

## FRANCHISE DISCLOSURE DOCUMENT



1st Class Franchising, LLC d/b/a  
1<sup>st</sup> Class Real Estate  
A Florida Limited Liability Company  
6330 Hollywood Blvd  
Sarasota, FL 34231  
email: [franchise@1stclassagents.com](mailto:franchise@1stclassagents.com)  
[www.1stClassRealEstate.com](http://www.1stClassRealEstate.com)  
(757) 504-4636

1st Class Franchising, LLC d/b/a 1<sup>st</sup> Class Real Estate offers a Unit franchise opportunity to provide real estate brokerage services. We offer two franchise opportunities, Standard or Virtual. In addition, you may operate under our trademarks or a separate approved trademark in conjunction with our trademarks and brand standards (“Powered By Option”).

### **Virtual Model:**

The total investment necessary to begin operation of a 1st Class Real Estate Virtual Model is \$31,050-\$43,450. This includes \$25,950 that must be paid to the franchisor or affiliate.

### **Standard Model:**

The total investment necessary to begin operation of a 1st Class Real Estate Standard Model is \$49,950- \$159,450. This includes \$25,950 that must be paid to the franchisor or affiliate.

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: April 16, 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:

| <b>QUESTION</b>                                                                           | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                               | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F and G. |
| <b>How much will I need to invest?</b>                                                    | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                         |
| <b>Does the franchisor have the financial ability to provide support to my business?</b>  | Item 21 or Exhibit H includes financial statements. Review these statements carefully.                                                                                                                                                                           |
| <b>Is the franchise system stable, growing, or shrinking?</b>                             | Item 20 summarizes the recent history of the number of company-owned and franchised outlets                                                                                                                                                                      |
| <b>Will my business be the only 1<sup>st</sup> Class Real Estate business in my area?</b> | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                                    |
| <b>Does the franchisor have a troubled legal history?</b>                                 | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                             |
| <b>What's it like to be a 1<sup>st</sup> Class Real Estate franchisee?</b>                | Item 20 or Exhibits F and G lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                           | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                          |

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

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

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

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

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

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

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

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

## **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

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

2. **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.

3. **Mandatory Minimum Payments.** You must make minimum monthly fee 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.

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.

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchise'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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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to 1st Class Franchising, LLC d/b/a 1<sup>st</sup> Class Real Estate, the Franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

**The Franchisor**

We are a Florida limited liability company originally formed in Virginia on July 24, 2018 and domesticated in Florida on July 12, 2024. We do business as “1<sup>st</sup> Class Real Estate.” Our principal business address is 6330 Hollywood Blvd, Sarasota, FL 34231. We have offered franchises of the type offered here since October 2018.

Exhibit B contains our agents for service of process.

We do not operate a business of the type being franchised but reserve the right to do so. We do not engage in other business activities except the offering of franchises as disclosed here.

Since December 2018, through a separate Franchise Disclosure Document, we have also offered Area Representative franchises who recruit and support unit franchisees. The Area Representative franchise may not be offered in a franchise registration state unless there is an effective registration application in that state. Area Representatives will not exercise management responsibility relating to the sale or operation of unit franchises. As of December 31, 2024, we had 23 Area Representatives.

**Parents and Predecessors**

We have a parent, 1<sup>st</sup> Class Holding Inc., a Delaware corporation with a principal business address at 6330 Hollywood Blvd, Sarasota, FL 34231 that was formed on December 20, 2022. 1<sup>st</sup> Class Holding Inc. does not conduct a business of the type being franchised nor has it offered franchises in any other line of business. Prior to that, our parent company was 1<sup>st</sup> Class Properties LLC, a Virginia limited liability company with a principal business address at 6330 Hollywood Blvd, Sarasota, FL 34231 that was formed on November 5, 2012. 1<sup>st</sup> Class Properties LLC does not conduct a business of the type being franchised nor has it offered franchises in any other line of business.

We do not have any predecessors.

**Affiliates**

Investors Finance Center, LLC (“Investors Finance Center”), with a principal business address at 1805 Eden Way, Virginia Beach, VA 23454, was formed on December 6th, 2023. Depending on where you are located, you or your clients can receive lending services from Investors Finance Center, LLC. Investors Finance Center does not operate a business of the type being franchised.

We have an affiliate, Fortis Title & Escrow, LLC (“Fortis Title & Escrow”) with a principal business address at 2901 S. Lynnhaven Rd, Suite 270, Virginia Beach, VA 23452, which was formed on May 1st, 2022. Depending upon where you are located, your clients may purchase title services from Fortis Title & Escrow. Fortis Title & Escrow does not operate a business of the type being franchised.

We have an affiliate, 1st Class Capital, LLC (“1st Class Capital”) with a principal business address at 1805 Eden Way, Virginia Beach, VA 23454, which was formed on February 24th, 2022. You may qualify for financing from 1st Class Capital. 1st Class Capital does not operate a business of the type being franchised.

We have an affiliate, Eden Holding LLC (“Eden Holding”) with a principal business address at 1805 Eden Way, Virginia Beach, VA 23454, which was formed on January 19, 2021. Depending upon where you are located, your clients may purchase mortgage services from Eden Holding. Eden Holding does not operate a business of the type being franchised.

We have an affiliate, Caymus REI Partners, LLC (“Caymus REI”) with a principal business address at 513 19<sup>th</sup> Street, Suite 201, Virginia Beach, VA 23451, which was formed on March 24, 2025. This program may provide available listings leads to you if you choose to register for their program. Caymus REI does not operate a business of the type being franchised.

None of our affiliates have ever offered franchises in any line of business.

**The Franchise Offered.** You will operate a full-service real estate brokerage business (“Franchised Business”). A real estate brokerage assists buyers and sellers in real estate purchases and sales. You may operate a full-service real estate brokerage agency (“Standard Model”), or you may operate a real estate agency through an online Virtual Model (“Virtual Model”). You may operate either business under our trademarks or under a separate approved trademark in conjunction with our trademarks and brand standards (“Powered By Option”).

**The General Market.** The general market for this service is developed. Your services will primarily be sold to individuals specifically homeowners, prospective homeowners, and landlords. Sales are year-round but may be busier in the summer and slower in the holiday and winter months.

**Industry Specific Regulations.** You or your Principal Broker must maintain a real estate broker license to establish a real estate office. Some states and municipalities have broker licensure requirements as well as continuing education requirements for brokers. Some states may require any entity owning the franchise to have a separate license from the individual brokers. In addition, some states may require you to have a business address with signage. Your Franchised Business must comply with the rules and regulations of the real estate commission or department in your state and any and all relevant federal statutes, including, but not limited to, The Real Estate Settlement Procedures Act of 1974 (RESPA) (12 U.S.C. §2601 et seq.), as amended. Additionally, states and municipalities have different regulations for the place of business, maintenance of financial records, waste disposal, nuisance, disclosure of major defects in the property and flood insurance requirements.

You must comply with federal, state, and local laws that apply to your business. You must comply with the Residential Lead-Based Paint Hazard Reduction Act which requires disclosure of lead-based paint, Title VIII of the Civil Rights Act (Fair Housing) which prohibits discrimination in housing transactions, the Federal Trade Commission, and any other federal law applying to your business, including limits on commission rates.

In addition, your Business must comply with the rules and regulations of state and local boards of realtors in your area.

You should investigate the application of these laws further.

**Competition.** Our primary competition comes from other real estate brokers and agencies who assist consumers in buying and sell real estate as well as property and Homeowner Association management companies.

## **ITEM 2 BUSINESS EXPERIENCE**

*Rhyan Finch, CEO and Manager.* Mr. Finch serves as our CEO and Manager since July 2018. Mr. Finch serves in the following positions in Sarasota, Florida: CEO of 1st Class Properties since November 2012 and All or Nothing LLC from May 2013 to September 2023; and Managing Member of the following companies in Sarasota, Florida: Virginia 1<sup>st</sup> Class Capital LLC since April 2023, Investors Finance Center LLC since December 2023 and 1<sup>st</sup> Class Title 3 LLC since October 2019, Eden Holding LLC since January 2021, Fortis Title & Escrow LLC since January 2022. Mr. Finch also served as CEO and Manager of 1st Class Real Estate LLC in Virginia Beach, Virginia from December 2012 to November 2023. Mr. Finch also served as the managing member of 1<sup>st</sup> Class Financial LLC since July 2018 to October 2021, 1<sup>st</sup> Class Title, LLC from March 2019 to May 2022, 1<sup>st</sup> Class Financial 2 LLC since December 2019 to March 2022, 1<sup>st</sup> Class Title II, LLC since March 2020 to October 2023 in Virginia Beach, Virginia.

*Faith Kraft, President of Franchise Operations.* Ms. Kraft serves as our President of Franchise Operations since April 2022. Mrs. Kraft also serves as a Managing Member of the following companies remotely in Hanford, California: 1<sup>st</sup> Class Capital, LLC since its formation in April 2023, Investors Finance Center, LLC since its formation in December 2023, Prosperity Capital Management, LLC since its formation in January 2025, Harvest Equity, LLC since its formation in April 2025, FJ Venture, LLC since 2023, and Absolute Lending Services, LLC since March 2025. Mrs. Kraft served as our Director of Franchise Operations in Virginia Beach, Virginia, from March 2021 to April 2022. From January 2017 to March 2021, Ms. Kraft served as Store Manager of Starbucks in Foley, Alabama.

*Alexis Sawyer, Digital Marketing Manager.* Ms. Sawyer serves as our Digital Marketing Manager since July 2018. From August 2017 to July 2018, Ms. Sawyer served as Digital Marketing Manager for 1<sup>st</sup> Class Real Estate LLC in Virginia Beach, Virginia. Since August 2017, Ms. Sawyer has served as Executive Assistant for 1<sup>st</sup> Class Real Estate LLC in Virginia Beach, Virginia. From May 2015 to May 2016, Ms. Sawyer served as an Office Manager for 1<sup>st</sup> Class Real Estate LLC in Virginia Beach, Virginia.

### **ITEM 3 LITIGATION**

#### **Litigation Against Franchisees in the Last Fiscal Year**

During fiscal year 2024, we initiated two lawsuits against franchisees as follows:

#### **Suits to Collect Past Due Payments:**

*1<sup>st</sup> Class Franchising, LLC d/b/a 1st Class Real Estate v. Blueprint Realty LLC d/b/a Blueprint Realty Powered by 1<sup>st</sup> Class Real Estate et al*, Case No. GV24033548-00 (Vir. Dist. Ct., 2024)

#### **Suits to Collect Past Due Payments and Enforce Non-Compete Covenants:**

*1<sup>st</sup> Class Franchising, LLC d/b/a 1st Class Real Estate v. Vegas Homes and Fine Estates LLC et al*, Case No. 2:24cv293 (E.D. of Vir., 2024)

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

### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5 INITIAL FEES**

You must pay us an Initial Franchise Fee of \$25,000.

You must also pay us an initial training and onboarding fee of \$950. The initial training and onboarding fee covers training for you and any Principal Broker required to attend.

The initial fees are due to us in full when you return to us signed copies of your Franchise Agreement. The initial franchise fee and initial training and onboarding fee are fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

We disclose financing terms in Item 10.

[remainder of page intentionally left blank]

**ITEM 6  
OTHER FEES**

| <b>Fee<br/>(Note 1)</b> | <b>Amount</b>                                                                                                                                                                          | <b>Due Date<br/>(Note 2)</b>    | <b>Remarks</b>                                                                                                                                                                              |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed Transaction Fee  | \$150/Per Transaction<br>(Note 3)                                                                                                                                                      | Monthly on the 10th             | You must pay this fee for each buyer and seller your office represents that closes on a property and for each referral fee that your office receives.                                       |
| Office Fee              | \$150                                                                                                                                                                                  | Monthly on the 10th             | You must pay this fee each month.                                                                                                                                                           |
| Technology Plus Fee     | \$50/per person<br>(Yourself, Agent, Staff Member, or Vendor)                                                                                                                          | Monthly on the 10th             | You must pay this fee for your Franchised Business and also per person that is onboarded under our Technology Plus Package. You are required to pay for a minimum of two months per person. |
| Technology Premium Fee  | \$25/per person<br>(Agent, Staff Member, or Vendor)                                                                                                                                    |                                 | This fee is required each month per person that is onboarded to our Technology Premium Package. You are required to pay for a minimum of two months per person.                             |
| Website Fee             | \$25/per month                                                                                                                                                                         | Monthly on the 10th             | If you elect to have a website through our website vendor rather than free one included with our CRM system, you agree to pay a monthly website fee.                                        |
| Accounting Fee          | Based on the number of transactions your office performs each month, and currently ranges from \$500 per month for up to 5 transactions to \$4,500 per month for 126-200 transactions. | Monthly on the 10 <sup>th</sup> | This fee is required if you elect to use our accounting services. You can sign up at any time and if you elect to cancel we ask that you give us a 30-day written notice via email.         |

| <b>Fee<br/>(Note 1)</b>      | <b>Amount</b>                                                                                                                                                                       | <b>Due Date<br/>(Note 2)</b>    | <b>Remarks</b>                                                                                                                                                           |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payroll and Human Resources  | Based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees to \$1,900 per month for 46-55 employees.                          | Monthly on the 10 <sup>th</sup> | You must pay us our then-current Payroll and Human Resources Fee each month if you elect for us to process your payroll or assist with other human resources duties.     |
| Transfer Fee                 | \$1,500 for any transfer or change in entity ownership; \$500 for any change in ownership interest. You may also be required to pay a legal and administrative fee.                 | At the time of transfer         | Paid upon a transfer or change in entity ownership or change in ownership interest.                                                                                      |
| Renewal Fee                  | \$5,000                                                                                                                                                                             | Upon Renewal                    | You must pay us a renewal fee to enter a new current franchise agreement at the expiration of the term of this franchise agreement.                                      |
| Legal and Administrative Fee | \$500                                                                                                                                                                               | As incurred                     | You must pay to us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.                                               |
| Territory Amendment Fee      | \$500                                                                                                                                                                               | As incurred                     | You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the cost of legal and administration costs. |
| Early Termination Fee        | The greater of either the average of the monthly fees paid to us for the six (6) months prior to termination multiplied by the number of months remaining in the Term, or (2) \$500 | At time of early termination    | You must pay to us an Early Termination Fee if the Franchise Agreement is terminated early based on a material breach or at your request                                 |

| <b>Fee<br/>(Note 1)</b>                            | <b>Amount</b>                                      | <b>Due Date<br/>(Note 2)</b>                                  | <b>Remarks</b>                                                                                                                                                                                         |
|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    | multiplied by the remaining Term                   |                                                               |                                                                                                                                                                                                        |
| Interest                                           | 12% per annum or the maximum permitted by law      | As incurred                                                   | Owed on past due amounts.                                                                                                                                                                              |
| Sales or gross receipts tax                        | Actual amount incurred                             | At time of payment of fees to us which are subject to any tax | If required by the state or locality in which your franchise is located, the initial franchise fee and possibly other fees will be subject to sales or gross receipts tax.                             |
| Assistance Fee in the event of incapacity or death | Reimbursement for reasonable expenditures incurred | At time of expense                                            | In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.                                           |
| Fees to Third Parties                              | Actual amount of charge                            | At time of expense                                            | You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business. |
| Indemnity                                          | Our actual loss incurred                           | At the time of the loss                                       | You must pay to us any loss or damage caused because of your operation of the Franchised Business.                                                                                                     |
| Attorney Fees and Costs                            | Actual amount incurred                             | At time of expenses                                           | If we are the substantially prevailing party as to any Claims, or if you sue an Area Representative, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.  |

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 or our affiliates. See Schedule 2 to the Franchise Agreement. 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 2 to the Franchise Agreement.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT\***

**Virtual Model**

| Type of Expenditure                          | Estimated Amount |          | Method of Payment | When Due                               | To Whom Payment is to be Made |
|----------------------------------------------|------------------|----------|-------------------|----------------------------------------|-------------------------------|
|                                              | Low              | High     |                   |                                        |                               |
| Initial Franchise Fee (Note 1)               | \$25,000         | \$25,000 | Lump sum          | Upon entering into franchise agreement | Us                            |
| Initial Training and Onboarding Fee (Note 2) | \$950            | \$950    | Lump sum          | Before training                        | Us                            |
| Computers, Equipment, and Software (Note 3)  | \$0              | \$1,000  | As incurred       | Prior to opening                       | Third-party vendors           |
| Start-up Supplies/Inventory (Note 4)         | \$0              | \$1,000  | As incurred       | Prior to opening                       | Third-party vendors           |
| Insurance (Note 5)                           | \$600            | \$1,500  | Lump sum          | As incurred                            | Third-party vendors           |
| Professional Fees (Note 6)                   | \$1,000          | \$3,500  | As incurred       | As incurred                            | Accountants, Attorneys        |
| Licensing costs (Note 7)                     | \$500            | \$2,500  | As incurred       | As incurred                            | State agencies                |
| Additional Funds-3 months (Note 8)           | \$3,000          | \$8,000  | As incurred       | As incurred                            | Third-party vendors           |
| TOTAL (Notes 9 and 10)                       | \$31,050         | \$43,450 |                   |                                        |                               |

\*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

**Note 1 – Initial Franchise Fee.** The initial franchise fee is \$25,000. Depending upon your creditworthiness and industry experience, we may finance up to 100% of the initial franchise fee up to 36 months at 12% APR. If you finance \$20,000 over 36 months at 12% APR, your monthly payment would be approximately \$664.29. See Item 10 for further information.

**Note 2- Initial Training and Onboarding Fee.** The initial training and onboarding fee is \$950. We offer initial training virtually. The initial training and onboarding fee covers training for you and any Principal Broker required to attend. You are responsible for your employees' wages to attend initial training.

**Note 3 – Computers, Equipment, and Software.** We require you to have a smart phone, internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff member. You must have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. The low figure assumes you already have the required computers and some software.

**Note 4 - Start-Up Supplies and Advertising Materials.** Your primary cost for start-up supplies and inventory will be basic real estate related marketing materials (business cards, brochures, branded items), "For Sale" signage, products (listing presentations, buyer books, relocation booklets, branded closing gifts, About Us brochures, etc.), paper, and general office supplies. The low figure assumes you already have the supplies you need or that your agents will be required to buy them.

**Note 5 – Insurance.** You will need insurance as we describe in Item 8.

**Note 6 – Professional Expenses.** You may incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

**Note 7 – Licensing Costs.** You or your Principal Broker will need a real estate brokers license(s). You or your Principal Broker will need to be a member of the state, local, and local or regional multiple listings services (MLS). The costs vary state by state.

**Note 9 - Additional Funds.** Additional funds are to pay for other fees, accounting fees, permits, technology fees, miscellaneous expenses, any payroll expenses you may require, and to maintain sufficient working capital. We base this estimate upon the 20+ years of experience our management team has in the real estate industry.

