <ul style="list-style-type: none"> -current in monetary obligations; -in compliance with the Franchise Agreement; -execute any transfer, amendment, or release forms that we may require; -provide to us a copy of the proposed transfer documents; -transferee must meet our criteria; -transferee must execute our then-current Franchise Agreement; -pay to us the Transfer Fee; -transferee must satisfactorily complete our Initial Training program; -comply with the post-termination provisions; -transferee must obtain necessary licenses and permits; -obtain any lessor approval for transfer;

Provision	Section In Franchise Agreement	Summary
		<p>-the transfer must be made in compliance with any laws that apply to the transfer;</p> <p>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;</p> <p>-you must request that we provide the prospective transferee with our current Franchise Disclosure Document.</p> <p>This entire provision is subject to state law.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	7.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	7.6.C	We will have the right to purchase the Franchise Business or interest in the Franchise Business for the price and upon the terms in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase. This entire provision is subject to state law.
p. Death or disability by franchisee	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current agreement.
q. Non-competition covenants during the term of the franchise	8.7	No competition allowed in the United States and its territories (subject to applicable state law).
r. Non-competition covenants after the franchise is terminated or expires	8.7.A	<p>You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years (subject to applicable state law).</p> <p>A "Competitive Business" is a business that offers, sells, and performs roofing and/or remodeling services for commercial and/or residential customers.</p>
s. Modification of the agreement	10.2	No modifications except to our Manuals or as you and we may mutually agree in writing. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the agreement.

Provision	Section In Franchise Agreement	Summary
t. Integration/merger clause	10.1	Only the terms in the Franchise Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in any Franchise Agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document (subject to applicable state law).
u. Dispute resolution by arbitration or mediation	9.6,9.7	You agree to mediate and arbitrate claims against us (subject to applicable state law).
v. Choice of forum	9.9	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	9.10	Virginia law governs (subject to applicable state law).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2022	0	0	0
	2023	0	8	+8
	2024	8	12	+4
Company-Owned*	2022	5	5	5
	2023	5	3	-2
	2024	3	4	+1
Total Outlets	2022	5	5	0
	2023	5	11	+6
	2024	11	16	+5

*Company-Owned outlets are operated by our Affiliates as described in Item 1.

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

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

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Table No. 3
Status of Franchise Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Ter-minations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Arizona	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	1	1
Delaware	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Georgia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Maryland	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Michigan	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	1	0
North Carolina	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	2	0	0	0	0	4
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	1	1
Texas	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	1	0
Total	2022	0	0	0	0	0	0	0
	2023	0	8	0	0	0	0	8
	2024	8	8	0	0	0	4	12

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year*
Delaware	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
Maryland	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
North Carolina	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
Pennsylvania	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
South Carolina	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Virginia	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Total	2022	5	0	0	0	0	5
	2023	5	0	0	0	2	3
	2024	3	1	0	0	0	4

*Company owned outlets are operated by our Affiliates as described in Item 1.

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

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	0	0
Florida	0	2	0
Georgia	0	2	0
Maryland	0	2	0
Massachusetts	0	1	0
Michigan	0	3	0
New York	0	2	0
North Carolina	1	1	0
South Carolina	1	1	0
TOTALS	2	14	0

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

Exhibit E-2 contains the name and last known address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

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

ITEM 21 **FINANCIAL STATEMENTS**

Exhibit C contains our audited financial statements for fiscal year ending December 31, 2024, 2023, and 2022, along with an unaudited balance sheet and profit and loss statement as of March 31, 2025.

Our fiscal year end is December 31.

ITEM 22 **CONTRACTS**

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

Exhibit B - Franchise Agreement
Schedule 1-Territory
Schedule 2-Minimum Requirements
Schedule 3-Automatic Bank Draft Authorization
Schedule 4-Telephone Number Assignment
Schedule 5 Personal Guaranty
Schedule 6-Release
Schedule 7-Promissory Note

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.

ITEM 23 **RECEIPTS**

Exhibit H contains two copies of a Receipt of our Disclosure Document. You must sign, date and deliver one copy of the Receipt Page to us for our records.

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**EXHIBIT A-STATE SPECIFIC ADDENDA TO THE FRANCHISE
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following State Specific Addendum applies to the Tectum Franchising LLC d/b/a CR3 American Exteriors Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated _____ and all related agreements.

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

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CALIFORNIA

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Agreement contains provisions that are inconsistent with the law, the law will control.

The Franchise Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et. seq.*).

The Franchise Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a *et. seq.*, suspending or expelling such persons from membership in such association or exchange.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement require application of the laws of **Virginia**. This provision may not be enforceable under California law.

The franchise agreement requires a shortened statute of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

OUR WEBSITE, www.cr3america.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PRETECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

The highest interest rate allowed by law in California is ten percent (10%) annually.

Item 5 of the FDD is modified with the addition of the following language: “The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.”

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.”

Special Risks to Consider About *This* Franchise

California requires that the following risk(s) be highlighted:

Unregistered Trademark. The primary trademark that you will use in your business is not federally registered. If the franchisor’s right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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HAWAII

Item 5 of the Franchise Disclosure Document and Item 4.1 of the Franchise Agreement are modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from Hawaii franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

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ILLINOIS

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

Illinois law governs the Franchise Agreement.

- a In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
- b The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- c In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

Item 5 of the FDD and Item 4 of the Franchise Agreement are modified with the addition of the following language:

“Payment of the Initial Fees will be deferred until Franchisor has met its obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.”

The Franchisor reserves the right to implement “cross-territorial protocols”. Make sure you ask and understand how such protocols will impact your franchised business and territory.

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.

See the last page of this Exhibit A for your signature.

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INDIANA

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

1. Item 8, “Restrictions on Sources of Products and Services,” is supplemented by the addition of the following:

Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

2. Item 6, “Other Fees” and Item 9, “Franchisee’s Obligations”, are supplemented, by the addition of the following:

The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee’s reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.

3. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” is supplemented, by the addition of the following:

A. Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

B. Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

C. ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.

D. ITEM 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

E. ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

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MARYLAND

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Franchise Disclosure Document (FDD) and/or Franchise Agreement (FA) are inconsistent with the terms below, the terms below control.

Item 17.b. of the FDD and Section 1.2.B of the FA is modified to also provide,

“The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability *under the Maryland Franchise Registration and Disclosure Law*.

Item 17.u. of the FDD and Section 9.7 of the FA is modified to also provide,

“This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

Item 17.v. of the FDD and Section 9.8.A of the FA is modified to also provide,

“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 5 of the FDD and Section 4.1 of the FA are modified with the addition of the following language,

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.”

The Franchisee Agreement is amended to provide,

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

The provision in the FA which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).

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.

This Addendum must be executed simultaneously with the Franchise Agreement by signing the State-Specific Addendum Acknowledgment located on the last page of Exhibit A.

MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations;
 - (iv) The failure of the franchisee or proposed transferee to

pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

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

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MINNESOTA

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

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

FDD: Item 17

FA: Section 9.10

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

FDD: Item 17

FA: Section 8

3. The Disclosure Document and the agreement must state that the franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name.

FDD: Item 13

FA: Section 5

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

FDD: Item 17

FA: Section 1.2.B

5. Minn. Rule 2860.4400J prohibits termination penalties.

FDD: Item 17

FA: Section 8

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

FDD: Item 17

FA: Section 9.5.A

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

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

FA: Section 2.1 is modified to provide, “Payment of the Initial Fee is deferred until you have opened the franchised business.”

8. Franchisors training is designed to teach you to operate the franchised business but is not designed to teach you to install (or construct) the Products and Services offered by the franchised business.

Special Risks to Consider About *This* Franchise: The Special Risks to Consider About *This* Franchise Cover Page is modified to add:

Additional Construction Experience Required. The training program provided by the franchisor (see Item 11) is not designed to provide the knowledge and skills that will be necessary to operate the franchise business. Franchisees will either need to possess the additional knowledge and skills themselves, or hire employees that possess the knowledge and skills, to be able to provide the franchise’s required products and services professionally and safely.

