

# FRANCHISE DISCLOSURE DOCUMENT

## SCA FRANCHISING CORPORATION



A California Corporation  
3817 West Magnolia Boulevard  
Burbank, CA 91505  
Phone: (800) 572-8010  
Assignments@SCA-Appraisal.com  
([www.sca-appraisal.com](http://www.sca-appraisal.com))

The franchisee will operate an SCA Appraisal Services business, which provides vehicle property damage appraisal and field services for insurance companies using our proprietary custom-built claim management and finance platform and related technology.

The total investment necessary to begin operation of a SCA Appraisal Services business is \$27,300 to \$79,950. This includes the \$10,000 to \$50,000 initial fee that must be paid to the franchisor or an affiliate.

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 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: June 3, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 <u>Exhibits F and G</u> .
<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 <u>Exhibit B</u> include 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 SCA Appraisal Services 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 an SCA Appraisal Services franchisee?</b>	Item 20 or <u>Exhibits F and G</u> list 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 C](#).

**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 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 California. 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 California than in your own state.
2. **Turnover Rate.** In the last 2 years, a high percentage of franchised outlets were terminated, transferred, re-acquired, not renewed, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. **Spousal liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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### Exhibits

- A. Franchise Agreement and Related Materials
  - Exhibits to Franchise Agreement:
  - Exhibit (A) - Franchise Description
  - Exhibit (B) - General Release
  - Exhibit (C) - Approved Accounts Receivable Purchase Agreement
  - Exhibit (D) - Personal Guaranty
  - Exhibit (E) - Non-Compete, Confidentiality and Non-Solicitation Agreement
  - Exhibit (F) - Confidentiality and Non-Solicitation Agreement
  - Exhibit (G) - Secured Promissory Note
  - Exhibit (H) - State Addenda to Franchise Agreement
- B. Financial Statements
- C. State Administrators
- D. Agents for Service of Process
- E. State Addenda to Disclosure Document
- F. List of Franchisees
- G. List of Former Franchisees
- H.1 Franchisee Organizations We Have Created, Sponsored or Endorsed
- H.2 Independent Franchisee Associations
- I. State Effective Date Page
- J. Receipts

## **Item 1: The Franchisor, and any Parents, Predecessors and Affiliates**

To simplify the language in this disclosure document, “we” or “us” means SCA Franchising Corporation, the franchisor. “You” means the individual, corporation, limited liability, partnership or other business entity who acquires the franchise from us and includes all of your Owners (as defined below). If the franchisee will operate through a corporation or partnership, “you” also includes the franchisee’s owners or partners.

Our principal business address is 3817 West Magnolia Boulevard, Burbank, CA 91505 and our telephone number is (800) 572-8010.

The principal business address of our agents for service of process are shown on Exhibit D.

We conduct business under the names “SCA Franchising Corporation” and “SCA Appraisal Services.” We are a California corporation incorporated in Burbank California on March 14, 2007.

Your business will operate a SCA Appraisal Services Business providing vehicle damage appraisal services for insurance companies (the “SCA Appraisal Services Business” or the “Appraisal Business”).

Our first affiliate is SCA Enterprises, Inc. (“SCA”), a California corporation incorporated on May 28, 1996. The principal business address of SCA is 3817 West Magnolia Boulevard, Burbank, CA 91505 and its telephone number is (800) 572-8010. SCA has operated SCA Appraisal Services Businesses since 1979.

Our second affiliate is Woodland Capital Franchising, Inc. (“WCF”), a Georgia corporation incorporated on February 5, 2020. The principal business address of WCF is 5090 Highway 212, Covington, Georgia 30016. On February 5, 2020, WCF was licensed the right to offer franchises for a property and casualty damage appraisal business under the name Doan Group and has offered Doan Group franchises since March 17, 2020. As of the Issue Date of this Disclosure Document, WCF has 10 franchises licensing 18 franchised locations.