**Note 9** - Does not include interest expenses or taxes.

**Note 10** - These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business.

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### Standard Model

| Type of Expenditure                              | Estimated Amount |           | Method of Payment | When Due                               | To Whom Payment is to be Made |
|--------------------------------------------------|------------------|-----------|-------------------|----------------------------------------|-------------------------------|
|                                                  | Low              | High      |                   |                                        |                               |
| Initial Franchise Fee (Note 1)                   | \$25,000         | \$25,000  | Lump sum          | Upon entering into franchise agreement | Us                            |
| Initial Training and Onboarding Fee (Note 2)     | \$950            | \$950     | Lump sum          | Before training                        | Us                            |
| Leasehold Improvements (Note 3)                  | \$5,000          | \$30,000  | As incurred       | Prior to opening                       | Third-party vendors           |
| Rent and Security Deposit (Note 4)               | \$500            | \$10,000  | As incurred       | Prior to opening and Monthly           | Landlord                      |
| Signage (Note 5)                                 | \$500            | \$10,000  | Lump sum          | Prior to opening                       | Third-party vendors           |
| Equipment and Furniture (Note 6)                 | \$5,000          | \$50,000  | As incurred       | Prior to opening                       | Third-party vendors           |
| Computers and Software (Note 7)                  | \$4,000          | \$8,000   | As incurred       | Prior to opening                       | Third-party vendors           |
| Start-up Supplies/Advertising Materials (Note 8) | \$2,000          | \$3,000   | As incurred       | Prior to opening                       | Third-party vendors           |
| Insurance (Note 9)                               | \$1,000          | \$1,500   | Lump sum          | As incurred                            | Third-party vendors           |
| Professional Fees (Note 10)                      | \$1,500          | \$3,500   | As incurred       | As incurred                            | Accountants, Attorneys        |
| Licensing costs (Note 11)                        | \$500            | \$2,500   | As incurred       | As incurred                            | State agencies                |
| Additional Funds-3 months (Note 12)              | \$4,000          | \$15,000  | As incurred       | As incurred                            | Third-party vendors           |
| TOTAL (Note 13 & 14)                             | \$49,950         | \$159,450 |                   |                                        |                               |

\*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

**Note 1 – Initial Franchise Fee.** The initial franchise fee is \$25,000. Depending upon your creditworthiness and industry experience, we may finance up to 100% of the initial franchise fee up to 36 months at 12% APR. If you finance \$25,000 over 36 months at 12% APR, your monthly payment would be approximately \$830.36. See Item 10 for further information.

**Note 2- Initial Training and Onboarding Fee.** The initial training and onboarding fee is \$950. We offer initial training virtually. The initial training and onboarding fee covers training for you and any Principal Broker required to attend. You are responsible for your employees' wages to attend initial training.

**Note 3 - Leasehold Improvements.** You will need to operate from an appropriate office location. The amount of leasehold improvement expense that you will incur will depend upon whether you already have a suitable office location and, if not, the extent to which you will need to make renovations and repairs. We suggest negotiating the cost of improvements into your lease terms.

**Note 4 - Rent and Security Deposit.** You will need to rent a location containing approximately 500-2,500 square feet. The amount of rent that you will incur will depend upon whether you already have a suitable office location and will also vary considerably in different market areas. We estimate rent for the first three months plus a security deposit for one month's rent. Your office space may not be a Regus, Gather, WeWork type of workspace as signage is required to be placed on the building where your office will be located.

**Note 5 – Signage.** We provide estimates for exterior signage. Type of signage allowed or required varies depending on state requirements, city ordinances, property owner's association covenants, the specifics of the property, and landlord preferences. We must approve all signage placed on the outside of your location. Your signage needs and costs will vary.

**Note 6 - Equipment and Furniture.** You will need telephones, chairs, desks, file cabinets, tables, and other items. The low figure assumes you already have the required equipment and furniture.

**Note 7 – Computers and Software.** We require you to have an internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff member. You must have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. The low figure assumes you already have the required computers and some software.

**Note 8 - Start-Up Supplies and Advertising Materials.** Your primary cost for start-up supplies and inventory will be basic real estate related marketing materials (business cards, brochures, branded items), "For Sale" signage, products (listing presentations, buyer books, relocation booklets, branded closing gifts, About Us brochures, etc.), paper, and general office supplies. The low figure assumes you already have the supplies you need or that your agents will be required to buy them.

**Note 9 – Insurance.** You will need insurance as we describe in Item 8.

**Note 10 – Professional Expenses.** You may incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

**Note 11 – Licensing Costs.** You or your Principal Broker will need a real estate brokers license(s). You or your Principal Broker will need to be a member of the state, local, and local or regional multiple listings services (MLS). The costs vary state by state.

**Note 12 - Additional Funds.** Additional funds are to pay for other fees, accounting fees, permits, technology, utilities, miscellaneous expenses, any payroll expenses you may require, and to maintain sufficient working capital. We base this estimate upon the years of experience our management team has in the real estate industry.

**Note 13 -** Does not include interest expenses or taxes.

**Note 14 -** These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business.

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**ITEM 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

**The Goods or Services Required to be Purchased or Leased:**

**Branded Marketing Materials and Signage.** You must purchase branded materials and signage subject to our specifications, which may include a vendor designation. These items include, but are not limited to, apparel, yard signs, directional signs, open house signs, posters, and marketing materials.

**Client Moving Concierge.** We may require you to use a designated supplier if you offer client moving concierge services to clients.

**Commission Advances.** We may require you to use a designated supplier if you desire commission advances.

**Computers and Software.** We require you to use such computer hardware and software as we specify, which may include vendor designations.

**Continuing Education Courses.** We may require you to use a designated supplier for the purchase of continuing education courses.

**Cost Segregation Studies.** We may require you to use a designated supplier if you offer cost segregation studies to clients.

**Insurance.** You must purchase and maintain insurance that we specify. You may purchase insurance from any carrier with a rating of at least “A” by Standard and Poor, Moody’s and A.M. Best or better subject to our approval, not to be unreasonably withheld. All policies must name us and our designated affiliates as an additional insured and you must furnish up proof of coverage. You may obtain additional insurance coverage as you feel necessary. Here are our present insurance specifications:

| Type                                                                                          | Amount                                            |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------|
| Comprehensive General Liability Insurance                                                     | \$1,000,000 per occurrence/ \$2,000,000 aggregate |
| Additional Comprehensive General Liability Insurance                                          | \$1,000,000                                       |
| Errors and Omissions Professionals Insurance                                                  | \$1,000,000                                       |
| Employer’s Liability, Worker’s compensation, and Occupational Disease Insurance (if required) | \$1,000,000                                       |
| Care, Custody, or Control Insurance (optional)                                                | \$150,000                                         |

| Type                                   | Amount                                                                                         |
|----------------------------------------|------------------------------------------------------------------------------------------------|
| All-Risk Property Insurance (optional) | 80% of the replacement cost of the building;<br>100% of the replacement costs of the contents” |

You may, with our written consent, elect to have reasonable deductibles for the coverages described in above.

Certificates of insurance must be sent in upon annual expiration date.

**Whether we or our Affiliates are Approved Suppliers:**

We are a supplier of branded marketing materials but not the only approved supplier.

**Officer Interests in Suppliers:**

Our officer Rhyan Finch owns an interest in us.

**Alternative Suppliers:**

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We do not charge to test another supplier you propose. If you wish to propose another supplier, you may submit your request for the proposed supplier to us writing. Your request must include enough specifications, information and samples to enable us to determine whether a supplier meets our specifications. We will notify you within 30 days if we approve or disapprove of an alternative supplier. 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 may derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year ending December 31, 2024, we received \$19,202 in rebates for purchases from designated suppliers of our Unit and Area Representative franchisees. Other than these purchases, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

**Required Purchases as a Proportion of Costs:**

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 30-50% of your operating costs.

### **Supplier Payments to Us:**

Designated suppliers may make payments to us from franchisee purchases.

We have an arrangement with two designated suppliers for purchases of branded and marketing materials ranging from about 10% to 36%, depending on the purchase price of the item, costs, and taxes.

We have an arrangement with a designated supplier for commission advances to receive 20% for commission advances, we may pay 10% of this rebate to you.

We have an arrangement for a designated supplier of real estate continuing education courses to receive 10% on all course enrollments.

We have an arrangement for a designated supplier of client moving concierge services to pay us 10% of all home services purchased by clients.

We have an arrangement for a designated supplier of cost segregation studies to pay us a 20% commission on all payments received for cost segregation studies.

We also have rebate arrangements to receive a rebate for other purchases a franchisee may make from non-designated vendors, including 15% of the monthly fee for lead generation services, \$270 rebate for prospecting services, 10% -20% of fees for virtual assistant services, 25% of fees for wholesaling services, 10% of fees for lead generation automation, 20% of payments for coaching platform, 20% of payments for data organizer, and 33% of fees for expenses analyzer.

### **Purchasing or Distribution Cooperatives:**

We do not have any purchasing or distribution cooperatives currently.

### **Purchase Arrangements:**

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

### **Material Benefits:**

We do not provide material benefits to you based on your use of a particular supplier. However, 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 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.**

| <b>Franchisee’s Obligations</b>                        | <b>Section In Franchise Agreement</b>        | <b>Item in Disclosure Document</b> |
|--------------------------------------------------------|----------------------------------------------|------------------------------------|
| a. Site selection and acquisition/lease                | 3, 6.2                                       | 11                                 |
| b. Pre-opening purchases/leases                        | 6.2, 6.6, 6.10, 6.11, 6.12, 6.13             | 7, 8                               |
| c. Site development and other pre-opening requirements | 6.2                                          | 11                                 |
| d. Initial and ongoing training                        | 5.1, 5.8, 6.1                                | 11                                 |
| e. Opening                                             | 6.3                                          | 11                                 |
| f. Fees                                                | 4, 6.17, 6.18, 7.5, 14.3, 15.2, 20.11, 20.15 | 5, 6, 7, 8                         |
| g. Compliance with standards and policies/Manual       | 6.4                                          | 8, 11                              |
| h. Trademarks and proprietary information              | 7, 8                                         | 13, 14                             |
| i. Restrictions on products/services offered           | 6.6                                          | 8, 16                              |
| j. Warranty and customer service requirements          | 6.7                                          | 6                                  |
| k. Territorial development and sales quotas            | 3                                            | 12                                 |
| l. Ongoing product/service purchases                   | 6.10, 6.11, 6.12                             | 8                                  |
| m. Maintenance, appearance & remodeling requirements   | 6.14                                         | Not Applicable                     |
| n. Insurance                                           | 6.9                                          | 8                                  |
| o. Advertising                                         | 7                                            | 8, 11                              |

| <b>Franchisee's Obligations</b>              | <b>Section In Franchise Agreement</b> | <b>Item in Disclosure Document</b> |
|----------------------------------------------|---------------------------------------|------------------------------------|
| p. Indemnification                           | 14.3                                  | 6                                  |
| q. Owner's participation/management/staffing | 6.5                                   | 15                                 |
| r. Records and reports                       | 10                                    | 11                                 |
| s. Inspections and Audits                    | 10                                    | 11                                 |
| t. Transfer                                  | 15                                    | 17, Exhibit E                      |
| u. Renewal                                   | 2.2                                   | 17, Exhibit E                      |
| v. Post-termination obligations              | 12                                    | 15, 16, 17                         |
| w. Non-competition covenants                 | 13                                    | 15, 16, 17                         |
| x. Dispute resolution                        | 20                                    | 17                                 |

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## **ITEM 10 FINANCING**

We may offer financing for your Initial Franchise Fee if you meet our qualifications. The following table summarizes the financing we may offer you for the Initial Franchise Fee.

|                                                                               |                                                                                                                                                               |
|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item Financed                                                                 | Initial Franchise Fee                                                                                                                                         |
| Source of Financing                                                           | Us                                                                                                                                                            |
| Down Payment                                                                  | Minimum of 20%*                                                                                                                                               |
| Amount Financed                                                               | Up to 80%*                                                                                                                                                    |
| Interest Rate/Finance Charge                                                  | 12% per annum (including finance charges)                                                                                                                     |
| Period of Repayment                                                           | 36 months                                                                                                                                                     |
| Security Required                                                             | None                                                                                                                                                          |
| Whether a Person Other than the Franchisee Must Personally Guarantee the Debt | 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.                                    |

\*The required down payment, amount financed, term, and interest rate will vary depending upon your creditworthiness, down payment, desired term, and industry experience.

Exhibit D contains the form of Promissory Note that we require you to sign.

We do not guarantee your notes, leases, or obligations. We may sell, assign, or discount any note, contract or other instrument signed by you to any affiliate or third party who may be immune under the law to claims or defenses you may have against us. 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 offer approximately 18 hours of initial training online and a 3-hour live webinar with the operations team. You may complete initial training at your own pace, however, the online training must be completed within 90 days of the effective date of the franchise agreement and before

you may operate the Franchised Business. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. We do not generally own the premises and lease it to you. We do not provide criteria to help you select a site. We must approve the location of your site before you sign a lease for the location and reserve the right to disapprove any site you select. We do not select the site. If we elect to exercise our right of disapproval, we will typically do so within 7 days of your submission to us of the information required by us on the proposed site.

If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement you must operate virtually, if allowed in the state where you are located. (Franchise Agreement, Section 5.2).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. Otherwise, we provide the names of approved vendors or specifications for these items. (Franchise Agreement Section 5.3).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.4).

### **Length of Time Before Opening:**

The typical length of time between the signing of the Franchise Agreement and the opening of your franchise is 60-90 days. If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement, you must operate virtually, if allowed in the state where you are located. (Franchise Agreement, Section 6.3).

Factors that can affect the time length in which to be open for business include the time it takes to attend initial training; locate, equip, and staff your office; and secure any necessary permits, requirements of local zoning laws and other ordinances, the availability of labor and materials, the time needed to acquire and install furniture, fixtures, and equipment, obtaining broker license(s); hiring and training any staff; and obtaining any needed occupancy permit.

### **During the Operation of the Franchise:**

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.5).

Establishing Prices. We may offer recommendations to assist you in setting prices, but do not set a minimum or maximum price at which you must sell your services. (Franchise Agreement, Section 5.5)

Computer Systems and Software. We provide access to required software, Google Suite, and an email account. We may specify computer systems and additional software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.6).

Additional Training or Seminars. We may elect to offer additional trainings, seminars, and webinars. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend. (Franchise Agreement, Section 5.7).

Marketing Support. We provide you with advertising templates to use for advertising. We offer access to branded materials as well as marketing assistance and support. (Franchise Agreement, Section 5.8).

### **Advertising Program and Fund:**

Advertising Fund. At present, we do not have an Advertising Fund or collect Advertising Fees.

Advertising Program. We provide you with advertising templates to use for advertising. We may conduct advertising 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. (Franchise Agreement, Section 5.8).

Private Websites. Subject to our guidelines and right to disapprove, you may also have a personal website provided that it does not use the mark “1st Class” or “1st Class Real Estate.” (Franchise Agreement, Section 7.2).

Use of Your Own Advertising Material. You may not use your own advertising materials unless 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. You must participate in all promotional programs that we create, offer or advertise. (Franchise Agreement, Section 7.1).

**Advertising Council.** We do not have an advertising council composed of franchisees that advise us on advertising policy.

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

### **Computer Systems:**

We require you to have an internet connection, email, a printer with scanning capabilities, and specified software. You must have a laptop or desktop computer for each staff member.

You also must pay to us a Technology Fee for each person (Yourself, Agent, Staff Member, and Vendor) given access to required Agent and customer relations software, along with Google Suite and an email account. You must also have software with editing functions and spreadsheet software. You also must subscribe to QuickBooks online or such other software as specific. Depending on what computer systems and software you already have, and the number and type of equipment you will need, these items can be purchased for approximately \$4,000 - \$8,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

**Anti-virus protection.** You must use anti-virus protection on your computer. At present, we do not specify a particular vendor, but reserve the right to do so.

**Independent Access to Information.** We do not have and do not require that we have independent access to the information stored in your computer systems.

### **Operations Manual:**

Exhibit I contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 237 pages.

### **Initial Training Program:**

| <b>Subject</b>                            | <b>Hours of Classroom Training</b> | <b>Hours of On the Job Training</b> | <b>Location</b> |
|-------------------------------------------|------------------------------------|-------------------------------------|-----------------|
| Introduction                              | 1.0                                | 0                                   | Online          |
| Setting up your business                  | 0.5                                | 0                                   | Online          |
| Office Procedures                         | 1.0                                | 0                                   | Online          |
| Onboarding Agents and Employees           | 2.5                                | 0                                   | Online          |
| Advertising and Marketing                 | 2.0                                | 0                                   | Online          |
| Brokermint                                | 3.0                                | 0                                   | Online          |
| Client Care and Salesforce                | 1.0                                | 0                                   | Online          |
| kvCore Systems Training                   | 1.5                                | 0                                   | Online          |
| Salesforce Reporting, Dashboard and Cases | 0.5                                | 0                                   | Online          |
| Coaching and Training                     | 1.5                                | 0                                   | Online          |

| <b>Subject</b>                 | <b>Hours of Classroom Training</b> | <b>Hours of On the Job Training</b> | <b>Location</b> |
|--------------------------------|------------------------------------|-------------------------------------|-----------------|
| Accounting Procedures          | 3.5                                | 0                                   | Online          |
| Live Webinars                  |                                    |                                     |                 |
| Onboarding -Introduction       | 1                                  | 0                                   | Live Webinar    |
| Agent Onboarding & Termination | 1                                  | 0                                   | Live Webinar    |
| System Training                | 1                                  | 0                                   | Live Webinar    |
| Marketing                      | .5                                 | 0                                   | Live Webinar    |
| Total                          | 21.5                               | 0                                   |                 |

The following Instructors teach our initial training program: Rhyan Finch, our Chief Executive Officer, has over 19 years of experience in real estate and 13 years of experience with us or an affiliate. Faith Kraft has 4 years of experience in real estate franchising and 3 years of experience with us. Alexis Sawyer, our Digital Marketing Manager, has over 11 years of experience in the field and 11 years of experience with us or an affiliate.

Dora Cuyler has served as our Franchise Development Specialist since January 2021. Ms. Cuyler also serves as a Business Consultant in Virginia Beach, Virginia since May 2016. From January 2017 to February 2019, Ms. Cuyler was the Vice President of Operations for Happy Tax Franchising in Miami, Florida. From August 2016 to July 2019, Ms. Cuyler was an Area Representative for Happy Tax Franchising in Miami, Florida. From May 2014 to May 2016, Ms. Cuyler was a Franchise Development Representative for Liberty Tax Service in Virginia Beach, Virginia. Ms. Cuyler has 11 years of experience in the field and 4 years of experience with us.

We offer initial training online, so it is available on demand anytime. You may complete initial training at your own pace; however, the online training must be completed within 90 days of the effective date of your franchise agreement and prior to operating the Franchised Business.

We use online learning modules to conduct initial training.

You must pay to us an initial training and onboarding fee of \$950. The initial training and onboarding fee covers training for you and any Principal Broker required to attend. You are responsible for any travel, lodging, transportation, meals, and your employees' wages to attend initial training.

We require that your Principal Broker attend initial training. Successful completion of initial training is required to operate a franchise within 90 days of signing the franchise agreement. We

advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Seminars. We may elect to offer, either live or electronically, additional training and seminars we may offer. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend.