9. “NSF checks and related interest and attorneys’ fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys’ fees.”

FDD: Item 5

FA: Section 4

10. “Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.”

FDD: Item 15

FA: Section 6

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 (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.”

FDD: Item 22

FA: Section 10.7

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NEW YORK

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

1. Cover Page

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “**Summary**” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “**Summary**” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “**Summary**” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

As to franchises governed by the North Dakota Franchise Investment Law, if any of the terms of the Disclosure Document and/or Franchise Agreement are inconsistent with the terms below, the terms below control.

Item 17(c) of the Franchise Disclosure Document, and Section 1.2.B of the Franchise Agreement (FA) require franchisee to sign a general release upon renewal of the franchise agreement. The general release required as a condition of renewal, sale, and/or assignment /transfer shall not apply to any liability under the North Dakota Franchise Investment Law.

FDD: Item 17(c)

FA: Section 1.2.B

To the extent that Item 17 (r) of the Disclosure Document and Section 8.7 the Franchise Agreement conflict with the provisions of North Dakota law regarding restrictive covenants (N.D.C.C., Sec. 9-08-06), such covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

To the extent that Item 17 (u) of the Disclosure Document, Section 9.10 of the Franchise Agreement require a Franchisee to agree to arbitration or mediation of disputes be held in Virginia, they are hereby amended to expressly permit arbitration or mediation be held in North Dakota for claims arising under the North Dakota Franchise Investment Law.

FDD: Item 17(u)

FA: Section 9.10

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

FDD: Item 17 (v)

FA: Section 9.10

Item 17 (w) of the Disclosure Document, and Section 9.9 of the Franchise Agreement provide that Virginia law governs the document and agreement except for certain provisions. As required by North Dakota law, the North Dakota Franchise Investment Law will prevail over Virginia law to the extent of any conflict.

Section 9.8.A of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is hereby amended to state that the statute of limitations under North Dakota law will apply.

Section 9.8.C of the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is deleted in its entirety.

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: 'The franchisor defers the collection of all initial fees from North Dakota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.'

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RHODE ISLAND

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

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

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

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

Rhode Island law applies.

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: 'The franchisor defers the collection of all initial fees from Rhode Island franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.'

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SOUTH DAKOTA

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from South Dakota franchisees until the franchisee is open for business.’” Please see the attached Exhibit A.

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VIRGINIA

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

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

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

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

Item 5 of the Disclosure Document and Item 4 of the Franchise Agreement is modified to also provide: “The franchisor defers the collection of all initial fees from Virginia franchisees until the franchisor has completed all its pre-opening obligations.”

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Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and Related Agreements

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Item 6 of the of the Franchise Disclosure Document and Section 3.1 and Schedule 2 (Minimum Requirements) are modified in that the minimum monthly royalty fee will only begin if the franchisee opens for business.

20. Section 7 of the Franchise Agreement is modified to state the Franchisor may not unreasonably withhold its consent to transfer.

21. Section 8.9 of the Franchise Agreement is modified to state that the following language does not apply:

“the existence of any Claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.”

22. Section 9.8(A) of the Franchise Agreement does not apply.

23. Section 10.8 of the Franchise Agreement does not apply to claims arising under the Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

24. Section 10.10 of the Franchise Agreement does not apply.

25. The \$2,000.00 monthly Minimum Royalty Fee does not apply.

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

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

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

John Hewitt's post termination involvement: Hewitt was Chairman of the Board and CEO at liberty tax. Although he was terminated as CEO, Hewitt remained Chairman of the Board because he was the sole holder of the Class B common stock of Liberty. During a period of in-fighting, Hewitt replaced two of the directors of the board and another member resigned. The Chief Financial Officer also resigned. Ultimately, Hewitt reached an agreement to sell his ownership interest in Liberty and relinquish control of the Board. It was alleged that Hewitt continued to interact with franchisees and area representatives for Liberty during the transition. The Audit Committee of the Board of Directors of Liberty oversaw the investigation of the allegations and the report prepared by the Audit Committee was not provided to Hewitt.

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

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

FORM 8-K

CURRENT REPORT

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

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

LIBERTY TAX, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-35588
(Commission File Number)

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

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

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

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

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

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

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

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

Item 4.01. Changes in Registrants Certifying Accountant.

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

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

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

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

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

Item 8.01. Other Events.

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

Forward Looking Statements

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

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

1/11/23, 8:52 AM

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

SIGNATURES

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

LIBERTY TAX, INC.

Date: December 11, 2017

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

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

Signature of Franchisor Representative

Signature of Franchisee Representative

Title of Franchisor Representative

Title of Franchisee Representative

WISCONSIN

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

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

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

FDD: Item 17

FA: Section 9.10

2. Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement permit Franchisor to terminate, cancel, not renew, or make a substantial change in competitive circumstances in the Franchise Agreement, without cause under certain circumstances. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement are hereby amended to prevent the termination, cancellation, non-renewal, or substantial change in competitive circumstances of the Franchise Agreement without good cause.

FDD: Item 17

FA: Section 8

3. Item 17 of the Franchise Disclosure Document and Section 8.3 of the Franchise Agreement permit the Franchisor to terminate the Franchise Agreement without providing the Franchisee ninety (90) days prior notice of the proposed termination or sixty (60) days to cure the deficiency. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 8.3 of the Franchise Agreement are hereby amended to require that prior to the termination of the Franchise Agreement Franchisor must provide Franchisee ninety (90) days written notice of a proposed termination, which states all the reasons for the termination, cancellation, non-renewal or substantive change in circumstances, and the Franchisee shall be given sixty (60) days from the date of delivery or posting of such notice to rectify any claimed deficiency. If the deficiency is rectified within the sixty (60) days, the notice shall be void. The notice provisions shall not apply if the reason for termination, cancellation or non-renewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation or non-renewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above,

however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD: Item 17

FA: Section 8.3

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ACKNOWLEDGMENT

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the ____ day of _____, 20__, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect, and the parties further acknowledge and agree that this State-Specific Addendum is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addendum.

DATED this ____ day of _____, 20__.

FRANCHISOR:

FRANCHISEE:

CR3 American Exteriors LLC

By:

By:

Title:

Title:

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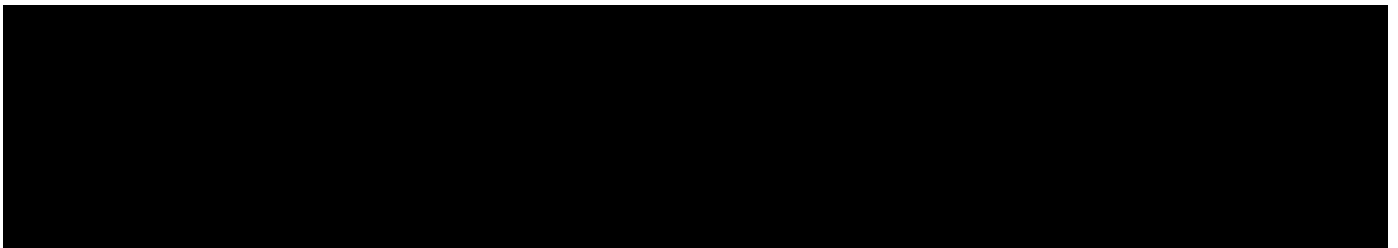
EXHIBIT B-
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT



SUMMARY PAGE

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



SINGLE UNIT FRANCHISE AGREEMENT

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

RECITALS

CR3 American Exteriors has developed a system (“Franchise System”) to offer, sell, and perform roofing and remodeling services for commercial and residential customers within a defined territory (collectively the “Services”). The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding service to property owners (“Clients”).

We seek to identify and recruit candidates with the ability to deliver outstanding Client service in a defined Territory who are willing to own at least one Franchised Business.

Franchisee seeks to use the Franchise System and the Services to profitably deliver an outstanding Client experience.