Our third affiliate is SCA Adjusting Services Inc. (“SCA Adjusting”), a Texas corporation incorporated on December 1, 2022. The principal business address of SCA Adjusting is 1100 E. Campbell Road, Suite 247, Richardson, Texas 75081. SCA Adjusting provides professional adjusting services for vehicles and heavy equipment. SCA Adjusting does not currently franchise, but may provide support, services or products to SCA Appraisal Services Businesses in the future.

We have not operated any SCA Appraisal Services Businesses. We franchise persons that operate a SCA Appraisal Services Business. In addition, we act as a reseller of appraisal estimating software subscriptions to our franchisees and to independent contractors that provide appraisal services for our affiliate, SCA. Neither we, nor SCA, WCF or SCA Adjusting have previously offered or sold franchises for SCA Appraisal Services Businesses. Neither we nor SCA, WCF nor SCA Adjusting have offered franchises for any other types of business than those described above.

The market for your services consists of national and local insurance companies. We may provide you with opportunities to service national insurance companies with who we have existing business

relations. Sales are not seasonal. The market is very well developed and highly competitive. You will compete with other regional, local and national vehicle damage appraisal services.

In our sole discretion, we may allow SCA Appraisal Services Businesses to utilize Doan franchisees located in or surrounding the SCA Appraisal Services Businesses territory as independent contractors to provide services to customers. Additionally, we may allow you to enter into independent contractor agreements with one or more Doan franchisees located in or around your territory and service referrals, customers or national accounts of a Doan franchisee without violating the terms of your restrictive covenants with us. Your franchised business must be in full compliance with the terms of your franchise agreement and our System Standards (as described in Item 8) to provide services to Doan franchisees.

If you wish to purchase, and we agree to sell you, additional Franchises after you open your initial Franchise, you must sign our then-current form of franchise agreement for any additional Franchise that you wish to purchase. The terms of any then-current franchise agreement may differ from the Franchise offered under this Disclosure Document.

The Franchise Agreement requires you to designate an “Operating Principal.” Your Operating Principal must own a controlling majority interest of the voting and equity in the Franchise and must have authority to make all decisions on behalf of the Franchise. You must obtain our approval of your Operating Principal. You must also designate at least one (1) full-time qualified appraiser to run the day-to-day operations of the Franchise and to oversee and conduct all services (the “Designated Appraiser”). If required by the law where your Service Area is located, your Designated Appraiser must obtain required licensing to provide the services and remain in good standing at all times. Your Operating Principal may act as the Designated Appraiser, or you may designate a Designated Appraiser. Your Operating Principal and Designated Appraiser must complete our initial training program to our satisfaction. You may also hire additional appraisers or personnel for your Franchise as you deem appropriate.

We require your current and future owners, shareholders, members, partners, equity holders and principals, including your Operating Principal (“Owners”) and their respective spouses to sign a personal guaranty (“Guaranty”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. We require all Owners, your Operating Principal, your Designated Appraiser and anyone who completes our initial training program to sign a Restrictive Covenant Agreement (non-competition, non-solicitation, assignment of intellectual property and confidentiality agreement) where permitted by law, in the form attached to the Franchise Agreement as Exhibit E (“Restrictive Covenant Agreement”) We require all other personnel who have access to our Operations Manual, National Account information or other confidential information to sign a Confidentiality and Non-Use Agreement, in the form attached to the Franchise Agreement as Exhibit F (“NDA”) If your Designated Appraiser or other personnel is not permitted to sign a Restrictive Covenant Agreement by law, then they must enter into an NDA.

You must comply with all federal, state and local regulations regarding disposal of waste products and chemicals. You must comply with the Payment Card Industry Data Security Standard (“PCI

DSS) established by major credit card brands to ensure that merchants like your Appraisal Business securely store, process, and transmit customer credit information.

The United States has enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “Patriot Act”). We are required to comply with the Patriot Act. To help us comply with the Patriot Act, you must confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are: (i) suspected terrorists; (ii) persons associated with suspected terrorists; or (iii) under investigation by the U.S. government for criminal activity.