## **ITEM 12 TERRITORY**

When you receive a Standard Model, your territory will be a four (4) mile radius from the location of your 1<sup>st</sup> Class Real Estate Office in which we promise not to locate another Standard Model franchise. Your office space may not be or shared workspace such as Regus, Gather, or a WeWork location because signage is required to be placed on the building where your office will be located.

If you would like to relocate your Franchised Business, you must submit a request to us in writing. We may approve relocation of the Franchised Business if it does not conflict with the territory rights of another franchisee. We do not allow you to open additional outlets within your territory.

If you receive a Virtual Model, you will not receive any defined territory. If you elect this model, you cannot operate out of an office building with signage outside the building. If you reside in a state that requires a business address with signage you may not be able to operate the Virtual Model. It is your responsibility to confirm that your state allows the Virtual Model.

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

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

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 make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed. You may solicit and accept orders from customers outside your territory,

including through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing. You must engage in any internet, social media, or other marketing solely pursuant to our guidelines.

Neither we nor an affiliate operates, franchises, nor 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.

### **ITEM 13 TRADEMARKS**

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

| <b>Description of Mark</b>                                                          | <b>Serial/Registration Number</b> | <b>Principal or Supplemental Register of the USPTO</b> | <b>Registration Date</b> |
|-------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------|--------------------------|
| 1 <sup>st</sup> Class Real Estate                                                   | 4497386                           | Principal                                              | March 18, 2014           |
|  | 4620379                           | Principal                                              | October 14, 2014         |
|  | 6690354                           | Principal                                              | April 5, 2022            |
|  | 98184820                          | Pending                                                | Filed September 18, 2023 |

We have filed all required affidavits and renewals for registered trademarks. We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

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 us. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

There are no other 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 in writing. 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, in our sole discretion, 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 except as follows:

Below we list users who may have prior right to a mark similar to or identical to our Marks in their geographical location:

| <b>Location</b>  | <b>Company or Use</b>                                                                                                       |
|------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Birmingham, AL   | First Class Realty Services, LLC                                                                                            |
| San Leandro, CA  | First Class Realty & Mortgage, Inc.                                                                                         |
| Garden Grove, CA | First Class Real Estate Inc.                                                                                                |
| Clearwater, FL   | 1 <sup>st</sup> Class Real Estate LLC d/b/a 1 <sup>st</sup> Class Real Estate and 1 <sup>st</sup> Class Property Management |
| Ripley, MS       | 1 <sup>st</sup> Class Realty LLC                                                                                            |
| Henderson, NV    | First Class Realty & Property Management LLC                                                                                |
| Portland, OR     | First Class Properties                                                                                                      |
| Portland, OR     | First Class Property Management, LLC                                                                                        |
| Cypress, TX      | First Class Realty, Inc. d/b/a First Class Realty & Management                                                              |

Below we list users who may be infringing our mark by using an identical or substantially similar trademark, we have notified each entity of their infringement:

| <b>Location</b> | <b>Company or Use</b>                                    | <b>Approximate Length of Infringement</b> |
|-----------------|----------------------------------------------------------|-------------------------------------------|
| Burbank, CA     | Bill Toth Real Estate Inc. d/b/a First Class Real Estate | August 3, 2015                            |

|                  |                                                 |                  |
|------------------|-------------------------------------------------|------------------|
| Davenport, FL    | 1 <sup>st</sup> Class Realty Group Florida, LLC | March 28, 2023   |
| Miami, FL        | AGDC Inc. d/b/a American First Class Realty     | October 21, 2020 |
| Miami, FL        | First Class Real Estate, LLC                    | March 18, 2014   |
| Southampton, NJ  | Figuarati Real Estate, LLC                      | October 3, 2024  |
| Ocala, FL        | 1 <sup>st</sup> Class Waterfront Properties LLC | March 3, 2015    |
| Lords Valley, PA | 1 <sup>st</sup> Class Realty LLC                | August 14, 2013  |
| Gillete, WY      | 1 <sup>st</sup> Class Realty                    | March 15, 2015   |

Other than as disclosed above, we do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

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

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.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information, including Customer Data. 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**

We do not require that you personally supervise the franchised business, but we do recommend it. The Franchised Business must have a Principal Broker who will be responsible for all licensing and real estate activities and transactions handled by the Franchised Business.

The Principal Broker is not required to have an equity interest in the franchisee's business. Your Principal Broker must successfully complete our initial training program and sign a nondisclosure and in-term non-competition agreement. The Principal Broker must be in good standing with the local association/board of Realtors and the state and national board of Realtors.

The Franchise Agreement requires you, including all holders of an ownership interest in a franchise that is an entity, to sign a personal guaranty, confidentiality clause, and a covenant not to compete. However, unless your spouse is an owner of the franchise, your spouse is not required to sign a personal guaranty.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may offer for sale through your Franchised Business only the products and services we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services we have not authorized or approved.

Subject to any territorial or legal limitations (e.g., real estate licensure in the jurisdiction at issue) you may offer real estate and property management services to any customers.

You are required to sell all goods or services we authorize, except property management is an optional service, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

In your discretion, you may offer property management services, provided that the Franchised Business does not primarily offer property management services.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

| <b>Provision</b>                                 | <b>Section In Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                  | 2                                     | 5 years.                                                                                                                                                                                                                                                                                                                                                                                  |
| b. Renewal or extension of the term              | 2                                     | Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).                                                                                                                                                                                                                                                                                 |
| c. Requirement for franchisee to renew or extend | 2                                     | Renewing your Franchise Agreement means you can continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract. |
| d. Termination by franchisee                     | 11.1                                  | You may terminate the Agreement if you do not renew, by paying the early termination fee, or if you sell the franchise pursuant to the terms of the Agreement, subject to state law.                                                                                                                                                                                                      |
| e. Termination by franchisor without cause       | None                                  | Not applicable                                                                                                                                                                                                                                                                                                                                                                            |
| f. Termination by franchisee with cause          | 11.2, 11.3                            | We can terminate only if you default.                                                                                                                                                                                                                                                                                                                                                     |
| g. “Cause” defined – curable defaults            | 11.3                                  | 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.                                                                                                                                                                                                                      |
| h. “Cause” defined – non-curable defaults        | 11.2                                  | Do not complete initial training, fail to obtain our approval of a location or relocate without our approval, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount                                                          |

| <b>Provision</b>                                       | <b>Section In Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        |                                       | exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| i. Franchisee's obligations on termination/non-renewal | 12                                    | Discontinue operating the Franchised Business; stop using our marks; deliver to us business records; pay debts due to us; cancel or assign URLs and social media 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| j. Assignment of contract by franchisor                | 15.1                                  | We may assign to a successor in interest who remains bound by terms of Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| k. "Transfer" by franchisee – defined                  | 15.2                                  | Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all assets of the Franchised Business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| l. Franchisor approval of transfer by franchisee       | 15.2                                  | We have the right to approve all transfers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| m. Conditions for franchisor approval of transfer      | 15.5                                  | <p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the Franchise Agreement;</li> <li>-execute any transfer, amendment, or release forms we may require;</li> <li>-provide to us a copy of the proposed transfer documents;</li> <li>-transferee must meet our criteria;</li> <li>-transferee must execute our then-current Franchise Agreement;</li> <li>-pay to us the Transfer Fee;</li> <li>-transferee must satisfactorily complete our initial training program;</li> <li>-comply with the post-termination provisions;</li> <li>-transferee must obtain necessary licenses and permits;</li> <li>-obtain any lessor approval for transfer;</li> <li>-the transfer must be made in compliance with any laws that apply to the transfer;</li> <li>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective</li> </ul> |

| <b>Provision</b>                                                          | <b>Section In Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                       | transferee as to impair or materially threaten its future operation;<br>-you must request that we provide the prospective transferee with our current franchise disclosure document.                                                                                                                                                         |
| n. Franchisor's right of first refusal to acquire franchisee's business   | 15.6                                  | 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                  | 11(h)                                 | We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.                                                                                                                                                                                                                                     |
| p. Death or disability of franchisee                                      | 16                                    | 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             | 13                                    | No competition allowed in the United States and its territories.                                                                                                                                                                                                                                                                             |
| r. Non-competition covenants after the franchise is terminated or expires | N/A                                   |                                                                                                                                                                                                                                                                                                                                              |
| s. Modification of the agreement                                          | 17                                    | No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.                                                                                                                                                       |
| t. Integration/merger clause                                              | 19                                    | 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. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document. |
| u. Dispute resolution by arbitration or mediation                         | 20.2, 20.9                            | You must first attempt to resolve claims against us through mediation. Arbitration does not apply except as to Illinois and Maryland franchisees.                                                                                                                                                                                            |
| v. Choice of forum                                                        | 20.2                                  | All claims must be brought in Sarasota, Florida (subject to applicable state law).                                                                                                                                                                                                                                                           |

| <b>Provision</b> | <b>Section In Franchise Agreement</b> | <b>Summary</b>                                         |
|------------------|---------------------------------------|--------------------------------------------------------|
| w. Choice of Law | 20.1                                  | Florida law governs (subject to applicable state law). |

**ITEM 18**  
**PUBLIC FIGURES**

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 by contacting Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231, Telephone (757) 504-4636, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**System Wide Outlet Summary**  
**For Years 2022 to 2024**

| <b>Outlet Type</b>        | <b>Year</b> | <b>Outlets at the<br/>Start of the<br/>Year</b> | <b>Outlets at the<br/>End of the Year</b> | <b>Net Change</b> |
|---------------------------|-------------|-------------------------------------------------|-------------------------------------------|-------------------|
| <b>Franchised</b>         | <b>2022</b> | <b>57</b>                                       | <b>96</b>                                 | <b>+39</b>        |
|                           | <b>2023</b> | <b>96</b>                                       | <b>102</b>                                | <b>+6</b>         |
|                           | <b>2024</b> | <b>102</b>                                      | <b>101</b>                                | <b>-1</b>         |
| <b>Company-<br/>Owned</b> | <b>2022</b> | <b>4</b>                                        | <b>0</b>                                  | <b>-4</b>         |
|                           | <b>2023</b> | <b>0</b>                                        | <b>0</b>                                  | <b>0</b>          |
|                           | <b>2024</b> | <b>0</b>                                        | <b>0</b>                                  | <b>0</b>          |
| <b>Total Outlets</b>      | <b>2022</b> | <b>61</b>                                       | <b>96</b>                                 | <b>+35</b>        |
|                           | <b>2023</b> | <b>96</b>                                       | <b>102</b>                                | <b>+6</b>         |
|                           | <b>2024</b> | <b>102</b>                                      | <b>101</b>                                | <b>-1</b>         |

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

| State          | Year | Number of Transfers |
|----------------|------|---------------------|
| Alabama        | 2022 | 0                   |
|                | 2023 | 1                   |
|                | 2024 | 1                   |
| Florida        | 2022 | 2                   |
|                | 2023 | 1                   |
|                | 2024 | 0                   |
| Georgia        | 2022 | 1                   |
|                | 2023 | 0                   |
|                | 2024 | 0                   |
| New York       | 2022 | 2 <sup>1</sup>      |
|                | 2023 | 0                   |
|                | 2024 | 0                   |
| North Carolina | 2022 | 1 <sup>2</sup>      |
|                | 2023 | 1                   |
|                | 2024 | 0                   |
| South Carolina | 2022 | 1                   |
|                | 2023 | 0                   |
|                | 2024 | 0                   |
| Total          | 2022 | 7                   |
|                | 2023 | 3                   |
|                | 2024 | 1                   |

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2022 to 2024\***

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Stores Operating at Year End |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|-----------------------------------------|
| AL    | 2022 | 2                        | 8              | 0            | 0            | 0                        | 0                               | 10                                      |
|       | 2023 | 10                       | 1              | 0            | 0            | 0                        | 1                               | 10                                      |
|       | 2024 | 10                       | 0              | 0            | 0            | 0                        | 0                               | 10                                      |
| AZ    | 2022 | 5                        | 0              | 0            | 0            | 0                        | 0                               | 5                                       |
|       | 2023 | 5                        | 2              | 0            | 0            | 0                        | 0                               | 7                                       |

<sup>1</sup> This includes the transfer of a Franchise Agreement signed but not open.

<sup>2</sup> One franchise was transferred twice in the same year.

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Stores Operating at Year End |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|-----------------------------------------|
|       | 2024 | 7                        | 0              | 0            | 1            | 0                        | 0                               | 6                                       |
| CA    | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2023 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2024 | 2                        | 1              | 0            | 0            | 0                        | 0                               | 3                                       |
| FL    | 2022 | 16                       | 5              | 0            | 0            | 0                        | 0                               | 21                                      |
|       | 2023 | 21                       | 5              | 1            | 0            | 0                        | 1                               | 24                                      |
|       | 2024 | 24                       | 0              | 0            | 1            | 0                        | 0                               | 23                                      |
| GA    | 2022 | 8                        | 4              | 0            | 0            | 0                        | 0                               | 12                                      |
|       | 2023 | 12                       | 0              | 0            | 0            | 0                        | 0                               | 12                                      |
|       | 2024 | 12                       | 0              | 0            | 0            | 0                        | 1                               | 11                                      |
| IL    | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2023 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2024 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 3                                       |
| LA    | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
| MO    | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2023 | 2                        | 2              | 0            | 0            | 0                        | 0                               | 4                                       |
|       | 2024 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                                       |
| NC    | 2022 | 4                        | 2              | 0            | 0            | 0                        | 0                               | 6                                       |
|       | 2023 | 6                        | 0              | 1            | 0            | 0                        | 1                               | 4                                       |
|       | 2024 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                                       |
| NV    | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 1                               | 0                                       |
| NY    | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
| OH    | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
| SC    | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2023 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                                       |
|       | 2024 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                                       |
| TN    | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
| TX    | 2022 | 3                        | 1              | 0            | 0            | 0                        | 0                               | 4                                       |
|       | 2023 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                                       |
|       | 2024 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                                       |
| UT    | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|       | 2023 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                                       |
| VA    | 2022 | 11                       | 13             | 0            | 0            | 0                        | 0                               | 24                                      |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Stores Operating at Year End |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|-----------------------------------------|
| WI    | 2023 | 24                       | 2              | 2            | 0            | 0                        | 0                               | 24                                      |
|       | 2024 | 24                       | 0              | 0            | 0            | 0                        | 1                               | 23                                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
|       | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                                       |
| Total | 2022 | 57                       | 39             | 0            | 0            | 0                        | 0                               | 96                                      |
|       | 2023 | 96                       | 13             | 4            | 0            | 0                        | 3                               | 102                                     |
|       | 2024 | 102                      | 4              | 0            | 2            | 0                        | 3                               | 101                                     |

\*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

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

| State    | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|----------|------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Virginia | 2022 | 4                        | 0              | 0                                   | 0              | 4                           | 0                          |
|          | 2023 | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |
|          | 2024 | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |
| Total    | 2022 | 4                        | 0              | 0                                   | 0              | 4                           | 0                          |
|          | 2023 | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |
|          | 2024 | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |

\*Company outlets refers to outlets run by our affiliate 1<sup>st</sup> Class Real Estate LLC as disclosed 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 |
|------------|-------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Alabama    | 0                                               | 1                                                        | 0                                                           |
| Arizona    | 0                                               | 1                                                        | 0                                                           |
| California | 0                                               | 1                                                        | 0                                                           |
| Florida    | 1                                               | 3                                                        | 0                                                           |
| Georgia    | 0                                               | 2                                                        | 0                                                           |

| 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 |
|----------------|-------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Illinois       | 1                                               | 0                                                        | 0                                                           |
| Kansas         | 0                                               | 1                                                        | 0                                                           |
| Michigan       | 0                                               | 1                                                        | 0                                                           |
| Missouri       | 0                                               | 2                                                        | 0                                                           |
| New Jersey     | 1                                               | 1                                                        | 0                                                           |
| New York       | 0                                               | 2                                                        | 0                                                           |
| North Carolina | 0                                               | 1                                                        | 0                                                           |
| South Carolina | 0                                               | 1                                                        | 0                                                           |
| Texas          | 0                                               | 1                                                        | 0                                                           |
| Virginia       | 1                                               | 3                                                        | 0                                                           |
| Wisconsin      | 0                                               | 1                                                        | 0                                                           |
| <b>TOTALS</b>  | 4                                               | 22                                                       | 0                                                           |

Exhibit F contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit G contains 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.

Restrictions on Ability to Speak. 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.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

## ITEM 21 FINANCIAL STATEMENTS

Exhibit H contains audited financial statements for our fiscal years ended December 31, 2024, 2023, and 2022.

## ITEM 22 CONTRACTS

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

C. Franchise Agreement

Schedule 1-Franchise Elections

Schedule 2-Automatic Bank Draft Authorization

Schedule 3-Franchisee Disclosure Acknowledgment

Schedule 4-State Addenda to the Franchise Agreement

Schedule 5-Confidentiality Agreement

D. Promissory Notes

E. Release

**ITEM 23**  
**RECEIPT**

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

[Remainder of page intentionally left blank]

**EXHIBIT A**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## **CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this 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. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 5 of the Disclosure Document is amended by adding the following sentence:

“The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

Our website is located at [www.1stClassRealEstate.com](http://www.1stClassRealEstate.com)

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The amount of interest charged will not exceed the maximum amount allowed by state law. The highest interest rate allowed in California is 10%.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

## **HAWAII ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

Registered agent in the state authorized to receive service of process:

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

The Special Risks page of the Disclosure Document is modified to also state that we have negative owner's equity.

Item 5 of the Disclosure Document is modified to also provide that we defer the payment of all initial fees paid to us until we have performed all of our pre-opening obligations and you are 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.

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

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.

1. Illinois law governs the Franchise Agreement.
2. 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.
3. 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.
4. 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.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. Items 5 and 7 are modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. 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.

2. Item 17.f. is modified to also provide, “Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.).”

3. Item 17.u. 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.”

4. Item 17.v. 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.”

5. Items 5 and 7 of the Disclosure Document are modified to also provide: “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.”

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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.

## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- 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 and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
- No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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.

- Initial Fee Deferral:

Items 5 and 7 of the Disclosure Document are amended to also provide:

The franchisor defers the receipt of the initial franchise fee until the franchised business opens.

## **NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT**

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. 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 RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, 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; this proviso intends 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 earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Jurisdiction and Venue:** The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from the franchisee's place of 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.

Items 5 and 7 of the Disclosure Document are modified to also state that the franchisor defers the receipt of the initial franchise fee until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee is open for business.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

Rhode Island law applies.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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.