For mutual promises expressed in this Agreement, along with other valuable consideration, the receipt of which is acknowledged, CR3 American Exteriors and Franchisee (collectively “the Parties”) will be bound as follows:

1. **Scope**

1.1. Franchise Relationship

A. Grant of Franchise

CR3 America Exteriors grants you the right to operate a company (“Franchised Business”) using our System and our Marks to provide Services solely within the geographical boundaries identified in Schedule 1 (the “Territory”) by and through the Franchisee Business Entity identified on the Summary Page and signature page of this Agreement (or as a sole proprietor or partnership if there is no business entity), subject to the terms and conditions of this Agreement.

B. Independent Contractors

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

C. Your Employees

As a separate Franchise Business, you have sole and exclusive control over your employees. Neither you nor your employees and agents may make a claim as employees or agents of us for any purpose including participation in an employee benefit plan, stock option program, or workers compensation law.

D. No Unauthorized Commitments.

Similarly, you will not make any promises, guarantees or warranties to any third party that would create a binding obligation for us without our prior written consent.

E. Reserved Rights.

We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

- (i) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;
- (ii) implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (iii) establish and operate, and grant rights to others to establish and operate a Franchised Business or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (iv) own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement;
- (v) operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (vi) negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (vii) engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

1.2. Term and Renewal

A. Term.

This Agreement will be effective for a ten (10) year term beginning on the Effective Date specified in this Agreement.

B. Renewal and Subsequent Renewals.

You may renew for another term, consistent with the standard term in the then existing model Franchise Agreement, by signing our then current Franchise Agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future Franchise Agreements for additional terms, consistent with the standard term in the then existing model Franchise Agreement, if you are in compliance with such Agreements and meet the other conditions for renewal by signing our then current Franchise Agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least one-hundred and eighty (180) days before the expiration of this Agreement.

2. Territory

2.1. Territory Description

We will grant you a Territory for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth on Schedule 1 to this Agreement. A Territory will normally include a minimum population of approximately 500,000 residents, as determined by the U.S. Census Bureau or mapping software that we feel is reliable. We may approve relocation of the Franchised Business if we feel that conditions have changed such that a relocation represents a sound business decision.

2.2. Dual Distribution

A. Non-Exclusive

You will not receive an exclusive Territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control as set forth in this Agreement. However, the Territory will be protected in that we will not establish a company-owned location or allow another person to establish a franchised outlet selling the same or similar goods or services under the same or similar trademarks or service Marks within the boundary of your Territory.

B. Client Choice

You and other franchisees may accept customers outside of your (or their) Territory through general networking or referrals from existing customers. You and other franchisees may not solicit clients outside of your (or their) Territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing. If you engage in internet or social media marketing, you must take commercial reasonable efforts to ensure such marketing is geocentric and tailored to your Territory.

C. Profit Passover

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks; however, we would normally direct inquiries for services from within your Territory to your outlet. We are not obligated to pay compensation to you for soliciting or accepting customers from inside your Territory.

D. Cross-Territorial Protocols

We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

E. Other Brands

We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

F. Development

We or an affiliate may develop, acquire, be acquired by, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory.

2.3. Additional Outlets and Territories

We may grant to you the approval to open additional outlets within your territory if circumstances so permit, such as within other businesses with whom we have formed a relation, or if there is a population increase. We may grant you additional franchise

Territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another Territory. You do not have options, rights of first refusal, or similar rights to acquire additional franchises.

2.4. Minimum Requirements

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise Territory, even if there is a population increase in your Territory.

3. Operation

3.1. Start

You must commence operations within your Territory within four (4) months from the Effective Date of this Agreement. If you do not begin operations within this timeframe, we may, in our sole discretion: (1) allow more time; (2) terminate the Franchise Agreement without any refund to you; or (3) require you to immediately begin making a monthly payment of an amount equal to the Minimum Monthly Royalty Fee.

3.2. Advertising

A. Local Advertising and Promotions.

Your advertising and promotions will conform to the following requirements:

- (i) *You will advertise and promote only in a manner that will reflect favorably on us.*
- (ii) *You will participate in all promotional programs and that we create, offer or advertise.*
- (iii) *Your advertising must comply with federal, state, and local laws.*
- (iv) *We recommend you spend the greater of (a) 2-3% of Gross Revenue or (b) a minimum of \$20,000 per year, on local advertising and promotional efforts, pursuant to our guidelines.*

B. Participation in Advertising Fund

You will contribute one percent (1%) of your Gross Revenues per month into a system-wide advertising fund (the "Advertising Fund"). Franchisor owned outlets do not have to contribute to the Advertising Fund. We administer the Advertising Fund. The Advertising Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request. If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year. We will not use Advertising Fees to solicit new franchise sales.

3.3. Our Obligation to Conduct Advertising

We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or Territory where you will be located. We are not required to contribute to the fund.

3.4. Corporate Website.

We will develop and maintain a comprehensive website that contains your location's contact information.

3.5. Digital Marketing.

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

3.6. Digital Campaigns.

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

3.7. Print Material.

We will supply you with templates of fliers, coupons, and other print material in our sole and absolute discretion and as required under our marketing plan.

3.8. Use of Your Own Advertising Material.

You must use our advertising templates or, if you wish to use your own advertising materials, you may do so if:

- (i) you submit them to us;
- (ii) they conform to the Manuals;
- (iii) they adhere to federal, state, and local law; and
- (iv) we approve them, in writing. If our written approval is not received within fourteen (14) days that we receive the request, then the material is deemed disapproved.

3.9. Business cards.

You may purchase business cards to use in the operation of your Franchise Business in accordance with the Manuals.

3.10. Private Websites.

You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval.

3.11. Social Media.

Any social media used to promote the Franchise Business must be in accord with our Manuals.

3.12. Publicity.

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

3.13. Marketing Support

We offer marketing assistance and support.

3.14. Trademarks

A. Use of our Marks.

We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Franchised Business to the public. You will use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Manuals.

B. Changes to the Marks

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

C. Marks Within a Company Name.

You may not use the words “CR3 American Exteriors” in your corporate name but it must be your “doing business as” name for an entity which is created or used for this Franchised Business, sometimes also called your “assumed name,” “trading as” name, or “fictitious name”. The corporation used for CR3 American Exteriors may not be used for any other business activity and must be used for the Franchised Business.

D. No Confusingly Similar Marks.

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

E. Infringement Claims.

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

F. Control of Proceedings.

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

G. Name and Likeness.

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

4. Fees

4.1. Initial Franchise Fee

Upon execution of this Agreement, you will pay us an Initial Franchises Fee of \$40,000.

The Initial Franchise Fee is non-refundable once we have completed our obligation to provide Initial Training and you have successfully completed Initial Training.

4.2. Royalty Fee

You will pay to us a monthly fee equal to the greater of 6.0% of the monthly Gross Revenues (the "Royalty Fee") or \$2,000.00 per month (the "Minimum Monthly Royalty"). The Royalty Fee will begin your first month in operation; however, the Minimum Monthly Royalty will not start until the seventh (7th) month after you begin operations.

"Gross Revenues" shall mean all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business excluding only sales and use taxes.

4.3. Technology Fee:

You will pay us an initial technology fee of \$1,000 prior to attending Initial Training, which will provide you with a one-month license to use our designated technology platform. This technology must be setup before training because it is utilized during our Initial Training program. After Initial Training, you will pay us our then-current monthly technology fee ("Technology Fee"), The current Technology Fee is \$1,000 per month and includes a license to utilize a third-party technology platform designed to help businesses streamline their operations, enhance customer experiences, and boost their digital presence. We reserve the right change the underlying technology services and to adjust the price of the Technology Fee based on third-party vendor price increases, changes in vendors, or changes in technology. The maximum monthly Technology Fee will be the actual third-party vendor costs incurred plus a 10% administrative fee.

4.4. Third Party Software Fees

You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business as specified in the Manuals. You will reimburse us for any third-party charges we may incur on your behalf.

4.5. On-Site Training Fee

If we provide on-site services at your request, then you will pay to us for travel and living expenses for our staff to travel to you.

4.6. Annual Convention

Either you or a designated person that we approve must attend the Annual Convention. While there will be no admission fee, you are responsible for any travel related expenditures such as lodging, meals and transportation.