You must comply with federal, state and local license, certificate and permit requirements for the operation of your Appraisal Business. Certain states require property damage appraisers to obtain licenses. Certain states also require property insurance adjusters to obtain separate licenses if the appraiser meets the definition of an insurance adjuster under state law or provides services deemed “adjuster” services. Certain states may require separate licenses or approvals depending on the type of property you are appraising on behalf of a customer. Most states have separate agencies and departments of insurance, often overseen by a designated insurance commissioner, that regulate the insurance industry and the requirements of such states vary. You should determine what laws apply to you before acquiring an Appraisal Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement. We will not provide you with any assistance in complying with any licensing requirements currently in effect or which may be adopted in the future or any federal, local or state law, regulation or requirement applicable to your Appraisal Business.

## **Item 2: Business Experience**

Timothy William Paul Davis - President. Timothy William Paul Davis is our President and has held this position since April 1, 2014. Mr. Davis is our founder and previously served as President and Chief Executive Officer from our formation on March 14, 2007 in Burbank, California until February 21, 2011. From February 2011 through the present, Mr. Davis has served as the President of SCA and CEO of Davis Claims Management, Inc., an affiliate of SCA (October 2005 to Present) performing marketing services for it, all in Burbank, California. From February 2020 through the present, Mr. Davis has served as the President of WCF, operating out of Burbank, California.

Monica Warner - Chief Financial Officer and General Manager of Franchise Administration: Monica Warner is our Chief Financial Officer and General Manager of Franchise Administration and has occupied those positions since our formation on March 14, 2007 in Burbank, California. She also currently services as National Account Director of SCA, a position she has held since April 11, 2001 in Burbank, California. From February 2020 through the present, Ms. Warner has served as the Chief Financial Officer and General Manager of Franchise Administration of WCF, operating out of Burbank, California.

Bradley Davis - Director, Franchise Compliance and Support: Bradley Davis is our Director, Franchise Compliance and Support and has occupied this position since December 2016. Mr. Davis fulfilled all of his positions with us at our principal office location in Burbank, California.

Jean-Philippe (Jon) Gironde – Executive VP and Chief Operating Officer: Jon Gironde is our Executive VP and Chief Operating Officer and has occupied these positions since October 2017

servicing in Richardson, Texas. From February 2020 through the present, Mr. Gironda has served as the Executive VP and Chief Operating Officer of WCF, operating out of Burbank, California.

**Item 3: Litigation**

*Kevin Lukasik v. SCA Franchising Corporation, Case No. 01-15-0004-0362 (Filed June 30, 2015)*

Our franchisee, Kevin Lukasik filed a demand for arbitration raising allegations of breach of franchise agreements, common law fraud and statutory fraud. We responded with a counterclaim alleging a breach of contract by the franchisee. The matter was amicably resolved via settlement on December 17, 2015. Pursuant to the settlement, (a) neither party admitted any liability, (b) SCA paid to Lukasik a one-time settlement payment of \$15,000, (c) Lukasik, his operating entity and SCA exchanged complete, mutual releases, and Lukasik and SCA, jointly, terminated the arbitration proceedings with prejudice. Additionally, in the settlement agreement, Lukasik agreed to continue to abide by certain covenants in the franchise agreement respecting confidential information and the non-use of intellectual property, and to the ability of SCA to seek injunctive relief against him if those covenants were violated.

Other than the above action, no litigation is required to be disclosed in this Disclosure Document.

**Item 4: Bankruptcy**

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

**Item 5: Initial Fees**

All franchisees pay an “Initial Franchise Fee” of \$10,000 in a lump sum for our standard size Service Area. We reserve the right to increase or decrease the initial franchise fee based on the (1) population density, (2) needs of our National Accounts and (3) geography and size of the territory where your Appraisal Business is located. The range for an initial franchise fee depending upon these factors is \$10,000 to \$50,000.

The initial franchise fee is deemed fully earned upon payment and, in consideration of administrative and other expenses we incur in granting this Appraisal Business and for our lost or deferred opportunity to offer the Appraisal Business to others, and is nonrefundable under any circumstances.

We may also discount the initial franchise fee for franchisees who purchase multiple franchises or multiple territories, or for franchisees that offer special qualifications to the System, including having a current book of business. During the most recent fiscal year, we collected initial franchise fees in the amount of \$10,000.