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

“No statement, questionnaire, or acknowledgement 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

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. **Fee Deferral. Item 5 is amended to also provide.** In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

## EXHIBIT B

### State Administrators and Agents for Service of Process

| State              | State Administrator                                                                                                                                                                                                                                                                                                         | Agent for Service of Process                                                                                                                                                                                                          |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>California</b>  | <p>The Department of Financial Protection and Innovation<br/>320 West 4th Street<br/>Los Angeles, CA 90013</p> <p>2101 Arena Blvd.<br/>Sacramento, CA 95834<br/>1-866-275-2677</p> <p>1455 Frazee Rd, Suite 315<br/>San Diego, CA 92108</p> <p>One Sansome St, Suite 600<br/>San Francisco, CA 94104<br/>(866) 275-2677</p> | <p>Commissioner of Financial Protection and Innovation<br/>Department of Financial Protection and Innovation<br/>320 West 4th Street<br/>Los Angeles, CA 90013</p>                                                                    |
| <b>Connecticut</b> | <p>The Banking Commissioner<br/>The Department of Banking, Securities and Business<br/>Investment Division<br/>260 Constitution Plaza<br/>Hartford, CT 06103-1800<br/>(860) 240-8299</p>                                                                                                                                    | <p>The Banking Commissioner<br/>The Department of Banking, Securities and Business<br/>Investment Division<br/>260 Constitution Plaza<br/>Hartford, CT 06103-1800<br/>(860) 240-8299</p>                                              |
| <b>Hawaii</b>      | <p>Commissioner of Securities of the State of Hawaii<br/>Department of Commerce and Consumer Affairs<br/>Business Registration Division<br/>Securities Compliance Branch<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813<br/>(808) 586-2722</p>                                                                    | <p>Commissioner of Securities of the State of Hawaii<br/>Department of Commerce and Consumer Affairs<br/>Business Registration Division<br/>Securities Compliance Branch<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813</p> |
| <b>Illinois</b>    | <p>Office of Attorney General<br/>Franchise Division<br/>500 South Second Street<br/>Springfield, IL 62706<br/>(217) 782-4465</p>                                                                                                                                                                                           | <p>Illinois Attorney General<br/>Office of Attorney General<br/>Franchise Division<br/>500 South Second Street<br/>Springfield, IL 62706</p>                                                                                          |
| <b>Indiana</b>     | <p>Secretary of State, Securities Division<br/>302 West Washington Street,<br/>Room E-111</p>                                                                                                                                                                                                                               | <p>Secretary of State, Securities Division<br/>302 West Washington Street,<br/>Room E-111</p>                                                                                                                                         |

|                     |                                                                                                                                                                         |                                                                                                                                                                           |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                     | Indianapolis, IN 46204<br>(317) 232-6681                                                                                                                                | Indianapolis, IN 46204                                                                                                                                                    |
| <b>Kentucky</b>     | Kentucky Attorney General<br>700 Capitol Avenue<br>Frankfort, Kentucky 40601-3449<br>(502) 696-5300                                                                     |                                                                                                                                                                           |
| <b>Maryland</b>     | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>(410) 576-6360                                                    | Maryland Securities<br>Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                                     |
| <b>Michigan</b>     | Department of Attorney General<br>Consumer Protection Division –<br>Franchise Unit<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913<br>(517) 335-7117 | Department of Attorney General<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913                                                                         |
| <b>Minnesota</b>    | Minnesota Commissioner of<br>Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                                          | Minnesota Commissioner of<br>Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198                                                                          |
| <b>Nebraska</b>     | Nebraska Department of Banking<br>and Finance<br>1526 K Street, Suite 300<br>P.O. Box 95006<br>Lincoln, Nebraska 68509<br>(402) 471-3445                                |                                                                                                                                                                           |
| <b>New York</b>     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21 <sup>st</sup> Floor<br>New York, NY 10005<br>212-416-8222                                      | New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, New York 12231-0001<br>(518) 473-2492                                    |
| <b>North Dakota</b> | North Dakota Securities<br>Department<br>600 East Boulevard Avenue<br>State Capital, Fourteenth Floor,<br>Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712        | Securities Commissioner<br>North Dakota Securities<br>Department<br>600 East Boulevard Avenue<br>State Capital, Fourteenth Floor,<br>Dept. 414<br>Bismarck, ND 58505-0510 |
| <b>Rhode Island</b> | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1                                               | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1                                                 |

|                     |                                                                                                                                                                        |                                                                                                                                  |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
|                     | Cranston, RI 02920<br>(401) 462-9500                                                                                                                                   | Cranston, RI 02920                                                                                                               |
| <b>South Dakota</b> | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-4823                                                    | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501                                |
| <b>Texas</b>        | Secretary of State<br>Statutory Document Section<br>P.O. Box 13193<br>Austin, TX 78711<br>(512) 475-0775                                                               |                                                                                                                                  |
| <b>Utah</b>         | Department of Commerce<br>Division of Consumer Protection<br>160 East 300 South<br>Salt Lake City, Utah 84111-0804<br>(801) 530-6601                                   |                                                                                                                                  |
| <b>Virginia</b>     | State Corporation Commission<br>Division of Securities and Retail<br>Franchising, 9 <sup>th</sup> Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of the State Corporation<br>Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219                           |
| <b>Washington</b>   | Washington State Department of<br>Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760                          | Securities Administrator<br>Washington State Department of<br>Financial Institutions<br>150 Israel Road SW<br>Tumwater, WA 98501 |
| <b>Wisconsin</b>    | Wisconsin Department of<br>Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703<br>(608)-266-8557                                                 | Wisconsin Department of<br>Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703                             |

**1ST CLASS FRANCHISING, LLC**



**FRANCHISE AGREEMENT**

**EXHIBIT C**

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WHEREAS, 1st Class Franchising, LLC d/b/a 1<sup>st</sup> Class Real Estate (“we,” “us,” or “our”) offers a real estate brokerage franchise program (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

## **1. GRANT OF FRANCHISE**

**1.1 Grant of Franchise.** Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our System and our Marks in the territory described in Schedule 1 (“Territory”). You may operate a full-service real estate brokerage agency (“Standard Model”), or you may operate a real estate agency through an online Virtual Model (“Virtual Model”).

## **2. TERM AND RENEWAL**

**2.1. Term.** This Agreement will be effective for a five (5) year term beginning on the Effective Date specified in this Agreement.

**2.2 Renewal.** You may renew for another term 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 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 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 180 days before the expiration of this Agreement.

## **3. TERRITORY**

When you receive a Standard Model, your territory will be a four (4) mile radius from the location of your 1<sup>st</sup> Class Real Estate Office in which we promise not to locate another Standard Model franchise. Your office space may not be or shared workspace such as Regus, Gather, or a WeWork location because signage is required to be placed on the building where your office will be located.

If you would like to relocate your Franchised Business you must submit a request to us in writing. We may approve relocation of the Franchised Business if it does not conflict with the territory rights of another franchisee. We do not grant approval to open an additional outlet within your territory.

If you receive a Virtual Model, you will not receive any defined territory. If you elect this model, you cannot operate out of an office building with signage outside the building. If you reside in a state that requires a business address with signage you may not be able to operate the Virtual Model. It is your responsibility to confirm that your state allows the Virtual Model.

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

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

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 make sales within your territory using our principal trademarks.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees also may solicit and transact business in any jurisdiction in which you or they are licensed. You may solicit and accept orders from customers outside your territory, including through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing. You must engage in any internet, social media, or other marketing solely pursuant to our guidelines.

## **4. FEES AND PAYMENTS**

### **4.1 Initial Franchise Fee.** You must pay an Initial Franchise of \$25,000

The Initial Franchise Fee is due to us in full when you return to us signed copies of your Franchise Agreement. The Initial Franchise Fee is fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

**4.2 Initial Training and Onboarding Fee.** You must pay to us an initial training and onboarding fee of \$950. We offer initial training virtually. The initial training and onboarding fee covers training for you and any Principal Broker required to attend. For any in-person training, you are responsible for any travel, lodging, transportation, meals, and your employees' wages to attend initial training.

**4.3 Closed Transaction Fee.** You must pay \$150 for each buyer or seller that your office represents that closes on a property and for each referral fee that your office receives.

**4.4 Office Fee.** You must pay us \$150 each month.

**4.5 Technology Fees.**

**(a) Technology Plus Fee.** You must pay a monthly Technology Plus Fee of \$50 for your Franchised Business and also per person that is onboarded under our Technology Plus Package. You are required to pay for a minimum of two months per person for each start/restart of service.

**(b) Technology Premium Fee.** You must pay a monthly fee of \$25 per person for each person that is onboarded to our Technology Premium Package. You are required to pay for a minimum of two months per person for each start/restart of service.

**(c) Additional Website Fee.** If you want an additional website other than what is included with your Technology Fee, you agree to pay a monthly website fee of \$25.

**4.6 [Reserved]**

**4.7 Accounting Fee.** Our Accounting Service is highly recommended. You can sign up at any time and if you elect to cancel it, we ask that you provide us a 30-day written notice via email.

**4.8 Payroll and Human Resources.** If you elect for us to process your payroll or assist with other human resources duties, you must pay us our then-current Payroll and Human Resources Fee each month. The fee will be based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees to \$1,900 per month for 46-55 employees. If you elect to cancel it, we ask that you provide us a 30-day written notice via email.

**4.9 Transfer Fee.** You agree to pay us a Transfer Fee of \$1,500 if you wish to transfer or change entity ownership of the rights under this Franchise Agreement. You agree to pay us a Transfer Fee of \$500 for any change in ownership interest or percentages (adding or removing members or partners) of the rights under this Franchise Agreement. You may also be required to pay the Legal and Administrative Fee.

**4.10 Renewal Fee.** You must pay to us a Renewal Fee of \$5,000 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

**4.11 Legal and Administrative Fee.** You must pay to us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.

**4.12 Territory Amendment Fee.** You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the Legal and Administrative Fee.

**4.13 Early Termination Fee.** In the event this Franchise Agreement is terminated due to a material breach or otherwise, you must pay us an Early Termination Fee. The Early Termination Fee is the greater of (1) the average of the monthly fees paid to us for the six (6) months prior to

termination multiplied by the number of months remaining in the Term of the Franchise Agreement, or (2) \$500 multiplied by the remaining Term in the Franchise Agreement.

**4.14 Interest.** You must pay 12% per annum or the maximum amount permitted by law, if less, on any amounts owed to us that are past due. Interest will begin to accrue on the day after payments are due, generally on the 11<sup>th</sup> of the month.

**4.15 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 agree to pay the charges.

**4.16 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, training and onboarding fee, fees for products and possibly other services, may be subject to sales, excise, gross receipts or similar type tax, which you must pay to us at the same time and in the same manner as you pay these fees to us. You shall be solely responsible for paying all sales, income, and other taxes imposed upon you with respect to your operation of the Franchised Business.

**4.17 Assistance Fee in the event of Death or Incapacity.** In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business.

**4.18 Fees to Third Parties.** You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

**4.19 Payment Period and Method.** You must pay to us recurring fees by the 10th of the month incurred or accrued in the prior month. You must pay to us all other fees when incurred. 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 or our affiliates. See Schedule 2. 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 reserve the right to modify the payment methods and schedule in our Operations Manual.

**4.20 Failure to Pay Fees.** Should you fail to timely pay any fees associated with this Agreement, We shall have the right, in our sole discretion, to utilize the services of a collection agency to recover any fees. You shall be responsible for any additional fees incurred should a collection agency become involved. Additionally, we have the right to turn off your access to technology if a amount you owe to us is more than 30 days past due.

## **5. OBLIGATIONS OF FRANCHISOR**

**5.1. Initial Training.** We offer approximately 18 hours of initial training online. You may complete initial training at your own pace; however, the online training must be completed within 90 days from the Effective Date of this Agreement and before you may operate the Franchised

Business. We also require a 3-hour live webinar with our operations team before you start to operate the Franchised Business.

**5.2 Site Selection.** We do not generally own the premises and lease it to you. We do not provide criteria to help you select or relocate a site. We must approve the location of your site before you sign a lease for the location and reserve the right to disapprove any site you select. We do not select the site. If we elect to exercise our right of disapproval, we will typically do so within 7 days of your submission to us of the information required by us on the proposed site.

If you do not locate a site of which we do not disapprove within 120 days of the date of the Franchise Agreement you must operate virtually, if allowed in the state where you are located.

**5.3 Assistance obtaining equipment, signs, fixtures, opening inventory, and supplies.** We provide guidance to obtain equipment, signs, fixtures, and supplies. We must approve all signage placed on the outside of your location.

**5.4 Operations Manual.** We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

**5.5 Operational Support.** We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business. You agree that we are not responsible for damages caused by weather, actions of third-parties, or other events beyond our control, that may prevent us from being able to provide operational support.

**5.6 Software and Computer Systems.** We provide access to required software. We may specify computer systems and additional software to assist in the operation of your Franchised Business. You agree that we are not responsible for damages caused by weather, actions of third-parties, or other events beyond our control, that may prevent us from being able to provide access to required software.

**5.7 Additional Training or Seminars.** We may offer, either live or electronically, additional training or seminars. Your attendance is not required but is recommended. We reserve the right to charge for such training. In any event, you must pay for any travel and living expenses to attend.

**5.8 Advertising and Marketing.** We provide you with advertising templates to use for advertising. We may 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.

## **6. OBLIGATIONS OF FRANCHISEE**

**6.1 Training.** You must successfully complete our initial training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

### **6.2 Site Selection.**

**(a) Site Selection.** You must select a site for the operation of your Franchised Business. You may operate the Franchised Business only at the accepted site or virtually, if allowed by your state's laws.

**(b) Relocation Review.** You must obtain our approval if you wish to relocate. We will evaluate the locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

**6.3 Starting Date.** You agree to be operational within 3 months of the Effective Date of this Agreement.

**6.4 Operations Manual.** You agree to operate the Franchised Business per the then current Operations Manual and brand standards, as well as information bulletins and guidance that we disseminate electronically.

**6.5 Participation.** We do not require that you personally supervise the franchised business, but we do recommend it. The Franchised Business must have a Principal Broker who will be responsible for all licensing and real estate activities and transactions handled by the Franchised Business.

Your Principal Broker must successfully complete our initial training program and sign a nondisclosure agreement. The Principal Broker must be in good standing with the local association/board of Realtors and the state and national board of Realtors.

**6.6 Authorized Products and Services Only.** You may offer for sale through your Franchised Business only the products and services we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services we have not authorized or approved.

You are required to sell all goods or services we authorize, except property management is an optional service, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

In your discretion, you may offer property management services provided that the Franchised Business does not primarily offer property management services.

**6.7 Client Service.** You shall interact with prospective and actual clients in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they engage your services. We may with just cause arising from a customer complaint or conduct detrimental to the brand, require you to dis-associate with an agent, vendor, or employee.

**6.8 Employee Training.** You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law, including necessary state real estate license(s). You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

**6.9 Insurance.** You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. If you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

**6.10 Software and Computer Systems.** You are required to purchase or use such software and computer systems to operate your Franchised Business as we may specify.

**6.11 Telephone Number.** You agree to maintain a dedicated telephone number for your Franchised Business.

**6.12 Licensing/MLS Data Feed.** You will need to be a member of the state, local, and local or regional multiple listings services (MLS) as we specify.

**6.13 Brand Image.** You agree to keep your Franchised Business clean and well maintained to uphold the image and goodwill of our franchise system.

**6.14 Laws and Regulations.** Your Franchised Business must comply with the rules and regulations of the real estate commission or department in your state and the federal statutes concerning settlement procedures. You must comply with federal, state, and local laws that apply to your business. You must comply with the Residential Lead-Based Paint Hazard Reduction Act which requires disclosure of lead-based paint, Title VIII of the Civil Rights Act (Fair Housing) which prohibits discrimination in housing transactions, the Federal Trade Commission, and any other federal law applying to your business, including limits on commission rates. It is your responsibility to investigate the application of these laws further.

In addition, your Franchised Business must comply with the rules and regulations of state and local boards of realtors in your area.

**6.15 Conversion Warranty.** If you are converting an existing business or brokerage to this franchised system, you understand that you must pay us a transaction fee and all other applicable

fees on pending real estate contracts that close after the Effective Date of this Agreement. You further warrant that there are no lawsuits or claims against you or your current brokerage, except as you may disclose in writing to us and we approve, before entering into this Franchise Agreement, and you are not violating any other agreement in entering into this Franchise Agreement.

**6.16 Minimum Capital Reserves.** You must maintain sufficient capital to operate your 1<sup>st</sup> Class Real Estate business.

## **7. ADVERTISING**

**7.1 Local Advertising and Promotions.** Your advertising and promotions shall conform to the following requirements:

(a) You shall advertise and promote only in a manner that will reflect favorably on us;

(b) You shall use our advertising templates or, if you wish to use your own material, you shall submit to us for written approval all advertising and promotional material, including proposed signage, prior to its use. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved;

(c) You agree to participate in all promotional programs that we create, offer or advertise; and

(d) Your advertising must comply with federal, state, and local laws.

**7.2 Private Websites.** Subject to our guidelines and right to disapprove, you may also have a personal website provided that it does not use the mark “1<sup>st</sup> Class” or “1<sup>st</sup> Class Real Estate.”

**7.3 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.

**7.4 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.

## **8. TRADEMARKS**

**8.1 Use of our Marks.** We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual. If you are operating your Franchised Business under the “Powered-By Model,” you may use an additional approved company name as listed in Schedule 1 to hold your Franchise Business so long as you are otherwise in compliance with this Section 8.1 of the Franchise Agreement and the Operations Manual.

**8.2 Entity Name Requirements.** You may not use the words “1<sup>st</sup> Class” or any confusingly similar words, as any part of the name of a corporation, limited liability company, or other entity. However, “1<sup>st</sup> Class” followed by your entity number, or such other designation as we shall specify, shall be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

**8.3 No Confusingly Similar Marks.** You agree not to use any marks that could be confused with our Marks.

**8.4 Update to our Marks.** We may replace, modify, or add to our Marks. If we replace, modify, discontinue, or add additional marks, you agree to adopt the new marks and 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.

**8.5 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.

**8.6 Control of Proceedings.** We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. We are not required 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.

## **9. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS**

**9.1 Definition.** “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.

**9.2 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.

**9.3 Return of Information.** Upon termination or expiration of this Agreement, you will return to us all 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 always remain subject to the confidentiality restrictions of this Agreement.

**9.4 Intellectual Property Ownership.** We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

**9.5 Suggestions.** You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

**9.6 Performance Data.** You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential, but you may share the performance data of your outlet with prospective franchisees.

## **10. REPORTS AND REVIEW**

**10.1 Reports.** You must send us such reports in the time and manner we may specify in the Operations Manual.

**10.2 Profit and Loss.** By January 30 of each year, you must send us an unaudited profit and loss statement of the Franchise Business, in the manner and form we specify, for the 12-month period ending the prior December 31. You must also send us unaudited profit and loss statements monthly, no later than the 10<sup>th</sup> of each month.

**10.3 Reviews.** We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations related to the Franchised Business and compliance with the Franchise Agreement.

**10.4 Time Frame to Furnish Documents.** If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us, at your expense, these records within five (5) business days of receiving our request.

## **11. TERMINATION**

**11.1 Termination by You.** You may terminate this Agreement by not renewing, by paying the Early Termination Fee, or by selling the franchise pursuant to the terms of this Agreement. If you do not renew, you must notify us in writing of your desire not to renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all the provisions of this Agreement that require performance post-termination.