4.7. Advertising Fund Contribution

You will contribute 1% of your prior month's Gross Revenue into the Advertising Fund.

4.8. Third Party Charges

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

4.9. Transfer Fee

You will pay to us a fee of 20% of the then current Initial Franchise Fee if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the rights under this Franchise Agreement or in an entity holding this Agreement (the "Transfer Fee"). We do not charge a Transfer Fee for the transfer of a minority interest in the Franchised Business or if the Parties of this Agreement transfer this Agreement into an entity with the same Parties who hold the same percentages of shares.

4.10. Client Refunds

If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You will pay the charges incurred.

4.11. Audit Fee

You will pay to us our cost in performing an audit of your Franchised Business, plus a Late Fee of \$50 per month and interest at a rate of 18% per annum on any underreported amount, if such audit reveals that any payments have been understated by you to us in any report by two percent (2%) or more.

4.12. Payment Terms

Recurring fees, including Royalty payments, and reports are due by the 10th of each month. We reserve the right to modify the payment methods and schedule in our Manuals. We reserve the right to deduct monies that you owe to us from monies that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. Before you may open for business, you will execute an Automatic Bank Draft Authorization in a form substantially similar to that in Schedule 3.

4.13. Credit Card Fee

If we allow you to pay any fee to us by credit card, you also will pay to us the then-current amount charged by the credit card processor.

4.14. Insufficient Funds Fee

You will pay to us a minimum of \$50 per transaction if an electronic transfer or other payment from you to us is declined.

4.15. Late Fees

For overdue amounts, you will pay to us the lesser of twelve percent (12%) per annum or the maximum rate permitted by law on any late payments you owe to us.

4.16. Assistance Fee

In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

4.17. Sales, Excise or Gross Receipts Tax

If required by the federal government, state, or locality in which your Franchised Business is located, the initial franchise fee, royalties, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you will pay to us at the same time and in the same manner as you pay these fees and costs to us.

4.18. Insurance

You are required to maintain the insurance coverages as provided for in the Manuals, which may be updated from time to time.

5. Duties of Franchisor

5.1. Operation Manuals

We provide you access to our proprietary and confidential operations manual, a franchisee dashboard or portal, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (collectively, the "Manuals"). We may disseminate the Manuals electronically.

5.2. Modifications

We may modify the Manuals to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement. You will implement those changes as if they were present when you signed this Agreement.

5.3. Site Selection

We do not provide site selection services. However, we may give advice regarding site selection. You will need to lease approximately 1,000 -1,500 square feet of separate commercial office/warehouse or flex space for your equipment, supplies, and inventory. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) population density, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) accessibility, (vii) traffic, (viii) size, (ix) condition and character, (x) parking, and (xi) available signage.

We do not purchase the facility and lease it to you and we do not provide assistance in lease or purchase negotiation.

5.4. Training

A. Initial Training.

We will provide you an Initial Training course. The Initial Training course will cover fundamental skills necessary to operate your Franchised Business. We presently hold Initial Training in Hanover, PA or online, at our choosing. Successful completion of the Initial Training is mandatory. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur if we offer in-person training in the future. The Initial Training must be completed within sixty (60) days of signing the Franchise Agreement.

B. Additional Training or Seminars.

We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. You must pay any travel and living expenses that you incur to attend training or certification.

5.5. People Management

You are solely responsible for hiring, firing, compensating, withholding, and remitting applicable payroll taxes and day-to-day supervision and control over your employees. The Manuals may recommend best practices on how to hire and train employees; however, nothing in the Manuals will be construed to shift control over your employees to us.

5.6. Signage, Supplies and Sourcing

You agree to follow the Signage, Supplies and Sourcing Policies as defined in our Manuals.

6. Duties of Franchisee

6.1. Commitment

A. Involvement.

You must operate the Franchise Business personally, unless you submit to us a General Manager who attends and successfully completes our initial Franchisee training course, and who is not later disapproved by us; however, you will be responsible to ensure that the General Manager fulfills all your responsibilities under this Agreement. Delegation of tasks to a General Manager does not reduce any liability that you may have under this agreement.

If you fail to adhere to the above obligations, such failure will be deemed a default under the Franchise Agreement and, to ensure the continued integrity of the Marks and franchise system generally, we may select someone to manage your Franchised Business on a

temporary basis until you cure the default. We do not require that the General Manager have an equity interest in your franchise, but he or she cannot have any interest in or business relationship with any business competitor of the Franchised Business and must sign a written agreement to maintain confidential the proprietary information described in Item 5.1 and conform with the covenants not to compete.

B. Products and Services

You must offer, sell, and perform only those services and products we require or have approved from time to time (the “Approved Products and Services”). You must not offer or sell any products or perform any services that we have not authorized.

C. Non-Competition Covenants

You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer the Approved Products and Services other than through the CR3 American Exteriors Franchised Business.

6.2. Training

A. Initial Training.

You and any General Manager working for you must attend and successfully complete our initial franchisee training before you may operate the Franchise Business. We do not charge for Initial Training, but you must pay for any travel and living expenses to attend. The Initial Training must be completed within sixty days (60) days of signing the Franchise Agreement. If any in person training is required, the franchisee will be responsible for their travel, hotel, and food.

B. Advanced Training.

You will attend any advanced or refresher training that we may require either through electronic means or in person. If any in person training is required, the franchisee will be responsible for their travel, hotel, and food.

C. Employee Training.

You will ensure that your employees have any training, licenses, or certifications required by applicable law. We encourage you to send your employees to any training that we provide.

6.3. Operations

A. Adherence to Standards and Specifications

To ensure that the highest degree of quality and service is maintained, Franchisee will operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals.

B. Modification

We may modify the Manuals to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement. You will implement those changes as if they were present when you signed this Agreement.

C. Variance

We have the right, in our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of a particular site or circumstances, the demographics of the trade area, business potential, existing business practices, or any other condition which we deem to be of importance to the successful operation of any particular franchised business. We will not be required to disclose or grant to you a like or similar variance.

6.4. REPORTS AND REVIEW

A. Reports.

You must send us such reports at the frequency and manner that is specified in the Manuals. Presently, you must send to us the reports in the following table:

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

B. Independent Access to Information.

You acknowledge that we have and that you will provide independent access to the information that will be generated or stored in your computer systems which includes, but is not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information, as well as your security camera systems.

C. Inspection and Audit.

We and our designated agents will have the right at all reasonable times to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to send in secret shoppers. And this also includes the right to inspect and copy all books, records, accounts, tax returns and bank statements that may show revenues from the

Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct, and to immediately collect the Audit Fee as provided in Section 4.11 of this Agreement. Additionally, we are permitted to terminate this Agreement without notice and the opportunity to cure if you intentionally understate any payment amount on any report to us.

6.5. Indemnity

You will indemnify, hold harmless, and defend us along with our affiliates, officers, directors, members, partners, employees, and agents (the “Indemnified Parties”) from and against any claim, cause of action, lawsuit, or demand (collectively “Claim”) for damage, liability, cost, or expense including reasonable attorney fees and costs (collectively “Damages”) that relates to or arises from your:

- (i) breach or alleged breach of this Agreement;
- (ii) negligence, or
- (iii) willful misconduct.

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

6.6. Insurance

You will maintain policies of insurance with appropriate limit to cover the risk in this section. Minimum limits are defined in the Manuals. You must name us as “additional insured” and provide a certificate of insurance annually.

6.7. Intellectual Property

A. Ownership

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

B. Client Data

We retain all right, title, and interest in and to the Client Data during and after the Term. You may use Client Data during the Term as permitted by this Agreement and our Manual as long as the use is consistent with applicable law. “Client Data” means any and all information about Clients that may be collected in connection with their use of your Services including, but not limited to, name, telephone number, address, and email address.