**Item 6: Other Fees<sup>(1)</sup>**

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Continuing Royalty	50% of Gross Revenue  35% of Gross Revenue for the Elite Program	Weekly and no later than the Friday of each week for Gross Revenues of the preceding week.	Payable to us. “Gross Revenues” includes all revenue and income you derive or receive, directly or indirectly from the Appraisal Business including all amounts received by customers under any contract or agreement whether categorized as payment for

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
			<p>services, products, goods, travel or mileage compensation or reimbursement of any other expenses or costs. Royalty percentage will not change during term of Franchise Agreement.</p> <p>For each week your Appraisal Business qualifies for the Elite Program, we will reduce your Continuing Royalty to 35% of Gross Revenue for certain eligible assignments, which will be paid out on a weekly basis.<sup>(2)</sup></p>
Technology Fee	Currently, None	As incurred	We do not currently charge a technology fee but we reserve the right to charge a reasonable fee for software development, website development, email support or other introduction of new technology.
Software Fee	The then current fee which will not exceed \$500 per month per user for the first 24 months of any software license	As incurred	You must pay our designated third-party vendors a monthly fee associated with the use of any required software. We or our affiliates may enter into direct licenses with these vendors and sub-license the products to you, in which case you may be required to pay us or our affiliate directly for use of the software. Even if there is no sub-license arrangement, we or our affiliates may collect these fees on behalf of the software provider and remit the payments directly to the software provider. In addition to the technology fee described above and even if there is no sublicensing arrangement, we or our affiliates may collect a reasonable fee to compensate us for administering software or other third-party technology to our franchisees.
System Advertising Contribution	None		
Required Minimum Expenditure for Local Advertising	Currently, None	As incurred	We do not currently require you to spend a minimum amount on local marketing, advertising or promotions but we may do so in the future. If we do so, then it will not exceed the greater of \$250 per month or 1% of Gross Revenue. Upon request, you must submit evidence of these expenditures.
Testing Fee	None		
Initial Training	None	Before training commences	We do not charge for your Operating Principal, Designated Appraiser or Owners to attend our initial training program, but you are responsible for all of your attendees' travel costs, expenses and wages incurred during the training program.
Additional Training	The then-current fee plus all your costs and expenses. Our current fee is \$150 per day, per attendee (if at our location) or trainer (if at your location).	Before training commences	Additional training is training requested by you in addition to initial training and continuing training. If you wish for additional attendees to attend our initial training program, we will waive the payment of the additional training fee if your attendees attend a regularly scheduled initial training program. However, you will be responsible for all of your attendees' costs and expenses. If we provide less than a week of training, the fee will be pro-rated based on the number of days of training provided by us.

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Continuing Training	Our costs and expenses to conduct such training.	Before training commences	Continuing training sessions are mandatory and may consist of in-person training, webinars, teleconference calls or online courses. The fee to attend such training will not exceed our out-of-pocket costs to provide the continuing training. You must also pay the wages, costs and expenses of any of your attendees.
Remedial Training	The then-current fee plus all your or our costs and expenses. Our current fee is \$150 per day, per attendee (if at our location) or trainer (if at your location). This fee may increase depending on the type of services to be rendered or performed, the level of expertise required, and the number of days services must be provided.	Before training commences	Upon your reasonable request and/or if we believe it is appropriate or necessary in our sole discretion to protect the quality, integrity and reputation of the System, we will (subject to availability) provide remedial training.
Meeting, Seminar and Conference Registration	There may be a fee not to exceed our actual cost per person incurred in holding an annual conference, meeting or convention, plus the costs and expenses of your attendees.  Currently, our fee is \$0.	On demand.	We may hold periodic in-person or teleconference seminars, meetings, conferences or conventions for franchisees. Your Operating Principal and Designated Appraiser must attend all conferences, conventions, and seminars offered. You are responsible for the registration fee and all travel, food, and lodging expenses that you and your personnel incur in attending. We will not require you to attend travel to an in person event more than annually.
Late Fee	2% of the amount due	When we request	You must pay a late fee on any past due amounts to us.
Interest	One and one-half percent (1.5%) per month or the highest legal rate we can charge, whichever is less.	When we request	We may charge interest and any bank charges without notice on all overdue amounts. Interest accrues from the original due date until paid in full.
Audit Fee <sup>(3)</sup>	All costs associated with the audit.		
Renewal Fee	None		
Transfer Fee	\$1,500	Before we approve the transfer	See Item 17.
Non-Compliance Fee	\$500 per violation	On demand	We may charge you \$500 per violation for any non-compliance with our system specifications or violation of the Franchise Agreement or Operations Manual. If such non-compliance is on-going, we may charge you \$500 per week until you cease such non-compliance.
Enforcement Costs <sup>(4)</sup>	Will vary	As incurred	See Note 4.
Reimbursement of Costs and Expenses <sup>(5)</sup>	Costs and Expenses	As Incurred	See Note 5.