**11.2 Termination by Us.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- (a) If you do not complete our initial training;
- (b) If you fail to obtain our approval of a location or relocate without our approval;
- (c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- (d) 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;
- (e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- (f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- (g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- (h) 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;
- (i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- (j) You fail to permit us to inspect or audit your franchise; or
- (k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us or an affiliate, in any 12-month period regardless of whether such breaches were cured after notice.

**11.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- (a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; however, there is a 90-day cure period on failure to meet Minimum Requirements; or
- (b) Any amount owing to us from you is more than 30 days past due.

**11.4 No Refund of Initial Fee.** We have no obligation to return or refund any fee to you upon termination of this Agreement.

## 12. 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) Cease operating the Franchised Business and discontinue use of any aspects of our System or Confidential Information;
- (b) Stop identifying yourself as a franchisee of ours and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- (c) 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);
- (d) Pay to us all amounts owing to us;
- (e) At our request, cancel or assign to us all web URLs and social media under your ownership used in the Franchise Business;
- (f) Reimburse customers for any fees paid for services not yet rendered;
- (g) 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, if needed;
- (h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- (i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- (j) Adhere to the provisions of the post-term covenant not to solicit;
- (k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- (l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 12.

## 13. NON-COMPETE AND NO SOLICITATION.

**13.1 In-Term Non-Compete.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly offer real estate agency or brokerage services except in the provision of such services through the Franchised Business.

**13.2 Waiver of Bond.** You agree that if we bring suit to enforce Sections 12 or 13.1 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**13.3 Severability.** If any covenant or provision of Section 13.1 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall 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, shall not constitute a defense to the enforcement of these obligations.

## **14. ADDITIONAL IN-TERM AND POST-TERM COVENANTS**

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

**14.2 Independent Contractor.** You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

**14.3 Indemnity.** You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

## **15. TRANSFER**

**15.1 Assignment by Us.** We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

**15.2 Transfer by You.** You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 15. We shall not unreasonably withhold approval. 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. For any applicable transfer in this Section 15, you shall sign our then-current amendment, transfer, or release form and pay to use the Transfer and Legal and Administrative Fee specified in Section 4 above.

**15.3 Transfer to a 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 15.6 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.

**15.4 Transfer within an Entity.** A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 15.6 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.

**15.5 Conditions for Approval of Transfer.** We may condition our approval of any proposed sale or transfer of the Franchised Business or of your interest in this Agreement upon satisfaction of the following occurrences:

- (a) You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;
- (b) You are in full compliance with this Agreement;
- (c) You execute any transfer, amendment, or release forms that we may require;
- (d) You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

**For a transfer under Section 15.2 above, the following conditions also apply:**

- (e) The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;
- (f) The transferee must execute our then-current Franchise Agreement;
- (g) You or the transferee must pay to us the Transfer Fee specified in Section 4 above;
- (h) The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;
- (i) You must comply with the post-termination provisions of this Agreement;
- (j) The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;
- (k) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

(l) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

(m) 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 and performance under its franchise agreement;

(n) You must request that we provide the prospective transferee with our current franchise disclosure document;

(o) Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

(p) We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

(q) In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

**15.6 Right of First Refusal.** If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

(a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.

(b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or your ownership interest per the terms set forth in the Notice, if you satisfy the conditions in Section 15.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

## **16. DEATH OR INCAPACITY**

In the event of your death or incapacity, you, or your estate must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within

6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And 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. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

## **17. 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, as discussed in Section 5.

## **18. NON-WAIVER OF BREACH**

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

## **19. FULL UNDERSTANDING**

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

## **20. GOVERNING LAW**

**20.1 Choice of Law.** This Agreement is effective upon its acceptance in Florida by our authorized officer. Except as to claims governed by federal law, Florida law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**20.2 Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Sarasota, Florida. However, if you are an Illinois or Maryland resident or your franchise territory is located in Illinois or Maryland, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

**20.3 Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

**20.4 Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

**20.5 Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

**20.6 Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

**20.7 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, and failure to timely give such notice shall preclude any claim for damages.

**20.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 20.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

**20.9 Mediation.** Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”) and split any AAA and mediator fees equally.

**20.10 Waiver of bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**20.11 Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

**20.12 Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Governing Law provisions contained herein.

**20.13 Survival.** All the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

**20.14 Severability Clause.** If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

**20.15 Area Representatives.** If you are or become in a territory under an Area Representative, you agree not to bring any Claims against the Area Representative. If you breach this clause, you agree to reimburse us or the Area Representative for any legal fees and costs incurred in defending such Claims.

## **21. RELEASE OF PRIOR CLAIMS**

By executing this Agreement, the undersigned entity, if any, and individuals, 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 relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

## **22. NOTICES**

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 6330 Hollywood Blvd, Sarasota, FL 34231; Telephone: (757) 504-4636, email: [franchise@1stclassagents.com](mailto:franchise@1stclassagents.com). We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

## **23. ACKNOWLEDGMENTS**

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third-party beneficiary to any agreement between us and any other franchisee.

## **24. GUARANTY**

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants

in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 9, 12-14 and 20 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

[signature page follows]

Franchisee: \_\_\_\_\_ Entity Number: \_\_\_\_\_

Type: \_\_\_\_\_ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship ("JTROS"), Tenants in Common, Partnership).\*

**SIGNATORS:**

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)

\_\_\_\_\_  
(Printed Name) (Printed Name)

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

Address: \_\_\_\_\_ Address: \_\_\_\_\_  
\_\_\_\_\_

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)

\_\_\_\_\_  
(Printed Name) (Printed Name)

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

Address: \_\_\_\_\_ Address: \_\_\_\_\_  
\_\_\_\_\_

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

**1st Class Franchising, LLC**

By: \_\_\_\_\_ Effective Date: \_\_\_\_\_  
Rhyan Finch, CEO

**\*Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent's share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

## SCHEDULE 1 TO THE FRANCHISE AGREEMENT

### Franchise Elections

☐ **Virtual Model**

☐ **Standard Model**

Your Territory shall be as follows:

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☐ **Powered-By Option Approved Name**

In accordance with Section 8.1 of the Franchise Agreement, you may use the following approved company name:

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## **SCHEDULE 2 TO THE FRANCHISE AGREEMENT**

### **AUTOMATIC BANK DRAFT AUTHORIZATION**

#### **ACH Origination 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 1st Class Franchising, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either 1st Class Franchising, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: \_\_\_\_\_

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

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

Telephone Number: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

\_\_\_\_\_

## SCHEDULE 3 TO THE FRANCHISE AGREEMENT

### FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT

Do not sign this Acknowledgement if you are a resident of Maryland or the business is to be operated in Maryland.

[Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- |       |      |    |                                                                                                                                                                                                                                                                                                   |
|-------|------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yes__ | No__ | 1. | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?                                                                                                                                                                                 |
| Yes__ | No__ | 2. | Do you understand all the information contained in the Franchise Agreement?                                                                                                                                                                                                                       |
| Yes__ | No__ | 3. | Have you received and personally reviewed the Franchise Disclosure Document we provided?                                                                                                                                                                                                          |
| Yes__ | No__ | 4. | Do you understand all the information contained in the Franchise Disclosure Document?                                                                                                                                                                                                             |
| Yes__ | No__ | 5. | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?                                                                                                                                                              |
| Yes__ | No__ | 6. | Do you understand the risks of developing and operating this franchise?                                                                                                                                                                                                                           |
| Yes__ | No__ | 7. | Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?                                                                                                                                                  |
| Yes__ | No__ | 8. | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors? |

- Yes\_\_\_ No\_\_\_ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?
- Yes\_\_\_ No\_\_\_ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?
- Yes\_\_\_ No\_\_\_ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?\*
- Yes\_\_\_ No\_\_\_ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?\*

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any 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.

\*All representations requiring prospective franchisees to assent to a release, assignment, novation, or waiver of any person from liability are not intended to nor shall they act as a release, assignment, novation or waiver under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

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.

By signing below, you are representing that you have responded truthfully to the above questions.

[signature page follows]

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI,  
SD, VA, WA, WI]

\_\_\_\_\_  
Name of Applicant (please print)

\_\_\_\_\_  
Signature

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

**Explanation of any negative responses (Refer to Question Number):**

## SCHEDULE 4

### STATE ADDENDA TO THE FRANCHISE AGREEMENT

#### CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. 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 of its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the develop and initial fee attributable to a specific unit is deferred until that unit is open.
2. Sections 11.2 and 11.3 are deleted and in their place are substituted the following:

**11.2 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 11.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**11.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a 60-day opportunity to cure, for any other breach of this Agreement.

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

**FRANCHISEE:**

**FRANCHISOR:** 1st Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

**HAWAII ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is modified to also provide that we defer the payment of all initial fees paid to us until we have performed all of our pre-opening obligations and you are open for business.

FRANCHISEE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

By:\_\_\_\_\_  
Rhyan Finch, CEO

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

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. 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.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. The Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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.

FRANCHISEE:

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

## **MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

2. 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.

3. A 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.

4. 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.

5. The Franchise Agreement is modified to also provide: "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."

6. The Franchise Agreement, Section 23 "ACKNOWLEDGMENTS" is deleted in its entirety.

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

[signature page follows]

FRANCHISEE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

Rhyan Finch, CEO

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

## **MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- 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 and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
- No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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.

- Initial Fee Deferral:

The Franchise Agreement is amended to also provide:

The franchisor defers the receipt of the initial franchise fee until the franchised business opens.

FRANCHISEE:

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

## **NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.

2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. The provision concerning limitation of actions is modified to provide that the statute of limitations under North Dakota Law will apply.

5. The provision concerning mediation is modified to also provide that the site of mediation shall be agreeable to all parties and may not be remote from your place of business.

6. North Dakota law governs any cause of action arising out of the franchise agreement.

7. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

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

9. The franchise agreement is modified to also state that the franchisor defers receipt of the initial franchise fee until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee is open for business.

[signature page follows]

FRANCHISEE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

Ryan Finch, CEO

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

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

FRANCHISEE:

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of monthly fees are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

Rhyan Finch, CEO

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

**VIRGINIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

“No statement, questionnaire, or acknowledgement 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

FRANCHISEE:

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

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

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

Rhyan Finch, CEO

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

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.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR:

1<sup>st</sup> Class Franchising, LLC

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

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

Rhyan Finch, CEO

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

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

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
  
- 2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

**FRANCHISEE:**

**FRANCHISOR:** 1st Class Franchising, LLC

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

By:\_\_\_\_\_   
Rhyan Finch, CEO

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

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

## SCHEDULE 5

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is entered into by and between 1<sup>st</sup> Class Franchising, LLC with its principal offices at 6330 Hollywood Blvd, Sarasota, FL 34231, ("Disclosing Party") and the Receiving Party identified below ("Receiving Party") for the purpose of preventing the unauthorized disclosure of Confidential Information. The parties agree to enter into a confidential relationship with respect to the disclosure of certain proprietary and confidential information ("Confidential Information").

1. Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" shall include all oral, written, and electronic information furnished by Disclosing Party to Receiving Party concerning technical and business information relating to Disclosing Party's intellectual property, Operations Manual, franchisee training materials, proprietary ideas, patentable ideas, copyrights, or trade secrets, existing or contemplated products and services, software, schematics, research and development, production, costs, profit and margin information, finances and financial projections, customers, clients, marketing, and current or future business plans and models, negotiated terms to the Franchise Agreement or other Agreement between the parties, and the terms of any vendor relations or other agreements, regardless of whether such information is designated as "Confidential Information" at the time of its disclosure.

Confidential Information does not include information (a) already in Receiving Party's possession before receipt from Disclosing Party; (b) that is matter of public knowledge through no fault of Receiving Party; (c) that is rightfully received by Receiving Party from a third party not an affiliate of Disclosing Party and not owing a duty of confidentiality to the Disclosing Party; (d) that is disclosed without a duty of confidentiality to a third party by, or with the authorization of, Disclosing Party; or (e) that is independently developed by the Receiving Party.

2. Obligations of Receiving Party. Receiving Party shall use the Confidential Information only for the purpose of evaluating potential business and investment relationships with Disclosing Party. Receiving Party shall limit disclosure and use of Confidential Information within its own organization to those directors, officers, partners, members, employees, representatives, or agents ("Representatives") having a need to know, and Receiving Party and its Representatives shall keep the Confidential Information confidential and shall not disclose Confidential Information to any other person or entity without the prior written consent of Disclosing Party. If Receiving Party is required to disclose any Confidential Information pursuant to a legal proceeding, the Receiving Party will provide reasonable notice to Disclosing Party in order for Disclosing Party to file a protective order or take other such action as necessary to prevent the disclosure of such

information. If Receiving Party or any of its Representatives is compelled as a matter of law to disclose any Confidential Information, Receiving Party may disclose to the person compelling disclosure only that part of the Confidential Information as is required by law to be disclosed. Receiving Party shall promptly advise Disclosing Party if the Receiving Party becomes aware of any possible unauthorized disclosure or use of the Confidential Information.

Receiving Party shall return to Disclosing Party any and all records, notes, and other written, printed, or tangible materials in its possession pertaining to Confidential Information immediately if Disclosing Party requests it in writing.

3. Time Period. The nondisclosure provisions of this Agreement shall survive the termination of this Agreement and Receiving Party's duty to hold Confidential Information in confidence shall remain in effect until the information at issue is no longer confidential, provided that the information is not made non-confidential as a result of a breach of duty of any person or party to a confidentiality duty.

4. No Licenses Granted. Neither party grants any licenses, by implication or otherwise, under any patent, copyright, trademark, trade secret or other rights by disclosing Confidential Information under this Agreement.

This Agreement shall not be construed as creating, conveying, transferring, granting, or conferring upon the Recipient any right, license, or authority in or to the information exchanged, except the limited right to use Confidential Information as specified herein. Specifically, no license or conveyance of any intellectual property rights is granted or implied by this Agreement.

5. Indemnification. Receiving Party agrees to defend, indemnify, and hold harmless the Disclosing Party and its officers, directors, agents, affiliates, distributors, representatives, and employees from any and all third party claims, losses, damages, and cost, including reasonable attorney's fees and expenses resulting from Receiving Party's breach of any duty, representation, or warranty under this Agreement.

6. Severability. If a court finds any provision of this Agreement invalid or unenforceable, the remainder of this Agreement shall be interpreted so as best to effect the intent of the parties.

7. Integration. This Agreement expresses the complete understanding of the parties with respect to the subject matter and supersedes all prior proposals, agreements, representations and understandings. This Agreement may not be amended except in a writing signed by both parties.

8. Waiver. The failure to exercise any right provided in this Agreement shall not be a waiver of prior or subsequent rights.

9. Governing Law, Venue. This Agreement and any disputes arising out of or related to this Agreement, or the parties' dealings ("Claims") will be governed by Florida law, without regard to its rules of conflict or choice of laws. The parties also agree to bring any Claims solely in the state and federal courts in Sarasota, Florida.

This Agreement and each party's obligations shall be binding on the representatives, assigns and successors of such party. Each party has signed this Agreement through its authorized representative.

**Receiving Party:** \_\_\_\_\_

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

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

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

Address: \_\_\_\_\_

\_\_\_\_\_

**Disclosing Party: 1<sup>st</sup> Class Franchising, LLC**

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

Rhyan Finch, CEO

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

**EXHIBIT D**  
**PROMISSORY NOTES**

**PROMISSORY NOTE- SOLE PROPRIETORSHIP, JOINT TENANTS,  
TENANTS IN COMMON**

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Sarasota, Florida

For and in consideration of good and valuable consideration, the undersigned ("Maker") promises to pay to the order of 1st Class Franchising, LLC ["Holder"] at 6330 Hollywood Blvd, Sarasota, FL 34231, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of \_\_\_\_ percent (\_\_\_\_%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Maker represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. Maker may prepay this Note, in whole or in part, without penalty, at any time.

Maker agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Maker understands that Holder may transfer this Note. The Holder or any party who takes this Note by transfer and who is entitled to receive payments under this Note shall be called "Holder."

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. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

As security for the prompt and full satisfaction of the outstanding principal balance of this Note, and all other sums due under this Note, Maker agrees that Holder shall have, and Maker hereby grants to and creates in favor of Holder, a lien and security interest in any and all of the accounts, assets, real property, personal property, and intangible property of the Franchised Business. Maker agrees that it shall not, without the prior written consent of the Holder, grant or create or permit to attach or exist any mortgage,

security interest, lien, judgment, or other encumbrance of or in any of the assets of the Franchised Business or any portion thereof. Maker agrees that it shall preserve and protect Holder's security interest in the Franchised Business assets. In addition to all rights and remedies given to Holder by this Note, Holder shall have all the rights and remedies of a secured party under the Uniform Commercial Code (the "UCC"). The parties hereto agree that this Note constitutes a security agreement under the UCC. Maker agrees from time to time at the request of Holder to file or record, or cause to be filed or recorded, such instruments, documents or notices, including assignments, financing statements and continuation statements as the Holder may deem necessary or advisable from time to time in order to perfect, to continue perfected and to preserve the priority of such lien and security interest.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if Maker shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Florida.

[Signature Page Follows]

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

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Signature of Maker

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Printed Name of Maker

Home Address:

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Signature of Maker

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Printed Name of Maker

Home Address:

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## PROMISSORY NOTE- ENTITY

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Sarasota, Florida

For and in consideration of good and valuable consideration, the undersigned (together with the Guarantor "Maker") promises to pay to the order of 1st Class Franchising, LLC ["Holder"] at 6330 Hollywood Blvd, Sarasota, FL 34231, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of \_\_\_\_ percent (\_\_\_\_%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Maker represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. Maker may prepay this Note, in whole or in part, without penalty, at any time.

Maker agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Maker understands that Holder may transfer this Note. The Holder or any party who takes this Note by transfer and who is entitled to receive payments under this Note shall be called "Holder."

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. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

As security for the prompt and full satisfaction of the outstanding principal balance of this Note, and all other sums due under this Note, Maker agrees that Holder shall have, and Maker hereby grants to and creates in favor of Holder, a lien and security interest in any and all of the accounts, assets, real property, personal property, and intangible property of the Franchised Business. Maker agrees that it shall not, without the prior written consent of the Holder, grant or create or permit to attach or exist any mortgage, security interest, lien, judgment, or other encumbrance of or in any of the assets of the Franchised Business or any portion thereof. Maker agrees that it shall preserve and protect Holder's security interest in the Franchised Business assets. In addition to all rights and remedies given to Holder by this Note, Holder shall have all the rights and remedies of a secured party under the Uniform Commercial Code (the "UCC"). The parties hereto agree that this Note constitutes a security agreement under the UCC. Maker agrees from

time to time at the request of Holder to file or record, or cause to be filed or recorded, such instruments, documents or notices, including assignments, financing statements and continuation statements as the Holder may deem necessary or advisable from time to time in order to perfect, to continue perfected and to preserve the priority of such lien and security interest.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if Maker shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Florida.