6.8. Suggestions

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

6.9. Confidentiality

A. Definition

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

B. Confidentiality

You will not directly or indirectly disclose, publish, disseminate, or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

C. Use

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

D. Storage

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

E. Return

Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

7. Transfer

7.1. Assignment by Us

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

7.2. Transfer by You

We have the right to approve all transfers. You may transfer your interest in this Agreement or your interest in the Franchise Business if you provide Notice to us and:

- (i) you are in full compliance with the Agreement,
- (ii) you are current in all monies owed to us,
- (iii) we approve of the individual or entity to which you are transferring (“Transferee”), which our consent will not be unreasonably withheld,
- (iv) Transferee meets the requirements of Section 7.8.
- (v) you sign the then current transfer and release form,
- (vi) you provide to us a copy of the proposed transaction documents,
- (vii) you pay to use the Transfer Fee,
- (viii) Transferee obtains the necessary licenses and permits to conduct business,
- (ix) you obtain any landlord approval if the facility lease is being transferred,

7.3. Joint Tenancy

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

7.4. Transfer to Controlled Entity

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 7.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a Transfer Fee for this change.

7.5. Transfer within an Entity

A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 7.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable Transfer Fee.

7.6. Right of First Refusal

A. Third-Party Offer

If you receive and desire to accept a written and signed, bona fide offer to purchase or otherwise transfer this Agreement or any interest in it ("Third-Party Offer"), you will grant us the option (the "Right of First Refusal") to purchase the Franchise Business as provided in this Section, pursuant to the same terms and conditions contained in the Third-Party Offer.

B. Notice

Within fourteen (14) days of receipt of a Third-Party Offer, you will forward us a copy of the Third Party Offer and present us with the opportunity to exercise our Right of First Refusal.

C. Option

Upon receipt of the Third Party Offer from you, we will have the right to purchase the Franchise Business or interest in the Franchise Business for the price and upon the same terms and conditions that are contained in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase.

D. Acceptance

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

E. Binding

Upon the giving of such notice by us, there will immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Third-Party Offer.

If we do not exercise our Rights of First Refusal within fifteen (15) days, then you may transfer the Franchise Business or ownership interest according to the Third-Party Offer, provided that you:

- (i) satisfy the conditions in Section 7.2 entitled Transfer by You; and
- (ii) complete the sale within ninety (90) days from the day on which you received the Third-Party Offer.

If you do not conclude the proposed sale transaction within the ninety (90) day period, the Right of First Refusal granted to us will continue in full force and effect.

7.7. Death or Incapacity

A. Definition

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

B. Transfer

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

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

C. New Franchisee

The Transferee(s) must:

- (i) meet the requirements of Section 7.8 entitled Transferee Requirements,
- (ii) complete Initial Training,
- (iii) enter into a new Franchise Agreement on the then current form.

D. Interim Services

An interim operator must meet the Transferee Requirements as defined in Section 7.8, except such interim operator may not enter into a new Franchise Agreement.

We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus ten percent (10%) of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

7.8. Transferee Requirements

The proposed Transferee(s) must:

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

8. Termination

8.1. Effect of Termination

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

8.2. Termination by You

You may terminate this Agreement by not renewing (“Expiration”). On Expiration you must comply with all the provisions of this Agreement that require performance post-termination.

8.3. Termination by Us

We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- (i) If you do not pass our Initial Training in accordance with our passing standards;
- (ii) If you fail to obtain our approval or open on time;
- (iii) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- (iv) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of or plead guilty or no contest to a felony;
- (v) If you or your principals, employees, or affiliates engage in, encourage, or threaten acts of violence, harassment, or intimidation against us, our employees, vendors, suppliers, other franchisees or customers;
- (vi) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more weeks, except when active operation is not reasonably possible, such as because of a natural disaster, illness, or death;
- (vii) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- (viii) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- (ix) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;

- (x) If you or your principals, employees, or affiliates engage in, encourage, or threaten acts of violence, harassment, or intimidation against us, our employees, other franchisees, or customers. For the purposes of this provision, a "threat of violence" includes, but is not limited to, verbal or written threats, physical altercations, or any conduct that would cause a reasonable person to fear for their safety or well-being;
- (xi) You fail to pay suppliers an amount exceeding \$3,000 for more than sixty (60) days;
- (xii) You fail to permit us to inspect or audit your franchise;
- (xiii) You intentionally underreport any payment amount on any report to us;
- (xiv) If an audit reveals that any payment amount was underpaid by you on any report to us by more than 2% and you fail to pay all amounts due within five (5) days; or
- (xv) If you commit three or more breaches of this Agreement, the Manuals, or any other agreement with us, in any twelve (12) month period regardless of whether such breaches were cured after notice.

8.4. Termination by Us with the Opportunity to Cure

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

- (i) You violate any other term or condition of this Agreement, the Franchisee Manuals, or any other agreement with us; or
- (ii) Any amount owing to us from you is more than thirty (30) days past due.

8.5. No Refund of Initial Fee

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

8.6. Post Termination Obligations

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Assist and cooperate in the orderly transfer of the Franchised Business as directed by us and;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);

- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers under your ownership used in the Franchised Business;
- e) Reimburse customers for any fees paid for services not yet rendered;
- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) Deliver to us any paper and electronic copies of the Manuals and any Confidential Information;
- h) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- i) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- j) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- k) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section.

8.7. Non-Compete and No Solicitation

A. In-Term and Post-Term.

You will not, during the Term and for a period of two (2) years after expiration or termination of this Agreement (“Restriction Period”), in the Territory or within twenty-five (25) miles of the boundaries of the Territory (“Restricted Market”), provide or offer to provide prospective clients services of a similar kind or nature (“Restricted Activities”). For the avoidance of doubt, Restricted Activities include directly or indirectly owning, managing, or providing services to a third party that sells offers or provides a similar service as your Franchised Business. This restriction applies even if you sell your Franchise Business.

B. No Solicitation

During the Restriction Period, you will not directly or indirectly provide services of a similar kind or nature to any Client except through the Franchise Business.

C. No Disparagement or Interference

During the Restricted Period, you will avoid intentional conduct that leads any existing Client or vendor to modify their relationship to the harm of the Franchise Business.

8.8. Waiver of Bond

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

8.9. Severability

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

8.10. Interim Remedies.

If we send you a written notice that you are in default of this Agreement, the Manuals, or any other agreement with us, we may elect to immediately impose an interim remedy (the "Interim Remedies"), regardless of whether the default is curable, including the suspension of our obligations under this Agreement. You understand, acknowledge, and agree that our exercise of our right to impose Interim Remedies will not result in actual or constructive termination or abandonment of this Agreement, and that our right to Interim Remedies is in addition to, and apart from, any other right or remedy we may have in this Agreement. If we exercise the right to Interim Remedies, the exercise will not be a waiver of any breach by you of any term, covenant or condition of this Agreement. You will not be entitled to any compensation, including repayment, reimbursement, refund or offsets, for any fees, charges, expenses or losses you may directly or indirectly incur by reason of our exercise and/or withdrawal of any Interim Remedy. Interim Remedies include:

- (a) we may suspend the provision of all technology and software services provided to you through the Technology Fee and as otherwise provided by us pursuant to this Agreement, including any scheduling, point of sale, marketing, and/or website services; and
- (b) we may suspend our ongoing support, and the performance of all other obligations set forth in Section 5 of this Agreement.

9. Dispute Resolution

9.1. Continued Performance

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

9.2. Internal Resolution

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

9.3. Notice

You must provide written notice by sending a letter to our Chief Operating Officer (“COO”) via either certified mail or overnight delivery through a common carrier like FedEx, UPS or DHL. The Notice must contain:

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

9.4. Response

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

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

9.5. Meeting

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

9.6. Mediation

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

1. completing the request for mediation form at:

https://www.adr.org/sites/default/files/Request_for_Mediation.pdf

2. paying the applicable fee, and
3. notifying the other Party.

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

9.7. Arbitration

If a Matter cannot be resolved through Mediation, then the Matter will be resolved pursuant to the then-current Commercial Arbitration Rules of the AAA before a single arbitrator

selected by the AAA. The arbitration proceeding shall be held in the city or county where our corporate headquarters are located at the time of the hearing.

A. Proportionality of Fees

Your attorney must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget will include the maximum number of: a) witness, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator before conducting any discovery or hearings. The Arbitrator must approve any increases in the Budget.

B. Enforceable

In the event such Matter is resolved following submission to arbitration, then the decision and award determined by such arbitration will be final and binding upon both Parties enforceable by any court of competent jurisdiction.

C. Costs

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

9.8. Limitations and Waivers

A. Limitation of Actions.

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

B. Non-Waiver of Breach

The failure of either party to enforce any one or more of the terms or conditions of this Agreement will not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

C. Jury Waiver.

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

D. Class Action Waiver.

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

E. Compensatory Damages.

As to any Claims, you and we will waive our rights, if any, to seek or recover punitive damages.

F. Waiver of Bond.

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

9.9. Governing Law

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

9.10. Jurisdiction and Venue

Venue and jurisdiction for any Claims will be proper solely in arbitration before the American Arbitration Association (“AAA”) in the city or county where our corporate headquarters are located, provided that, nothing in this clause shall bar us from seeking injunctive relief for Claims which may cause irreparable harm, including, but not limited to, the infringement of our trademarks or dissemination of confidential or customer information, in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, Virginia.

10. General

10.1. Entire Agreement

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

10.2. Modification

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

10.3. Third Party Beneficiaries

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries to this Agreement. You are not a third-party beneficiary to any Agreement between us and any other franchisee.

10.4. Survival

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

10.5. Severability Clause

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

10.6. Notices

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

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

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

10.7. Acknowledgements

No statement, questionnaire, or acknowledgment signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10.8. Release of Prior Claims

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

10.9. Counterparts

This Agreement may be executed by the Parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument. The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink.

10.10. Prior Notice of Claims

As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach by providing written notice (“Notice”) to our Chief Operating Office (“COO”) using either certified mail or overnight delivery through a common carrier like UPS or FedEx. The notice must contain: (a) a description of the specific nature of the Claim; (b) all relevant facts; (c) all supporting evidence; and (d) either the specific dollar amount of damages or the action requested to resolve the matter, or both (“Cure”). Failure to timely give such notice shall preclude any claim for damages. You will continue performance under this Agreement after you provide Notice of your Claim and will continue performance under this Agreement while the Claim is being resolved as described in this Agreement

[Signature Page Follows]

10.11. Signature

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

Franchisee Entity: _____

	CR3 American Exteriors	Franchisee Entity
Signature		
Name		
Address		
Date		

	Signator	Signator
Signature		
Name		
Title		
Address		
Date		

SCHEDULE 1-TERRITORY

Your territory shall be as follows:

SCHEDULE 2-MINIMUM REQUIREMENTS

Growth is key. You must use commercially reasonable efforts to deliver all recommended Services. You must use commercially reasonable efforts to participate fully in all marketing programs offered by us. The following table establishes the minimum performance metrics required. Beginning in the seventh (7) month after the execution of the Franchise Agreement and continuing on each year at \$2,000 monthly for the term of your agreement:

Year	Royalty Fee
1	2,000.00 monthly (beginning in month #7)
2	2,000.00 monthly
3	2,000.00 monthly
4	2,000.00 monthly
5	2,000.00 monthly
6	2,000.00 monthly
7	2,000.00 monthly
8	2,000.00 monthly
9	2,000.00 monthly
10	2,000.00 monthly

SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

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

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Tectum Franchising, LLC d/b/a CR3 American Exteriors and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my Franchise Agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify CR3 American Exteriors or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least three (3) days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to fifteen (15) days following issuance of my statement by the above-referenced financial institution or up to sixty (60) days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 4-TELEPHONE NUMBER ASSIGNMENT

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

BACKGROUND

The parties are entering into a Franchise Agreement (“Agreement”).

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

TELEPHONE NUMBER ASSIGNMENT

Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee will pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request,

take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent,

install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings;

disconnect the Listings; and/or

cooperate with Franchisor or its designated agent in the removal or relisting of the Listings.

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

Appointment as Attorney in Fact.

For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform

the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

Governing Law and Survival.

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

FRANCHISEE:	FRANCHISOR:
By:	By:
Signature:	Signature:
Date:	Date:

[Remainder of Page Left Intentionally Blank]

SCHEDULE 5- PERSONAL GUARANTY

This binding contract ("Guaranty") is between:

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

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

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

This Guaranty will not exceed seven hundred and fifty thousand dollars (\$750,000) and will remain in force for ten (10) years from date of execution of the Beneficiary's franchise agreement. Guarantor may revoke this Personal Guaranty only by providing Franchisor written notice via certified mail of its intent to revoke. Revocation will not relieve any obligations incurred prior to receipt of such notice subject to the limit set forth above. Subsequent agreements and credit applications will not serve to alter, supersede or otherwise modify this Personal Guaranty.

Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act ("E-Sign Act"), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act ("UETA") and any applicable state law. Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

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

SCHEDULE 6-RELEASE
[EXAMPLE FORM ONLY]

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

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

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

_____ [insert description]

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

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

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

Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

Approved and agreed to by:

Franchisee	Franchisor
Signature:	
Name:	
Date:	

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

SCHEDULE 7 – PROMISSORY NOTE

FOR VALUE RECEIVED, _____ (each a “Maker”) promises to pay to the order of Tectum Franchising LLC d/b/a CR3 American Exteriors (“Payee”) at 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452 the principal amount of \$ _____ together with interest at the rate of 12% per year.

This Promissory Note (“Note”) will be payable in _____ MONTHLY payments of \$ _____ each plus interest. The first payment is due on _____ and each subsequent payment will be due on the 1st day of each month until this Note is paid in full.

The Maker may prepay this Note, in whole or in part, without penalty, at any time. TIME IS OF THE ESSENCE regarding the payment of any amounts due under this Note.

As security for Maker’s obligations under this Note, Maker grants to Holder a security interest in Maker’s right, title and interest in the Collateral, whether owned now or hereafter acquired. The Security Interest extends into any proceeds of the Collateral including but not limited to bank accounts and insurance payments. Collateral means: (1) All franchise agreements and related agreements, as amended, between Holder and Maker pertaining to Maker’s operation of a franchise business; and (2) All “Accounts” and all “General Intangibles” used by Maker in connection with the franchise business, including (without limitation) all ledgers, files, books, records, and accounts receivables; and (3) Any commissions, fees, concessions or payments of any money due Maker as a sales representative, financial advisor, independent contractor, licensee, business owner, franchisee, stockholder, partner, officer, director or employee with any financial services business; and (4) All “Equipment”, “Supplies” and “Furniture and Fixtures” used by Maker in the franchise business, including all computers, printers, computer networks, telephone systems, fax machines, file cabinets, all office furniture, desks, chairs, tables, signs, panels and calculators.

Maker will enroll in the automatic fund transfer program. Repayment of the principal and interest under this Note will be made by deducting interest then principal amounts from revenue, then remitting the balance to Maker. Interest will be calculated based on a 360-day year consisting of twelve (12) months of 30 days each.

Any of the following will constitute an event of default by Maker under this Note: (1) Failure to pay of any installment of principal or interest when due; (2) Failure any other provision in this Note; (3) Uncured default in any other agreement between Maker and Holder; (4) Death or disability of any Maker; (5) Insolvency of Maker, involving failure to pay debts as they become due or makes an assignment for the benefit of creditors; (6) Maker files or becomes the subject of any petition for relief under the Federal bankruptcy laws or any state insolvency statute; (7) Attachment, levy or garnishment of Collateral by a creditor of Maker; (8) Material change in Maker’s creditworthiness; or (9) Sale or termination of Maker’s ownership rights in the business to which this Note relates.

Upon default, Holder may take any one or more of the following actions without releasing or discharging such Maker from liability on the Note: (1) Require immediate payment of the entire

unpaid balance of this Note and all accrued interest without further notice or demand; (2) Extend the time for payment of any principal, interest or other amount; (3) Renew this Note, in whole or in part; (4) Grant a full or partial release or discharge from liability; (5) Grant a modification of the rate of interest or any other term of this Note. The remedies are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

This Note will be construed in all respects and enforced according to the laws of Virginia. If any term of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or render unenforceable such term in any other jurisdiction. The failure of Holder to enforce any one or more of the terms or conditions of this Note will not be deemed a waiver of such terms or conditions or of Holder's rights to enforce any term and condition of this Note. The Maker will pay all reasonable attorneys' fees and other expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any Collateral. Maker waives the right to a trial by jury in any action in connection with this Note. This waiver is knowingly, willingly and voluntarily made by each Maker. Maker warrants that no representations of fact or opinion have been made by any individual to induce this waiver. Maker represents that Maker had the opportunity to be represented by independent legal counsel selected of Maker's own free will, and that Maker has had the opportunity to discuss this waiver with Maker's counsel.