[Signature Page Follows]

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

**Maker:** \_\_\_\_\_  
(Enter Name of Entity Here)

By \_\_\_\_\_

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

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

**Guarantors:**

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:

Home Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:

Home Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **EXHIBIT E**

### **RELEASE**

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and 1st Class Franchising, LLC (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 of Franchisee's 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, 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 Franchisee 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 that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

6. The above Release shall 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 in accordance with RCW 19.100.220..

**Franchisee:**

**1st Class Franchising, LLC**

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

By:\_\_\_\_\_  
Rhyan Finch, CEO

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

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

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

## **EXHIBIT F**

### **CURRENT FRANCHISEES**

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

#### **Operating Outlets:**

##### **Alabama**

1st Class Real Estate Powerhouse - Davis Genery, LLC: 15563 Hwy. 216, Brookwood, AL 35444 – 205-886-9204

1st Class Real Estate-Wiregrass - Wiregrass Realty Group, LLC: 1230 Rucker Blvd., Suite A, Enterprise, AL 36330 - 334-625-6595

1st Class Real Estate South Home Group (Huntsville) - CRCH Properties, LLC: 7027 Old Madison Pike NW, Suite 108, Huntsville, AL 35806 - 205-861-5698

1st Class Real Estate South Home Group (Mobile) - CRCH Properties, LLC: 11 N Water Street, 10th Floor, Mobile, AL 36602 - 205-799-4274

1st Class Real Estate Capstone - Powerhouse Realty, LLC: 4244 McFarland Blvd., Northport, AL 35476 - 205-454-9247

1st Class Real Estate Heritage Homes - Heritage Homes, LLC: 13544 Hwy 43 N., Northport, AL 35475 - 205-361-4643

1st Class Real Estate Excellence - Excellence Asset Management Services Corp.: 1800 Lakewood Dr., Apt. Q10, Phenix City, AL 36867 - 706-681-0544 (Virtual)

1st Class Real Estate South Home Group - A J Marshall & Company, LLC: 2207 7th Street, Suite A., Tuscaloosa, Alabama 35401 - 205-861-5698

1st Class Real Estate South Home Group (Tuscaloosa) - CRCH Properties, LLC: 2205 7th Street, Suite A, Tuscaloosa, AL 35401 - 205-861-5698

1st Class Real Estate - Distinctive Home Associates - LKT Properties, LLC: 2081 Columbiana Road, Suite 4, Vestavia Hills, AL 35216 - 205-454-9465

##### **Arizona**

Best Homes Real Estate Central Valley Serviced by 1st Class Real Estate - Best Homes Real Estate, LLC: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

Best Homes Real Estate Prescott Serviced by 1st Class Real Estate Estate - Best Homes Real Estate, LLC: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

Best Homes Real Estate Serviced by 1st Class Real Estate Estate - Best Homes Real Estate, LLC: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660

Best Homes Real Estate Southwest Valley Serviced by 1st Class Real Estate Estate - Best Homes Real Estate, LLC: 21448 N 75th Ave., Suite 2, Glendale, AZ 85308 – 602-396-5660 (Virtual)

1st Class Real Estate Associates - AZR & Associates, LLC: 13310 N 153 Rd., Surprise, AZ 85379 – 480-399-7121

1st Class Real Estate Agency - It's A Breeze Real Estate, LLC: 18612 W Lawrence Ln., Waddell, AZ 85355 - 623-910-6700

### **California**

1<sup>st</sup> Class Real Estate Mavericks - Renaissance Real Estate, LLC: 16191 Kamana Rd., Suite 203, Apple Valley, CA 92307 – 760-490-1249

1st Class Real Estate SD - Ponoisms Inc.: 9245 Madison Ave., La Mesa, CA 91941 - 619-384-8163 (Virtual)

1st Class Real Estate Sunnyside - Z Holdings CA, LLC: 501 W Broadway, Suite 800, San Diego, CA 92101 - 850-261-3308 (Virtual)

### **Florida**

1st Class Real Estate Panhandle - Premium Realty Solutions, LLC: 103 Fairway Dr, Crestview, FL 32536 - 850-844-3532

1st Class Real Estate - The Borges Group - The Borges Group, LLC: 2454 Zaballina Place, Davenport, FL 33897 - 407-744-4210 (Virtual)

1st Class Real Estate South Florida - JM Benjamin Group, LLC: 601 NW 2nd Street, Delray Beach, FL 33444 - 954-802-8818

1st Class Real Estate Capital Ventures - BE Capital Ventures, LLC: 515 E Las Olas Boulevard, Suite 120, FT Lauderdale, FL 33301 - 954-932-5132 (Virtual)

Southwest Florida Lifestyles, A 1st Class Real Estate Company - Southwest Florida Lifestyles, LLC: 18212 Wildblue Blvd., Fort Myers, FL 33913 – 239-223-7006

1st Class Real Estate - Downtown Real Estate Group - Downtown Real Estate Group, LLC: 679 Fairview Ave., Haines City, FL 33844 - 401-595-2891 (Virtual)

1st Class Real Estate - Elevate (FL) - Elevate Real Estate FL, LLC: 45 Bay Street W., Suite 101, Jacksonville, FL 32202 - 757-675-5717 (Virtual)

1st Class Real Estate The Main Source - Homes For Families, LLC: 2353 Silver View Drive, Lakeland, FL. 33811 - 757-390-9099 (Virtual)

1st Class Real Estate - Legacy Group - Sprenkel Legacy Group, LLC: 210 Canterclub Trl., Longwood, FL 32779 – 407-399-7914 (Virtual)

1st Class Real Estate South Home Group (FL) - CRCH Properties, LLC: 495 Grand Blvd., Sandestin, Miramar Beach, FL 32550 – 205-534-3152 (Virtual)

1st Class Real Estate White Sands - RMX Realty, LLC: 8823 Little Cormorant Ln., Navarre FL 32566 - 386-400-8429 (Virtual)

1st Class Real Estate Pros - Real Integrity Solutions, Inc.: 1202 SW 17th St. Suite b201-157, Ocala, FL 34471 - 352-233-5376 (Virtual)

1st Class Real Estate Investment Group Florida - Complete Faith Investment Inc.: 226 Beechwood Ct., Orange Park, FL 32073 - 912-777-3527 (Virtual)

1st Class Real Estate Premier Group Florida - Premier Group Real Estate Holdings, LLC: 12701 S. John Young Parkway, Suite 210, Orlando, FL 32837 – 770-549-9465 (Virtual)

1st Class Real Estate Rosebud Group - Rosebud Realty, LLC: 200 Booth Rd., Ormond Beach, FL 32174 - 386-283-8336 (Virtual)

Lifestyle Realty Group Powered By 1st Class Real Estate - Lifestyle Realty Group Inc.: 1095 N US Highway 1, Suite 3, Ormond Beach, FL 32174 - 386-951-6565

Reagan Realty Powered by 1st Class Real Estate - Reagan Realty, LLC: 200 Booth Rd., Ormond Beach, FL 32174 – 386-882-6644

1st Class Real Estate Paradise Homes - Paradise Homes Realty of the Treasure Coast Inc.: 3533 Southwest Corporate Parkway, Palm City, FL 34990 – 772-233-3531

1st Class Real Estate Emerald Coast - Lead First, LLC: 8800 Pine Forest Road, Pensacola, FL 32534 - 937-916-9880 (Virtual)

1st Class Real Estate Gulf Coast - Florida's Premier Realtor, LLC: 4400 Bayou Blvd. #49B, Pensacola, FL 32503 - 850-637-8622

1st Class Real Estate Level Up - Jonathan A Powell PA: 3087 Anderson Snow Rd., Spring Hill, FL 34609 - 352-565-7727

1st Class Real Estate Coastal Sunset Dreams - Coastal Sunset Dreams, LLC: 7901 4th St. N., Suite 300, St. Petersburg, FL 33702 – 623-282-1508 (Virtual)

1st Class Real Estate Gulf to Bay - The Anac Group, PLLC: 1600 E 8th Ave., #A200, Tampa, FL 33605 - 813-856-9502

### **Georgia**

1st Class Real Estate Crimson - Crimson Real Estate Solutions Inc.: 3343 Peachtree Rd NE., Suite 145-2019, Atlanta, GA 30326 - 888-979-2737 (Virtual)

1st Class Real Estate Excellence - Excellence Asset Management Services Corp.: 1435 54th St., Unit C, Columbus, GA 31904 – 706-681-0544

1st Class Real Estate Lanier Group - Horbelt LLC: 2110 Dawson Circle, Dawsonville, GA 30534 - 404-775-6797 (Virtual)

1st Class Real Estate Elite - Premier Group Partners, LLC: 4715 Beacon Ridge Lane, Flowery Branch, GA 30542 - 470-774-0269 (Virtual)

1st Class Real Estate Performance Group - Performance Group Real Estate, LLC: 6072 Reynolds Circle, Grovetown, GA 30813 - 706-726-5829 (Virtual)

1st Class Real Estate Peachtree Properties - Georgia South Real Estate, LLC: 108 Farnsworth Trl., Hinesville, GA. 31313 - 714-235-6116 (Virtual)

1CRE Southern United Properties - Georgia South Real Estate, LLC: 111 South Lee Street, Kingsland, GA 31548 - 912-438-5900

1st Class Real Estate Cornerstone Group - Spirit Led Investment Group, LLC & Premier Group Partners, LLC: 155 Westridge Pkwy., Ste. 304, McDonough, GA 30253 - 678-855-3736

1st Class Real Estate - Elevate (GA) - Elevate Real Estate GA, LLC: 2705 Osborne Rd, Suite B, St. Mary's, GA 31558 - 800-348-2698

1st Class Real Estate Premier Group - Premier Group Real Estate Holdings, LLC: 145 Howell Road, Ste. B, Tyrone, GA 30290 – 770-549-9465

1st Class Real Estate Investment Group - Faith Real Estate, LLC: 6555 Abercorn Street, Suite 228C, Savannah, GA 31405 - 912-777-3527

### **Illinois**

1st Class Real Estate Great Lakes - Obsidian Fury Ventures, LLC: 1718 Castle Ct., Elgin, IL 60120 - 630-273-7363 (Virtual)

1st Class Real Estate - All Pro - All Pro Realty & Investments, LLC: 6615 Grand Ave., Ste. 1200, Gurnee, IL 60031 – 847-852-6367 (Virtual)

1st Class Real Estate Midwest - Penford Real Estate Group, LLC: 1000 Jorie Blvd., STE 150, Oak Brook, IL 60523 - 773 552 0448 (Virtual)

**Louisiana**

1st Class Real Estate Greater Capital Area - Greater Capital Area, LLC: 48274 Amite River Rd., St. Amant, LA 70774 - 225-939-6686 (Virtual)

**Minnesota**

2009.2 1st Class Real Estate Impact (MN): 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953 (Virtual)

**Missouri**

1st Class Real Estate STL - Brandon White, LLC: 6520 Highway PP, High Ridge, MO 63049 - 314-307-6287 (Virtual)

1st Class Real Estate KC - Kelly Casey Team PC: 317 West Kansas Ave., Independence, MO 64050 - 480-848-7881

1st Class Real Estate Crossroads -KC BDB, LLC: 2023 Washington St., Kansas City, MO 64108 - 480-848-7881

1st Class Real Estate Summit - Vesta Realty Group, LLC: 1316 NE Kenwood Dr., Lee's Summit, MO 64064 – 816-721-0306 (Virtual)

**North Carolina**

Signature Homes, A 1st Class Real Estate Company - Signature Homes RENC, LLC: 257 Caratoke Hwy., Unit F, Moyock NC 27958 - 757-753-0452

1st Class Real Estate Legacy Partners - Maat Legacy Partners, LLC: 4242 Six Forks Road, Suite 1550, Raleigh, NC, 27609 - 833-289-2723 (Virtual)

1st Class Real Estate Triangle East - Brett Hill Real Estate, LLC: 1151 Falls Road, Suite 2034, Rocky Mount, NC 27804 - 919-924-0777

1st Class Real Estate Triad - Elevate Real Estate NC, LLC: 3980 Premier Dr. Suite 110 PMB 1028, High Point, NC 27265 - 336-355-1398 (Virtual)

**New York**

1st Class Real Estate - Thin Line Realty (NY) - Thin Line Realty USA, Inc: 150 Veterans Memorial Hwy., Unit 288, Commack, NY 11725 - 877-778-0321 (Virtual)

**Ohio**

1st Class Real Estate Precision – WWAC, LLC: 8579 Mason Montgomery Rd., Ste. 1 Mason, Ohio 45040 – 513-204-9376

**South Carolina**

1st Class Real Estate Black Diamond – Black Diamond Investment, LLC: 136-4 Forum Drive, Suite 209, Columbia, SC 29229 - 803-887-5020

1st Class Real Estate - Focal Point - Focal Point Transnational, LLC: 355 S Main St 1st and 2nd Floor, Greenville SC 29601 – 864-399-8333 (Virtual)

### **Tennessee**

1<sup>st</sup> Class Real Estate Advisors - Matt Lange Expert Home Advisors, LLC: 86E North Star Drive, Jackson, TN 38305 - 731-207-8060

### **Texas**

1st Class Real Estate Next Generation - CRS Realty-DFW, LLC: 4425 Plano Parkway, Carrollton, TX 75010 - 469-758-0012

1st Class Real Estate - Elevate (TX) - Elevate Real Estate TX, LLC: 14450 FM 2100, Ste. A249, Crosby, TX 77532 - 800-348-2698 (Virtual)

1st Class Real Estate VIP Experience - VIP Experience, LLC: 302 N Houston Ave., Suite 100, Humble, TX 77338 - 832-372-1433

1<sup>st</sup> Class Real Estate Luxury Living - The Eblen Real Estate Team, LLC: 29201 Loop 494 Kingwood, TX 77339-4473 - 832-319-4336 (Virtual)

### **Utah**

1st Class Real Estate Partners - Stange Insurance and Real Estate, Corp: 2085 S. 400 E. #407 SLC, UT 84115 – 801-604-5973

1 1st Class Real Estate – Renaissance - Renaissance Real Estate, LLC: 7533 S Center View Ct., Suite R, West Jordan, Utah 84084 – 312-493-5330 (Virtual)

### **Virginia**

1st Class Real Estate - Gardner & Associates - Gardner & Associates, LLC: 6940 S Kings Hwy #207, Alexandria, VA 22310 – 386-316-9261

1st Class Real Estate Premier Homes - C&M Development, LLC: 10469 Atlee Station Rd., Unit 100, Ashland, VA 23005 - 804-500-6885

1st Class Real Estate 360 - 360 Consulting Group, LLC: 10469 Atlee Station Rd Ashland, VA 23005 - 804-370-2390 (Virtual)

1st Class Real Estate - Blue Ridge - Brick and Mortar Realty, LLC: 1010 Ednam Center, Suite 104, Charlottesville, VA 22903 – 434-207-8630

1<sup>st</sup> Class Real Estate 7 Cities - Southern Realty Group, LLC: 1545 Crossways Blvd., Ste. 250, Chesapeake, VA 23320 - 757-916-7566 (Virtual)

1st Class Real Estate Integrity - Integrity Battlefield, LLC: 644 Independence Pkwy., Chesapeake, VA 23320 – 757-572-8611

1st Class Real Estate Mid-Atlantic - KABS Realty, LLC: 1020 Smokey Mountain Trail, Chesapeake, VA 23320 - 770-596-2696 (Virtual)

1st Class Real Estate Riverside - Riverside Realty, LLC: 209 N. College Dr., Franklin, VA 23851 – 757-651-0007

15 West Homes Serviced by 1st Class Real Estate - 15 West Group, LLC: 15 N King Street, 3rd Floor, Leesburg, VA 20176 – 703-531-7363

1st Class Real Estate Capital City Group - F&O Partners, LLC: 10112 Peach Blossom Rd. Mechanicsville, VA 23116 - 804-277-9563 (Virtual)

1st Class Real Estate Coastal Breeze - Coastal Breeze Realty, LLC: 566 Denbigh Blvd., Ste. B, Newport News, VA 23608 – 757-872-2122

1<sup>st</sup> Class Real Estate Signature Properties - R4 Investments, LLC: 3841 E Little Creek Road, Suite B, Norfolk, VA 23518 – 757-746-0777

1st Class Real Estate RVA - 1-11 Realty Group, LLC: 10800 Midlothian Turnpike, Suite 140, Richmond, VA 23235 - 804-398-1120

1st Class Real Estate Barn Door Homes - The 757 Group, LLC: 4100 Bluebill Drive, Suffolk VA 23435 – 501-580-2546

1st Class Real Estate Dream Homes - Corprew Realty, LLC: 1 Columbus Center, Suite 600, Virginia Beach, VA 23462 - 757-354-1603 (Virtual)

1st Class Real Estate - Elevate (VA) - Elevate Real Estate VA, LLC: 4917 Rustic Arbor Way, Virginia Beach, VA 23455 - 800-348-2698 (Virtual)

1st Class Real Estate Flagship - Flagship Realty Partners, LLC: 513 19th Street, Virginia Beach, VA 23451 - 757-553-8843

2059.1 1st Class Real Estate – Equity - SII Real Estate, LLC: 513 19<sup>th</sup> Street, Virginia Beach, VA 23451 - 757-290-8922 (Virtual)

1st Class Real Estate Norfolk - Crystal Hicks Homes, LLC: 5601 Virginia Beach Blvd., Suite 102, Virginia Beach, VA 23462 – 757-439-6016

Coastal Concierge Group Powered by 1st Class Real Estate - Coastal Concierge Group, LLC: 4099 Foxwood Drive, Suite 200, Virginia Beach, VA 23462 - 757-276-1406

Legacy Real Estate Group Powered by 1st Class Real Estate - Legacy Real Estate Group, LLC: 1060 Laskin Rd., Suite 14B, Virginia Beach, VA 23451 – 757-469-5275 (Virtual)

Signature Homes, A 1st Class Real Estate Company - Signature Homes RENC, LLC: 249 Central Park Ave., Ste. 300, Virginia Beach VA 23462 - 757-753-0452 (Virtual – additional MLS)

1st Class Real Estate – Reserve - Simpson Real Estate Holdings, LLC: 2900 Hampton Hwy., Suite 13A, Yorktown, VA 23693 – 586-855-4080 (Virtual)

**Wisconsin 1**

1<sup>st</sup> Class Real Estate Impact - Impact Companies, LLC: 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953

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

**Florida**

1st Class Real Estate Distinctive Home Associates (FL) - LKT Properties, LLC: TBD - Inlet Beach, FL - 205-454-9465 (Virtual)

**Illinois**

1st Class Real Estate Impact (IL): 111 N Broadway, Suite B, Green Bay, WI, 54303 - 920-785-5953 (Virtual)

**New Jersey**

1st Class Real Estate - Thin Line Realty (NJ): 150 Veterans Memorial Hwy, Unit 288, Commack, NY 11725 - 877-778-0321 (Virtual)

**Virginia**

1st Class Real Estate - The Wright Way Home: 733 Thimble Shoals Blvd., Ste. 170, Newport News, VA 23606 - 757-782- 4600

## **EXHIBIT G**

### **FORMER FRANCHISEES**

The following is a list of Franchisees who had an outlet terminated, canceled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

#### **Alabama**

2055.1 1st Class Real Estate Southern  
Legend Home Group  
BLSS Properties, LLC  
11 N Water Street, 10th Floor,  
Mobile, AL 36602  
205-799-4274  
(Transfer)