Each person liable on this Note in any capacity, whether as Maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law.

The Maker will submit monthly financial information to Holder, such as an income statement balance sheet, and supporting documents, as Holder requests from time to time and in the format Holder reasonably requires. The Maker represents and warrants to Holder that the loan evidenced by this Note is being made for approved business, commercial or investment purposes associated with the franchised business. The Maker further represents and warrants that the execution of this Note and the performance of the obligations stated herein have been duly authorized by all necessary action in accordance with all applicable laws.

This Note constitutes the entire understanding of the parties and supersedes all prior negotiations, and undertakings of the parties with respect to the subject matter. This Note and any judgment based upon it may be assigned, transferred or negotiated by the Holder to any person at any time without notice to or the consent of the Maker or any guarantor. This Note will be binding upon the heirs, personal representatives, successors and assigns of Maker and will inure to the benefit of Holder, Holder's successors and assigns. The Maker may neither assign nor transfer this Note or any of its rights without the prior written consent of the Holder. This Note may be executed in counterparts, each of which will constitute an original, but all taken together will constitute a single instrument. This Note may be executed or transmitted electronically. Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act

(“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

Intending to be bound by this Note, both Makers affix the signaturesto signify acceptance on this day_____.

WITNESS the following signature(s) and seal(s):

Maker	Maker
Signature:	Signature:
Name:	Name:
Title:	Title:
Address:	Address:
Date:	Date:

EXHIBIT C
FINANCIAL STATEMENTS

TECTUM FRANCHISING LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE THREE YEARS ENDED DECEMBER 31, 2024



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

TECTUM FRANCHISING LLC

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DASH Business Solutions, LLC

Independent Auditor's Report

To the Members of
Tectum Franchising LLC

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

DASH Business Solutions, LLC

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

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

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

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

DASH Business Solutions, LLC

DASH Business Solutions, LLC
Royal Palm Beach, FL
April 25, 2025

TECTUM FRANCHISING LLC

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

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Statements of Operations
For The Two Years Ended December 31

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

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

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

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

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

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

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

See accompanying Notes to Financial Statements

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

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

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Financial Instruments

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

Accounts Receivable

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

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

TECTUM FRANCHISING LLC

Notes to the Financial Statements

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

Other Assets

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

Concentration of Risk

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

Subsequent Events

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

Advertising Costs

The Company expenses advertising costs as they are incurred.

Revenue Recognition

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

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

TECTUM FRANCHISING LLC

Notes to the Financial Statements

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

Income Taxes

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

NOTE 2 - DUE TO MEMBER

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

NOTE 3 - COMMITMENTS AND CONTINGENCIES

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

NOTE 2 – RECLASSIFICATIONS AND RESTATEMENTS

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

TECTUM FRANCHISING LLC

Notes to the Financial Statements

NOTE 5 - DEFERRED REVENUE

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

NOTE 6 - FRANCHISE AGREEMENT

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

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

Additional Financial Statements (Unaudited)

The following statement applies to the unaudited portion of the financial statements which follow:

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Tectum Franchising LLC

Balance Sheet
As of March 31, 2025

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10000 Checking - Truist 7225	180,350.00
10150 Checking - Truist 1460	1.00
Total Bank Accounts	\$180,351.00
Accounts Receivable	
12000 Accounts Receivable	279,148.27
Total Accounts Receivable	\$279,148.27
Other Current Assets	
12100 Rebates Receivable	
12105 ABC Supply Co	9,845.21
12110 Beacon	3,977.88
12115 CertainTeed	10,000.00
12120 GAF	5,000.00
12125 SRS	17,889.83
Total 12100 Rebates Receivable	46,712.92
12200 Miscellaneous Receivable	17,500.00
12600 Undeposited Funds	0.00
12730 Prepaid Expenses	762.56
Total Other Current Assets	\$64,975.48
Total Current Assets	\$524,474.75
Fixed Assets	
13310 Computers and Software	1,163.88
Total Fixed Assets	\$1,163.88
Other Assets	
13350 Trademark	1,184.00
Total Other Assets	\$1,184.00
TOTAL ASSETS	\$526,822.63

Tectum Franchising LLC

Balance Sheet
As of March 31, 2025

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable	9,711.07
Total Accounts Payable	\$9,711.07
Credit Cards	
23100 Amex	30,465.69
23200 Truist Visa	164.79
Total Credit Cards	\$30,630.48
Other Current Liabilities	
24000 Payroll Liabilities	
24410 Federal Taxes (941/943/944)	3,860.05
24420 Federal Unemployment (940)	126.00
24430 PA Income Tax	232.56
24435 PA Local Tax	375.18
24436 Central York SD PSD 670101	-112.58
24437 Manchester TWP	-112.58
24438 Penn TWP PSD 671002	43.32
24439 South Western SD PSD 671002	43.32
Total 24435 PA Local Tax	236.66
24440 PA LST	26.00
24445 PA Unemployment Tax	342.43
24450 NJ SDI	65.18
24455 NJ SUI	213.96
24460 NJ W/H	399.06
Total 24000 Payroll Liabilities	5,501.90
24600 Deferred Revenue	379,488.30
25000 Due to Fryfogle Luterman	-9,344.36
Direct Deposit Payable	0.00
Total Other Current Liabilities	\$375,645.84
Total Current Liabilities	\$415,987.39
Total Liabilities	\$415,987.39
Equity	
31000 Contributed Capital-Fryfogle Luterman	55,000.00
31050 Contributed Capital-Loyalty Brands	55,000.00
35000 Owners Equity	47,801.07
Net Income	-46,965.83
Total Equity	\$110,835.24
TOTAL LIABILITIES AND EQUITY	\$526,822.63

Tectum Franchising LLC

Profit and Loss
January - March, 2025

	TOTAL
Income	
42000 Royalty Income	
42100 Royalty Fees	104,123.97
42300 Marketing Fund	18,610.66
Total 42000 Royalty Income	122,734.63
49900 Rebates	34,172.70
Total Income	\$156,907.33
GROSS PROFIT	\$156,907.33
Expenses	
60000 Advertising & Marketing	
60005 Franchise Development	36,021.84
60100 Franchise Marketing Fund	33,939.41
60101 Administrative	8,663.60
60102 General/Subscriptions	63.60
Total 60100 Franchise Marketing Fund	42,666.61
Total 60000 Advertising & Marketing	78,688.45
61020 Bank Charges & Fees	138.00
61030 Business Development	15,122.58
61045 Computer and IT	2,326.43
61055 Dues and Subscriptions	4,432.13
61070 Fuel	289.69
61080 Gifts & Awards	1,112.84
62800 Insurance	
62820 Cyber	356.68
62830 General Liability	217.68
62840 Workers Comp	188.36
Total 62800 Insurance	762.72
62851 Payroll Reimbursement Expense	32,083.00
63780 Meals Travel	2,760.42
63785 Merchant Interchange Charges & Fees	2,349.38
63800 Office Expense	448.99
64000 Professional Services	
64300 Legal	9,193.75
64400 Payroll	0.00
64450 Virtual Assistant	2,300.00
Total 64000 Professional Services	11,493.75
64500 Payroll Expense	
64530 Management	28,337.04
64560 Onboarding/Trainers	15,000.05
Total 64500 Payroll Expense	43,337.09

Tectum Franchising LLC

Profit and Loss

January - March, 2025

	TOTAL
65000 Payroll Taxes	
65100 Federal Tax Expense	4,104.05
65125 PA UC Expense	325.98
65140 NJ SUI	0.00
65145 NJ SDI	0.00
65150 NJ Family Leave Insurance Tax	0.04
65155 NJ SUI Employee	-0.03
Total 65000 Payroll Taxes	4,430.04
65215 Software App/Platforms	2,234.66
66000 Taxes & Licenses	-23.38
68800 Travel	1,886.37
Total Expenses	\$203,873.16
NET OPERATING INCOME	\$ -46,965.83
NET INCOME	\$ -46,965.83

EXHIBIT D-
LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF
PROCESS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 1515 K Street, Suite 200 Sacramento, CA 95814 1-866-275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449

	(502) 696-5300	(502) 696-5300
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance	Division of Insurance

	Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Securities Division, Department of Financial Institutions, PO Box 41200, Olympia, WA 98504-1200	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

All Other States: Franchisor's agent for service of process in all other states not referenced above is: Waldrop and Colvin PLLC, John Allen Waldrop, Esq., 780 Lynnhaven Parkway, Suite 400, Virginia Beach, Virginia 23452.