#### **Arizona**

2006.1 Best Homes Real Estate Serviced by  
1st Class Real Estate  
Best Homes Real Estate, LLC  
21448 N 75th Ave., Suite 2,  
Glendale, AZ 85308  
602-396-5660  
(Non-Renewal)

#### **Florida**

2005.1 1st Class Real Estate Experts  
REI2EZ Inc.  
200 Southeast 1st Avenue,  
Ocala FL 34471  
352-361-3220  
(Non-Renewal)

#### **Georgia**

2035.1 1st Class Real Estate Platinum  
Psalms 23:4 Realty, LLC  
110 East Clayton Street, Suite 204,  
Athens, GA 30601  
404-398-1323  
(Bankruptcy)

2091.1 1st Class Real Estate - Coastal  
Partners  
Sherry Payton Real Estate, LLC  
1780 Oak Forrest Dr. NE,  
Townsend, GA 31331  
912-704-9059  
(Never Opened)

#### **Nevada**

1st Class Real Estate Vegas Homes - Vegas  
Homes and Fine Estate, LLC: 221 N Buffalo  
Ave., Ste. A, Las Vegas, NV 89145 –  
702-874-8555  
(Ceased Operations)

#### **Virginia**

1<sup>st</sup> Class Real Estate Blueprint - Blueprint  
Realty, LLC: 2540 Virginia Beach Blvd,  
Virginia Beach, VA 23452  
757-563-3666 (Virtual)  
(Ceased Operations)

**EXHIBIT H**

**Financial Statements**

**1ST CLASS FRANCHISING, LLC**

**VIRGINIA BEACH, VIRGINIA**

**DECEMBER 31, 2024 AND 2023**



**1ST CLASS FRANCHISING, LLC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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**Barnes, Brock, Cornwell & Painter, PLC**  
*Certified Public Accountants and Consultants*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Managing Members of  
1st Class Franchising, LLC  
Sarasota, Florida

We have audited the accompanying financial statements of 1st Class Franchising, LLC (a Virginia limited liability corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and members' equity (deficit), and cash flows for the 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 1st Class Franchising, LLC as of December 31, 2024 and 2023 and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1st Class Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is 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 1st Class 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1st Class 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 1st Class Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

*Barnes, Brack, Cornwell & Painter PLLC*

Chesapeake, Virginia  
April 9, 2025

**1ST CLASS FRANCHISING, LLC**

**BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023**

| ASSETS                                                   |              |              |
|----------------------------------------------------------|--------------|--------------|
|                                                          | 2024         | 2023         |
| CURRENT ASSETS                                           |              |              |
| Cash                                                     | \$ 110,982   | \$ 125,329   |
| Accounts receivable                                      | 272,603      | 123,287      |
| Notes receivable, current                                | 76,158       | 99,171       |
| Prepaid expenses, current                                | -            | 94           |
| Prepaid area representative fees, current                | 104,090      | 110,800      |
| Total current assets                                     | \$ 563,833   | \$ 458,681   |
| PROPERTY AND EQUIPMENT:                                  |              |              |
| Software                                                 | \$ 80,000    | \$ 80,000    |
| Less - accumulated depreciation                          | (9,333)      | (1,333)      |
| Net property and equipment                               | \$ 70,667    | \$ 78,667    |
| OTHER ASSETS                                             |              |              |
| Notes receivable, long-term                              | \$ 23,003    | \$ 171,624   |
| Prepaid area representative fees, long-term              | 114,538      | 218,628      |
| Total other assets                                       | \$ 137,541   | \$ 390,252   |
| TOTAL ASSETS                                             | \$ 772,041   | \$ 927,600   |
| LIABILITIES AND MEMBERS' EQUITY (DEFICIT)                |              |              |
| CURRENT LIABILITIES                                      |              |              |
| Accounts payable                                         | \$ 43,178    | \$ 35,042    |
| Deferred revenue, current                                | 399,048      | 431,693      |
| Notes payable - related parties, current                 | 88,750       | 165,000      |
| Area representative fees payable, current                | 26,918       | 28,919       |
| Accounts payable-related party                           | -            | 1,775        |
| Total current liabilities                                | \$ 557,894   | \$ 662,429   |
| LONG-TERM LIABILITIES                                    |              |              |
| Notes payable - related parties, net of current-portion  | \$ -         | \$ 88,750    |
| Deferred revenue, net of current-portion                 | 794,257      | 1,207,120    |
| Area representative fees payable, net of current-portion | 13,214       | 40,292       |
| Total long-term liabilities                              | \$ 807,471   | \$ 1,336,162 |
| Total liabilities                                        | \$ 1,365,365 | \$ 1,998,591 |
| MEMBERS' EQUITY (DEFICIT)                                | (593,324)    | (1,070,991)  |
| TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)          | \$ 772,041   | \$ 927,600   |

See independent auditor's report and accompanying notes to the financial statements.

**1ST CLASS FRANCHISING, LLC**

**STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

|                                                   | <u>2024</u>                | <u>2023</u>                  |
|---------------------------------------------------|----------------------------|------------------------------|
| OPERATING REVENUE                                 |                            |                              |
| Franchise fees                                    | \$ 2,650,403               | \$ 2,514,706                 |
| Operation revenue                                 | <u>234,252</u>             | <u>239,210</u>               |
| TOTAL OPERATING REVENUE                           | <u>\$ 2,884,655</u>        | <u>\$ 2,753,916</u>          |
| OPERATING EXPENSES                                |                            |                              |
| Salaries and related expenses                     | \$ 617,410                 | \$ 643,355                   |
| Franchise fees                                    | 685,430                    | 522,626                      |
| Bad debt                                          | -                          | 34,235                       |
| Software expense                                  | 532,506                    | 383,571                      |
| Closing coordinators                              | 67,665                     | 136,685                      |
| Rent expense                                      | -                          | 42,567                       |
| Office expense                                    | 15,462                     | 17,561                       |
| Travel expense                                    | 41                         | 33,731                       |
| Marketing                                         | 28,558                     | 63,621                       |
| Accounting and legal fees                         | 79,413                     | 84,524                       |
| Referral fees                                     | 113,278                    | 128,176                      |
| Client care expense                               | 884                        | 13,177                       |
| Repairs and maintenance                           | 2,441                      | 11,078                       |
| Donations                                         | 1,049                      | 23,707                       |
| Taxes and license                                 | 305                        | 8,436                        |
| Insurance                                         | 14,699                     | 22,518                       |
| Management fees                                   | 12,664                     | 128,550                      |
| Depreciation                                      | <u>8,000</u>               | <u>1,333</u>                 |
| TOTAL OPERATING EXPENSES                          | <u>\$ 2,179,805</u>        | <u>\$ 2,299,451</u>          |
| Net income before other income and expenses       | <u>\$ 704,850</u>          | <u>\$ 454,465</u>            |
| OTHER INCOME                                      |                            |                              |
| Interest income                                   | \$ 18,174                  | \$ 39,201                    |
| Loss on transfer                                  | (5,987)                    | (1,082)                      |
| Employee retention credit refunds                 | -                          | 121,779                      |
| Other income                                      | <u>-</u>                   | <u>200</u>                   |
| TOTAL OTHER INCOME                                | <u>\$ 12,187</u>           | <u>\$ 160,098</u>            |
| NET INCOME                                        | \$ 717,037                 | \$ 614,563                   |
| MEMBERS' EQUITY (DEFICIT) - Beginning of the year | (1,070,991)                | (1,091,192)                  |
| MEMBERS' DISTRIBUTIONS                            | <u>(239,370)</u>           | <u>(594,362)</u>             |
| MEMBERS' EQUITY (DEFICIT) - End of the year       | <u><u>\$ (593,324)</u></u> | <u><u>\$ (1,070,991)</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

**1ST CLASS FRANCHISING, LLC**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

|                                                                                            | <u>2024</u>              | <u>2023</u>              |
|--------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                |                          |                          |
| Net income                                                                                 | \$ 717,037               | \$ 614,563               |
| Adjustments to reconcile net income to net cash provided by operating and other activities |                          |                          |
| Depreciation                                                                               | 8,000                    | 1,333                    |
| (Increase) in accounts receivable                                                          | (149,316)                | (100,548)                |
| Decrease in prepaid expenses                                                               | 94                       | 26,971                   |
| Decrease in prepaid area representative franchise fees                                     | 110,800                  | 10,800                   |
| Increase in accounts payable                                                               | 8,136                    | 34,193                   |
| Increase (decrease) in area representative fees payable                                    | (29,079)                 | 24,222                   |
| (Decrease) in deferred revenue                                                             | <u>(445,508)</u>         | <u>(254,167)</u>         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                           | <u>\$ 220,164</u>        | <u>\$ 357,367</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                |                          |                          |
| Purchase of property and equipment                                                         | \$ -                     | \$ (80,000)              |
| Collections of notes receivable                                                            | 117,755                  | 88,883                   |
| Sale of notes receivable                                                                   | <u>53,879</u>            | <u>9,736</u>             |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                           | <u>\$ 171,634</u>        | <u>\$ 18,619</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                |                          |                          |
| Proceeds from related party loans                                                          | \$ -                     | \$ 330,000               |
| Repayment of related party loans                                                           | (165,000)                | (76,250)                 |
| Advances from (repayment to) related party                                                 | (1,775)                  | 1,775                    |
| Members' distributions                                                                     | <u>(239,370)</u>         | <u>(594,362)</u>         |
| <b>NET CASH USED BY FINANCING ACTIVITIES</b>                                               | <u>\$ (406,145)</u>      | <u>\$ (338,837)</u>      |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>                                            | \$ (14,347)              | \$ 37,149                |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                                       | <u>125,329</u>           | <u>88,180</u>            |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                             | <u><u>\$ 110,982</u></u> | <u><u>\$ 125,329</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

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### NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

1st Class Franchising, LLC (the "Company") is a limited liability corporation, formed in July 2018 under the laws of the Commonwealth of Virginia. In July 2024, the Company registered under the laws of the state of Florida, changed operations to the state, and became inactive in the Commonwealth of Virginia. The Company is a franchisor engaged in the business of franchising real estate offices at locations throughout the United States. The Company sells franchises and provides training and support services in connection with the operation of a 1st Class Real Estate franchised outlet to its franchisees.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting income is recognized when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Income Taxes

Under the provision of the Internal Revenue Code and applicable state laws, the Company is not directly subject to income taxes; the results of its operations are includable in the tax returns of its members. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

#### Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2024 and 2023, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities 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.

#### Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2024 and 2023. Bad debt expense for the years ended December 31, 2024 and 2023 was \$0 and \$34,235, respectively.

Advertising

Advertising costs are expensed as incurred. During the years ending December 31, 2024 and 2023 the Company incurred marketing expenses of \$28,558 and \$63,621, respectively.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU simplifies the identification of certain performance obligations in franchise license agreements allowing franchisors to account for pre-opening services as distinct from the franchise license and recognize these services as a single performance obligation. The Company adopted the new standard effective January 1, 2019 retrospectively.

The company adopted ASU 2021-02 retrospectively starting January 1, 2019 the same date FASB ASC 606 was adopted. Revenue from sales of an individual franchise is recognized, net of an allowance for doubtful accounts, as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise or area representative agreement.

The Company pays franchise fees and legal fees for certain franchise sales. During the years ended December 31, 2024 and 2023, the Company had \$685,430 and \$522,626 in such expenditures. Prepaid expenses total \$218,628 and \$329,428 as of December 31, 2024 and 2023, respectively.

Franchise agreements

The Company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of the sales. Under this agreement, franchisees are granted the right to operate a real estate agency using the Company's system for a specified number of years.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Franchise agreements (Continued)

The Company's area representative agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon the number of franchises sold. Under this agreement, the area representative is granted the right to operate an area representative business with the right to sell a specified number of franchise outlets for a specified number of years.

#### Members' Equity

As a limited liability company, each member's liability is limited to amounts reflected in their respective member accounts.

Under the terms of the limited liability company operating agreement, the Company will continue in perpetuity, if other events of dissolution do not occur.

#### Property and equipment

Property and equipment are recorded at costs. Expenditures for property, equipment, software and major renewals that extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation of property, equipment and software purchases is provided on a straight-line method based over the following useful lives:

| Asset Category | Useful Life |
|----------------|-------------|
| Software       | 3-10 years  |

### NOTE 3 - NOTES RECEIVABLE

Notes receivable are due from the franchisee for a portion of the original startup franchise fees and a portion of the area representative fees. The notes are collateralized by the borrower's franchise agreement and is personally guaranteed by the franchise owner. The notes have a 5-year term, bear interest at a rate of 12.00% per annum and are payable monthly.

Notes receivable are made up of the following as of December 31, 2024 and 2023:

|                                                   | 2024             | 2023              |
|---------------------------------------------------|------------------|-------------------|
| Receivable in less than one year                  | \$ 76,158        | \$ 99,171         |
| Receivable in one to five years                   | 23,003           | 171,624           |
|                                                   | <u>\$ 99,161</u> | <u>\$ 270,795</u> |
| Reflected in the financial statements as follows: |                  |                   |
|                                                   | 2024             | 2023              |
| Notes receivable, current                         | \$ 76,158        | \$ 99,171         |
| Long-term notes receivable                        | 23,003           | 171,624           |
|                                                   | <u>\$ 99,161</u> | <u>\$ 270,795</u> |

Interest income earned on the notes for the years ended December 31, 2024 and 2023 was \$18,174 and \$39,201, respectively. There is no allowance for doubtful accounts deemed necessary at December 31, 2024 or 2023. Bad debt expense for the years ended December 31, 2024 and 2023 was \$0 and \$34,235, respectively.

See independent auditor's report. Notes continued on next page.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

### NOTE 4 - DEFERRED REVENUE

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recondition ("Topic 606") as adjusted by ASU 2021-02 deferred revenue represents the initial franchise fee and area representative fee, net of amounts earned based on allowable direct services, as deferred revenues, to be allocated over the length of the franchisee agreement and will be recognized as follows:

|                         |                   |
|-------------------------|-------------------|
| Year ended December 31: |                   |
| Current Liabilities     |                   |
| 2025                    | \$ 399,048        |
| Long term liabilities   |                   |
| 2026                    | \$ 282,269        |
| 2027                    | 188,285           |
| 2028                    | 120,445           |
| 2029                    | 92,081            |
| Thereafter              | 111,177           |
|                         | <u>\$ 794,257</u> |

### NOTE 5 - LEASE

The Company leases its office space for monthly payments of \$7,225. Rent increased 2% on June 1st. The lease expired December 14, 2022 and was not renewed.

On October 1, 2022, the Company entered into a new operating lease agreement for the office space with an unrelated party for \$1,602 per month and is renewable annually. The lease expired in 2023 and was not renewed.

The Company also pays \$4,000 per month to rent additional space from a related party. There is no formal lease agreement for this arrangement, nor an enforceable obligation to pay. This office space was vacated during 2023.

Rent expense incurred for the years ended December 31, 2024 and 2023 was \$0 and \$42,567, respectively.

### NOTE 6 - RELATED PARTY TRANSACTIONS

During 2023 and 2024, the Company sold 5 separate notes receivable to a company in which the majority owner of the Company exercises significant influence. The total face values of these notes were \$10,818 and \$59,865, respectively, and were sold at a discounts totaling \$1,082 and \$5,987, respectively.

During 2022, the Company began leasing additional space at \$4,000 per month from another company controlled by the majority owner of the Company. There was no formal lease for this arrangement, nor an enforceable obligation to pay. Total rent paid to the related party during the year ended December 31, 2023 was \$23,000. The office was vacated during 2023.

During 2023, the Company received loans from several related parties. See Note 7.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

### NOTE 7 - NOTES PAYABLE - RELATED PARTIES

|                                                                                                                                                                                                                                                                                                                              | 2024        | 2023             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------|
| On November 29, 2023, the Company purchased software from a related party, financed entirely through a term loan secured by that software in an amount of \$80,000, with 24 monthly payments of \$3,333 each and a 0% stated interest rate. The note comes due November 29, 2025.                                            | \$ 36,667   | \$ 76,667        |
| On June 14, 2023, the Company redeemed the entire interest of a member of the Company owning a 2.5% interest in the Company through a term loan secured by 2.5% interest in the Company in an amount of \$250,000 with 24 monthly payments of \$10,417 each and a 0% stated interest rate. The note comes due June 14, 2025. | 52,083      | 177,083          |
| Total related party notes payable                                                                                                                                                                                                                                                                                            | \$ 88,750   | \$ 253,750       |
| Less current maturities                                                                                                                                                                                                                                                                                                      | (88,750)    | (165,000)        |
| Net long-term portion of related party notes payable                                                                                                                                                                                                                                                                         | <u>\$ -</u> | <u>\$ 88,750</u> |

Future maturities of the long-term portion of related party notes payable are as follows:

|      | Amount      |
|------|-------------|
| 2026 | <u>\$ -</u> |

### NOTE 8 - EMPLOYEE RETENTION CREDITS

During 2023, the Company retroactively applied for Employee Retention Credit (ERC) payroll tax credit refunds under the Coronavirus Aid, Relief and Economic Security (CARES) Act in amounts of \$50,714 and \$71,065 for 2020 and 2021 payroll tax returns. The Company's eligibility is based upon government-ordered suspension of operations due to the COVID-19 pandemic having a more than nominal impact on the Company's operations. These refunds were not received until July and August of 2023. Due to the ambiguity and subjective nature of credit eligibility, the refunds were not recognized as income until 2023, when the amounts were properly determinable. The refunds are reflected in other income.

### NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated through April 9, 2025, which is the date the financial statements were available to be issued. No events have occurred subsequent to April 9, 2025 that would require adjustment to, or disclosure in, the financial statements.