EXHIBIT E-1
List of Franchisees

The following is a list of the names of all franchisees and the addresses and telephones numbers of their outlets as of the end of our last fiscal year, December 31, 2024.

State	Address	Owner(s)	Phone
Arizona	221 E Indianola Phoenix, AZ 85012	Self Sufficient Homes LLC Christopher Phillip Nichols	623-882-5643
Delaware	29671 Millstream Dr. Salisbury, MD 21804	B Richardson Construction Inc. - Delmarva Brendan Richardson*	443 397 5129
Florida	124 Dunmore Dr. Jupiter, FL 33458	K Boys Construction Mark Reitz	561 512 6599
Georgia	11340 Lakefield Drive, Suite 200, Johns Creek, GA 30097	Capital City Roofing LLC Brad and Tiffany Strawbridge	404-897-0337
Maryland	11042 Nicholas Ln STE B104 Berlin, MD 21811	B Richardson Construction Inc. - Delmarva Brendan Richardson*	443 397 5129
Michigan	6720 Theisen Rd Elmira, MI 49730	LE Roofing LLC - Michigan Lucas and Courtney Esford	231 487 8740
North Carolina	159 Old Millstone Landing Lane Sneads Ferry, NC 28460	Roulette Construction - Coastal Carolina Bryan Roulette	443 340 3349
	11 Bordeaux Dr. Clayton, NC 27527	A2Z ExteriorsAustin Zink**	984 304 5121
	126 Stoney Ridge Ct Stonesdale, NC 27357	Fourleaf Ventures Inc Sean Schutt**	270-668-5737

	19109 W Catawba Ave Suite 200, Cornelius NC 28031	Southern Middle LLC Ryan Smith	704-832-8910
Tennessee	1150 South Bear Creek Rd. Dickson, TN 37055	Tri Star Restoration Joe Rushing	615-785-3604
Texas	412 Rolling Hills Dr Conroe, TX 77304	Carr Construction Services LLC Jake Carr	936-331-3716

*Franchise outlet operates in Delaware and Maryland

**Ceased operations for other reasons in 2025 prior to the Issuance Date.

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2024):

Address	Owner(s)	Phone
624 Swift Creek Crossing Durham, NC 27713	A&R Exterior LLC (Jad Handal & Hassan Khalek)	919-633-2444
6650 Rivers Ave, Ste 100 Charleston, SC 29406	MirConn Holdings LLC (Randy L Rutkai)	336-500-4749

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EXHIBIT E-2
LIST OF FORMER FRANCHISEES

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

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

Address	Owner(s)	Phone
8825 N.23 rd Ave. Suite 100 Phoenix, AZ 85021	Chris Eynon	980 307 0283
47 West Main St. Smithtown, NY 11787	Main Street Contracting LLC Matthew Rivera	631 831 4077
4712 Watkins Rd Raleigh, NC 27616	A2Z Exteriors Austin Zink*	984 304 5121
449 Strawberry Ridge Dr Medina, TN 38355	Elevate Roofing LLC Caleb Johnson	731-414-0847
15611 Horseshoe Lane Woodbridge, VA 22191	Renovation Genius Inc All Saleh	973-462-5666
6650 Rivers Ave, Ste 100 Charleston, SC 29406	MirConn Holdings LLC Randy L. Rutkai*	336-500-4749
126 Stoney Ridge Ct Stonesdale, NC 27357	Fourleaf Ventures Inc Sean Schutt*	270-668-5737
780 Lynnhaven Pkwy, Ste 240 Virginia Beach, VA 23452	Hewitt Construction LLC John Hewitt**	757-916-9976

*ceased for other reasons in 2025 prior to the Issuance Date

**Hewitt Construction LLC ceased operations in 2025 prior to the Issuance Date; however, the same geographical area is now operated by our affiliate Loyalty Builds LLC

[Remainder of Page Left Intentionally Blank]

EXHIBIT F
TABLE OF CONTENTS OF OPERATIONS MANUAL

Chapter	Subject	Number of Pages
1	Introduction to the CR3 Franchise System	7
2	Introduction to the Manual	6
3	Understanding Franchising	11
4	Pre-Opening Procedures	45
5	Human Resources	90
6	General Operating Procedures	22
7	Understanding Commercial Accounts	8
8	Understanding Insurance Claims	12
9	Sales Procedures	15
10	Production Procedures	22
11	Post-Production	6
12	Safety Procedures	12
13	Finance and Accounting	14
14	Marketing	31
15	Additional Resources	6
TOTAL PAGES: 307		

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

EXHIBIT G
STATE EFFECTIVE DATES

The following states 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	May 30, 2025; June 3, 2025
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	May 1, 2025; June 3, 2025

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 H-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 Tectum Franchising LLC d/b/a CR3 American Exteriors LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

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

Issuance date: April 30, 2025; Amended June 3, 2025

<p>The name, principal business address, and telephone number of each franchise seller offering the franchise is:</p> <ul style="list-style-type: none"><input checked="" type="checkbox"/> Lester Morris, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331<input type="checkbox"/> Gwendolyn DiFerinando, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> Erik Klumpe, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735<input type="checkbox"/> _____ CR3 American Exteriors, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331
--

We authorize the respective state agencies identified on Exhibit D to receive service of process for us in the particular state.

I have received a Disclosure Document dated April 30, 2025; Amended June 3, 2025, that included the following:

Received	Reference	Name
<input checked="" type="checkbox"/>	ITEM 1-ITEM 23	Franchise Disclosure Document
<input checked="" type="checkbox"/>	EXHIBIT A	State Addendum
<input checked="" type="checkbox"/>	EXHIBIT B	Franchise Agreement
<input checked="" type="checkbox"/>	Schedule 1	Territory
<input checked="" type="checkbox"/>	Schedule 2	Minimum Requirements
<input checked="" type="checkbox"/>	Schedule 3	Automatic Bank Draft Authorization
<input checked="" type="checkbox"/>	Schedule 4	Telephone Number Assignment
<input checked="" type="checkbox"/>	Schedule 5	Personal Guaranty
<input checked="" type="checkbox"/>	Schedule 6	Release
<input checked="" type="checkbox"/>	EXHIBIT C	Financial Statements
<input checked="" type="checkbox"/>	EXHIBIT D	State Administrators/Agents for Service of Process
<input checked="" type="checkbox"/>	EXHIBIT E-1	List of Franchisees
<input checked="" type="checkbox"/>	EXHIBIT E-2	List of Former Franchisees
<input checked="" type="checkbox"/>	EXHIBIT F	Table of Contents – Operations Manual
<input checked="" type="checkbox"/>	EXHIBIT G	State Effective Dates
<input checked="" type="checkbox"/>	EXHIBIT H	Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

FOR YOUR RECORDS

RECEIPT

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<input checked="" type="checkbox"/>	John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	Erik Klumpe, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	_____
	Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/>	_____
	CR3 American Exteriors, 1446 Baltimore Street, Ste. E., Hanover, PA 17331 (908) 758-8331

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<input checked="" type="checkbox"/>	EXHIBIT G	State Effective Dates
<input checked="" type="checkbox"/>	EXHIBIT H	Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

FOR OUR RECORDS