**1ST CLASS FRANCHISING, LLC**

**VIRGINIA BEACH, VIRGINIA**

**DECEMBER 31, 2023 AND 2022**



**1ST CLASS FRANCHISING, LLC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Managing Members of  
1st Class Franchising, LLC  
Virginia Beach, Virginia

We have audited the accompanying financial statements of 1st Class Franchising, LLC (a Virginia limited liability corporation), which comprise the balance sheets as of December 31, 2023 and 2022 (restated), and the related statements of income and members' equity (deficit), and cash flows for the years then ended (restated for the year ended 2022), and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1st Class Franchising, LLC as of December 31, 2023 and 2022 (restated) and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1st Class Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is 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 1st Class 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1st Class 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 1st Class Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

*Barnes, Brack, Cornwell & Painter PLLC*

Chesapeake, Virginia  
April 5, 2024

**1ST CLASS FRANCHISING, LLC**

**BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022**

| ASSETS                                                   |                    |                    |
|----------------------------------------------------------|--------------------|--------------------|
|                                                          | 2023               | (Restated)<br>2022 |
| <b>CURRENT ASSETS</b>                                    |                    |                    |
| Cash                                                     | \$ 125,329         | \$ 88,180          |
| Accounts receivable                                      | 123,287            | 22,739             |
| Notes receivable, current                                | 99,171             | 105,062            |
| Prepaid expenses, current                                | 94                 | 27,065             |
| Prepaid area representative fees, current                | 110,800            | 92,800             |
| Total current assets                                     | \$ 458,681         | \$ 335,846         |
| <b>PROPERTY AND EQUIPMENT:</b>                           |                    |                    |
| Software                                                 | \$ 80,000          | \$ -               |
| Less - accumulated depreciation                          | (1,333)            | -                  |
| Net property and equipment                               | \$ 78,667          | \$ -               |
| <b>OTHER ASSETS</b>                                      |                    |                    |
| Notes receivable, long-term                              | \$ 171,624         | \$ 264,352         |
| Prepaid area representative fees, long-term              | 218,628            | 247,428            |
| Total other assets                                       | \$ 390,252         | \$ 511,780         |
| <b>TOTAL ASSETS</b>                                      | <u>\$ 927,600</u>  | <u>\$ 847,626</u>  |
| <b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>         |                    |                    |
| <b>CURRENT LIABILITIES</b>                               |                    |                    |
| Accounts payable                                         | \$ 35,042          | \$ 849             |
| Deferred revenue, current                                | 431,693            | 408,339            |
| Notes payable - related parties, current                 | 165,000            | -                  |
| Area representative fees payable, current                | 28,919             | 27,680             |
| Accounts payable-related party                           | 1,775              | -                  |
| Total current liabilities                                | \$ 662,429         | \$ 436,868         |
| <b>LONG-TERM LIABILITIES</b>                             |                    |                    |
| Notes payable - related parties, net of current-portion  | \$ 88,750          | \$ -               |
| Deferred revenue, net of current-portion                 | 1,207,120          | 1,484,641          |
| Area representative fees payable, net of current-portion | 40,292             | 17,309             |
| Total long-term liabilities                              | \$ 1,336,162       | \$ 1,501,950       |
| Total liabilities                                        | \$ 1,998,591       | \$ 1,938,818       |
| <b>MEMBERS' EQUITY (DEFICIT)</b>                         | <u>(1,070,991)</u> | <u>(1,091,192)</u> |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>   | <u>\$ 927,600</u>  | <u>\$ 847,626</u>  |

See independent auditor's report and accompanying notes to the financial statements.

**1ST CLASS FRANCHISING, LLC**

**STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                                   | 2023                         | (Restated)<br>2022           |
|---------------------------------------------------|------------------------------|------------------------------|
| OPERATING REVENUE                                 |                              |                              |
| Franchise fees                                    | \$ 2,514,706                 | \$ 2,270,818                 |
| Operation revenue                                 | 239,210                      | 307,040                      |
| TOTAL OPERATING REVENUE                           | <u>\$ 2,753,916</u>          | <u>\$ 2,577,858</u>          |
| OPERATING EXPENSES                                |                              |                              |
| Salaries and related expenses                     | \$ 643,355                   | \$ 660,561                   |
| Franchise fees                                    | 522,626                      | 415,609                      |
| Bad debt                                          | 34,235                       | 23,332                       |
| Software expense                                  | 383,571                      | 604,287                      |
| Closing coordinators                              | 136,685                      | 145,733                      |
| Rent expense                                      | 42,567                       | 76,457                       |
| Office expense                                    | 17,561                       | 40,880                       |
| Travel expense                                    | 33,731                       | 5,968                        |
| Marketing                                         | 63,621                       | 34,727                       |
| Accounting and legal fees                         | 84,524                       | 58,836                       |
| Referral fees                                     | 128,176                      | 187,681                      |
| Client care expense                               | 13,177                       | 13,440                       |
| Repairs and maintenance                           | 11,078                       | 13,841                       |
| Donations                                         | 23,707                       | 4,712                        |
| Taxes and license                                 | 8,436                        | 6,430                        |
| Insurance                                         | 22,518                       | 32,123                       |
| Management fees                                   | 128,550                      | -                            |
| Depreciation                                      | 1,333                        | -                            |
| TOTAL OPERATING EXPENSES                          | <u>\$ 2,299,451</u>          | <u>\$ 2,324,617</u>          |
| Net income before other income and expenses       | <u>\$ 454,465</u>            | <u>\$ 253,241</u>            |
| OTHER INCOME                                      |                              |                              |
| Interest income                                   | \$ 39,201                    | \$ 51,636                    |
| Loss on transfer                                  | (1,082)                      | (82,597)                     |
| Employee retention credit refunds                 | 121,779                      | -                            |
| Other income                                      | 200                          | -                            |
| TOTAL OTHER INCOME                                | <u>\$ 160,098</u>            | <u>\$ (30,961)</u>           |
| NET INCOME                                        | \$ 614,563                   | \$ 222,280                   |
| MEMBERS' EQUITY (DEFICIT) - Beginning of the year | (1,091,192)                  | (130,172)                    |
| MEMBERS' DISTRIBUTIONS                            | <u>(594,362)</u>             | <u>(1,183,300)</u>           |
| MEMBERS' EQUITY (DEFICIT) - End of the year       | <u><u>\$ (1,070,991)</u></u> | <u><u>\$ (1,091,192)</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

**1ST CLASS FRANCHISING, LLC**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                                                                            | <u>2023</u>              | <u>(Restated)<br/>2022</u> |
|--------------------------------------------------------------------------------------------|--------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                |                          |                            |
| Net income                                                                                 | \$ 614,563               | \$ 222,280                 |
| Adjustments to reconcile net income to net cash provided by operating and other activities |                          |                            |
| Depreciation                                                                               | \$ 1,333                 | \$ -                       |
| (Increase) in accounts receivable                                                          | (100,548)                | (4,795)                    |
| Decrease in prepaid expenses                                                               | 26,971                   | 1,604                      |
| (Increase) decrease in prepaid area representative franchise fees                          | 10,800                   | (122,187)                  |
| Increase (decrease) in accounts payable                                                    | 34,193                   | (6,680)                    |
| Increase (decrease) in area representative fees payable                                    | 24,222                   | (32,940)                   |
| Increase (decrease) in deferred revenue                                                    | <u>(254,167)</u>         | <u>426,053</u>             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                           | <u>\$ 357,367</u>        | <u>\$ 483,335</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                |                          |                            |
| Purchase of property and equipment                                                         | \$ (80,000)              | \$ -                       |
| Collections of (advances on) notes receivable                                              | 88,883                   | (139,976)                  |
| Sale of notes receivable                                                                   | <u>9,736</u>             | <u>686,082</u>             |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                           | <u>\$ 18,619</u>         | <u>\$ 546,106</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                |                          |                            |
| Proceeds from related party loans                                                          | \$ 330,000               | \$ -                       |
| Repayment of related party loans                                                           | (76,250)                 | -                          |
| Advances from related party                                                                | 1,775                    | -                          |
| Members' distributions                                                                     | <u>(594,362)</u>         | <u>(1,183,300)</u>         |
| <b>NET CASH USED BY FINANCING ACTIVITIES</b>                                               | <u>\$ (338,837)</u>      | <u>\$ (1,183,300)</u>      |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>                                            | \$ 37,149                | \$ (153,859)               |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                                       | <u>88,180</u>            | <u>242,039</u>             |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                             | <u><u>\$ 125,329</u></u> | <u><u>\$ 88,180</u></u>    |

See independent auditor's report and accompanying notes to the financial statements.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

1st Class Franchising, LLC (the "Company") is a limited liability corporation, formed in July 2018 under the laws of the Commonwealth of Virginia. The Company is a franchisor engaged in the business of franchising real estate offices at locations throughout the United States. The Company sells franchises and provides training and support services in connection with the operation of a 1st Class Real Estate franchised outlet to its franchisees.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting income is recognized when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Income Taxes

Under the provision of the Internal Revenue Code and applicable state laws, the Company is not directly subject to income taxes; the results of its operations are includable in the tax returns of its members. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

#### Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2023 and 2022, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities 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.

#### Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2023 and 2022. Bad debt expense for the years ended December 31, 2023 and 2022 was \$34,235 and \$23,332, respectively.

Advertising

Advertising costs are expensed as incurred. During the years ending December 31, 2023 and 2022 the Company incurred marketing expenses of \$63,621 and \$34,727, respectively.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU simplifies the identification of certain performance obligations in franchise license agreements allowing franchisors to account for pre-opening services as distinct from the franchise license and recognize these services as a single performance obligation. The Company adopted the new standard effective January 1, 2019 retrospectively.

The company adopted ASU 2021-02 retrospectively starting January 1, 2019 the same date FASB ASC 606 was adopted. Revenue from sales of an individual franchise is recognized, net of an allowance for doubtful accounts, as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise or area representative agreement.

The Company pays franchise fees and legal fees for certain franchise sales. During the years ended December 31, 2023 and 2022, the Company had \$522,626 and \$415,609 in such expenditures. Prepaid expenses total \$229,708 and \$340,228 as of December 31, 2023 and 2022, respectively.

Franchise agreements

The Company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of the sales. Under this agreement, franchisees are granted the right to operate a real estate agency using the Company's system for a specified number of years.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Franchise agreements (Continued)

The Company's area representative agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon the number of franchises sold. Under this agreement, the area representative is granted the right to operate an area representative business with the right to sell a specified number of franchise outlets for a specified number of years.

#### Members' Equity

As a limited liability company, each member's liability is limited to amounts reflected in their respective member accounts.

Under the terms of the limited liability company operating agreement, the Company will continue in perpetuity, if other events of dissolution do not occur.

#### Property and equipment

Property and equipment are recorded at costs. Expenditures for property, equipment, software and major renewals that extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation of property, equipment and software purchases is provided on a straight-line method based over the following useful lives:

| <u>Asset Category</u> | <u>Useful Life</u> |
|-----------------------|--------------------|
| Software              | 3-10 years         |

### NOTE 3 - NOTES RECEIVABLE

Notes receivable are due from the franchisee for a portion of the original startup franchise fees and a portion of the area representative fees. The notes are collateralized by the borrower's franchise agreement and is personally guaranteed by the franchise owner. The notes have a 5-year term, bear interest at a rate of 12.00% per annum and are payable monthly.

Notes receivable are made up of the following as of December 31, 2023 and 2022:

|                                  | <u>2023</u>       | <u>2022</u>       |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 99,171         | \$ 105,062        |
| Receivable in one to five years  | 171,624           | 264,352           |
|                                  | <u>\$ 270,795</u> | <u>\$ 369,414</u> |

Reflected in the financial statements as follows:

|                            | <u>2023</u>       | <u>2022</u>       |
|----------------------------|-------------------|-------------------|
| Notes receivable, current  | \$ 99,171         | \$ 105,062        |
| Long-term notes receivable | 171,624           | 264,352           |
|                            | <u>\$ 270,795</u> | <u>\$ 369,414</u> |

Interest income earned on the notes for the years ended December 31, 2023 and 2022 was \$39,201 and \$51,636, respectively. There is no allowance for doubtful accounts deemed necessary at December 31, 2023 or 2022. Bad debt expense for the years ended December 31, 2023 and 2022 was 34,235 and \$23,332, respectively.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**NOTE 4 - DEFERRED REVENUE**

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recondition ("Topic 606") as adjusted by ASU 2021-02 deferred revenue represents the initial franchise fee and area representative fee, net of amounts earned based on allowable direct services, as deferred revenues, to be allocated over the length of the franchisee agreement and will be recognized as follows:

|                         |                     |
|-------------------------|---------------------|
| Year ended December 31: |                     |
| Current Liabilities     |                     |
| 2024                    | <u>\$ 431,693</u>   |
| Long term liabilities   |                     |
| 2025                    | \$ 398,529          |
| 2026                    | 281,369             |
| 2027                    | 186,711             |
| 2028                    | 117,545             |
| Thereafter              | <u>222,966</u>      |
|                         | <u>\$ 1,207,120</u> |

**NOTE 5 - LEASE**

The Company leases its office space for monthly payments of \$7,225. Rent increased 2% on June 1st. The lease expired December 14, 2022 and was not renewed.

On October 1, 2022, the Company entered into a new operating lease agreement for the office space with an unrelated party. Rent on the lease is \$1,602 per month and is renewable annually.

The Company also pays \$4,000 per month to rent additional space from a related party. There is no formal lease agreement for this arrangement, nor an enforceable obligation to pay.

Rent expense incurred for the years ended December 31, 2023 and 2022 was \$42,567 and \$76,457, respectively.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

During 2022 and 2023, the Company sold 32 separate notes receivable to a company in which the majority owner of the Company exercises significant influence. The total face values of these notes were \$765,704 and \$10,818, respectively, and were sold at a discounts totaling \$79,621 and \$1,082, respectively.

During 2022, the Company began leasing additional space at \$4,000 per month from another company controlled by the majority owner of the Company. There is no formal lease for this arrangement, nor an enforceable obligation to pay. Total rent paid to the related party during the years ended December 31, 2023 and 2022 was \$23,000 and \$4,000, respectively.

During 2023, the Company received loans from several related parties. See Note 7.

# 1ST CLASS FRANCHISING, LLC

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### NOTE 7 - NOTES PAYABLE - RELATED PARTIES

|                                                                                                                                                                                                                                                                                                                              | 2023             | 2022        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| On November 29, 2023, the Company purchased software from a related party, financed entirely through a term loan secured by that software in an amount of \$80,000, with 24 monthly payments of \$3,333 each and a 0% stated interest rate. The note comes due November 29, 2025.                                            | \$ 76,667        | \$ -        |
| On June 14, 2023, the Company redeemed the entire interest of a member of the Company owning a 2.5% interest in the Company through a term loan secured by 2.5% interest in the Company in an amount of \$250,000 with 24 monthly payments of \$10,417 each and a 0% stated interest rate. The note comes due June 14, 2025. | 177,083          | -           |
| Total related party notes payable                                                                                                                                                                                                                                                                                            | \$ 253,750       | \$ -        |
| Less current maturities                                                                                                                                                                                                                                                                                                      | (165,000)        | -           |
| Net long-term portion of related party notes payable                                                                                                                                                                                                                                                                         | <u>\$ 88,750</u> | <u>\$ -</u> |

Future maturities of the long-term portion of related party notes payable are as follows:

|      | Amount           |
|------|------------------|
| 2025 | <u>\$ 88,750</u> |

### NOTE 8 - EMPLOYEE RETENTION CREDITS

During 2023, the Company retroactively applied for Employee Retention Credit (ERC) payroll tax credit refunds under the Coronavirus Aid, Relief and Economic Security (CARES) Act in amounts of \$50,714 and \$71,065, respectively, for 2020 and 2021 payroll tax returns. The Company's eligibility is based upon government-ordered suspension of operations due to the COVID-19 pandemic having a more than nominal impact on the Company's operations. These refunds were not received until July and August of 2023. Due to the ambiguity and subjective nature of credit eligibility, the refunds were not recognized as income until 2023, when the amounts were properly determinable. The refunds are reflected in other income.

### NOTE 9 - RESTATEMENT OF FINANCIAL STATEMENTS

The December 31, 2022 financial statements were restated to properly account for prepaid area representative fees and area representative fees payable, which had previously been expensed as paid. The 2022 financial information has been updated to correct for this error as follows:

|                                                          | <i>As previously<br/>reported</i> | <i>Correction</i> | <i>As restated</i> |
|----------------------------------------------------------|-----------------------------------|-------------------|--------------------|
| Members' equity(deficit) - beginning of the year         | \$ (270,284)                      | \$ 140,112        | \$ (130,172)       |
| Franchise fees expense                                   | 570,735                           | (155,126)         | 415,609            |
| Members' equity(deficit) - end of the year               | (1,386,430)                       | 295,238           | (1,091,192)        |
| Prepaid area representative fees, current                | -                                 | 92,800            | 92,800             |
| Prepaid area representative fees, long-term              | -                                 | 247,428           | 247,428            |
| Area representative fees payable, current                | -                                 | 27,680            | 27,680             |
| Area representative fees payable, net of current-portion | \$ -                              | \$ 17,309         | \$ 17,309          |

See independent auditor's report. Notes continued on next page.

**1ST CLASS FRANCHISING, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**NOTE 10 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 5, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to April 5, 2024 that would require adjustment to, or disclosure in, the financial statements.

## **EXHIBIT I**

### **TABLE OF CONTENTS OF OPERATIONS MANUAL**

## **Franchise Operations Manual Table of Contents**

**Unit 1 - Introduction - 11 Pages**

**Unit 2 - Setting Up Your Entity and Office Locations - 24 Pages**

**Unit 3 - Office Procedures - 17 Pages**

**Unit 3.1 - Office Procedures Appendix - 50 Pages**

**Unit 4 - Onboarding Agents and Employees - 21 Pages**

**Unit 5 - Advertising and Marketing - 25 Pages**

**Unit 6 - Brokermint - 7 Pages**

**Unit 7 - Salesforce Training and Client Care - 21 Pages**

**Unit 8 - KV Core Systems Training - 4 Pages**

**Unit 9- [RESERVED]**

**Unit 10 - Salesforce Reporting, Dashboards and Cases- 26 Pages**

**Unit 11 - Coaching & Training - 6 Pages**

**Unit 12 - Accounting Procedures - 25 Pages**

## **EXHIBIT J**

### **STATE EFFECTIVE DATES**

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Pending               |
| Hawaii       | Pending               |
| Illinois     | Pending               |
| Indiana      | Pending               |
| Maryland     | Pending               |
| Michigan     | April 22, 2024        |
| Minnesota    | Pending               |
| New York     | Pending               |
| North Dakota | Pending               |
| Rhode Island | Pending               |
| South Dakota | Pending               |
| Virginia     | Pending               |
| Washington   | Pending               |
| Wisconsin    | April 16, 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 K 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 1st Class Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

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, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is 1st Class Franchising, LLC located at 6330 Hollywood Blvd, Sarasota, FL 34231. Its telephone number is (757) 504-4636.

Issuance Date: April 16, 2025

The franchise seller for this offering is:

|   |                                                                      |
|---|----------------------------------------------------------------------|
| X | Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636 |
| X | Dora Cuyler, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636 |
| X | Sarah Vaden, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636 |
|   |                                                                      |

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

I have received a disclosure document dated April ??, 2025 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
  - Schedule 1-Franchise Elections

Schedule 2-Automatic Bank Draft Authorization  
Schedule 3-Franchisee Disclosure Acknowledgment  
Schedule 4-State Addenda to the Franchise Agreement  
Schedule 5-Confidentiality Agreement

- D. Promissory Notes
- E. Release
- F. List of Current Franchisees
- G. List of Former Franchisees
- H. Financial Statements
- I. Table of Contents of Operations Manual
- J. State Effective Dates
- K. Receipts

**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

**By:** \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

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

## 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.

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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, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is 1st Class Franchising, LLC located at 6330 Hollywood Blvd, Sarasota, FL 34231. Its telephone number is (757) 504-4636.

Issuance Date: April 16, 2025

The franchise seller for this offering is:

|   |                                                                      |
|---|----------------------------------------------------------------------|
| X | Rhyan Finch, 6330 Hollywood Blvd, Sarasota, FL 34231; (757) 504-4636 |
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**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

By: \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and return this copy to: 1<sup>st</sup> Class Franchising, LLC, 6330 Hollywood Blvd,  
Sarasota, FL 34231.