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Transfer Deposit	\$1,000	Upon request for Transfer	Upon submission of a request to transfer your Franchise, you must pay a refundable deposit of \$1,000 to us to hold for a period of ninety days immediately following the effective date of the transfer. Ninety days after the effective date of the transfer, we will refund the transferring franchisee the Transfer Deposit less any unpaid liabilities attributable to the transferring franchisee during its ownership of the Appraisal Business under the Franchise Agreement. The Transfer Deposit is in addition to the Transfer Fee.
Quality Control Review Administrative Fee <sup>(6)</sup>	5.0% of Gross Revenues on a continuing basis or per file for individual occurrences.	Payment will be due weekly on Friday based on Gross Revenues from the prior Saturday through Friday by ACH.	This service is provided on a temporary basis upon your request and subject to our availability.  See Note 6.
Special Services Administrative Fee <sup>(6)</sup>	\$35.00 min to \$400.00 per file for individual occurrences for franchisor assistance or the actual cost + 25% for Special Services outsourced to, and provided by, another franchisee or a third-party vendor.	Payment will be due weekly on Friday based on occurrences from the prior Saturday through Friday by ACH.	Special Services includes but are not limited to: Material Corrections/ Revisions/Re-writes to Appraisal Reports, Estimates, Supplements, Photos, Documents or Documentation created by a franchise office or Special Administrative Services provided to a franchise office such as dispute resolution, re-inspections, shop/vehicle owner/client mediation or interaction. You may request, but we are not obligated, to provide Special Services to you.  See Note 6.
Technology Support Fee	\$100 per hour	Weekly	Payable only if you require us to assist you with supporting your technology.

**Notes:**

1. Except as otherwise indicated in this Item 6, all fees are payable to and are imposed and collected by us. These fees are not refundable and are uniformly imposed.
2. The Elite Program recognizes high performing franchisees with a reduced royalty rate of 35%. Current criteria used to evaluate eligible franchisees include cycle time and CCC Accumark Audit Score, but we reserve the right to modify the criteria or eliminate the Elite Program entirely at any time. Eligibility for the Elite Program is determined on a weekly basis based on performance in the previous rolling 30 days. Each month you qualify for the Elite Program, we will reimburse you in an amount equal to 15% of Gross Revenues previously deducted from your 50% Continuing Royalty (for a net 35% Continuing Royalty for that time period), paid no later than Friday of each week. The specifications and additional terms and conditions of the Elite Program are in our Operations Manual.
3. We reserve the right to collect our costs (including our travel, food, and lodging expenses, third-party expenses and other out-of-pocket expenses) to audit your Appraisal Business if you understate the reporting of your Gross Revenues by two percent (2%) or if the audit is done because you did not send us or keep required records. Otherwise, we pay the cost of the audit. You must also immediately pay us the additional amounts owing plus interest at the rate of one and one-half percent (1.5%) per month or the highest rate allowed by law, whichever is more, commencing from the original date owed to us. You must cooperate fully in the audit process.
4. You must pay our costs of enforcement (including attorneys' fees and expenses) if you do not comply with the Franchise Agreement (or any other agreement between you and us) during or after the termination of the Franchise Agreement.
5. If, after notice, you fail to cure any deficiency in the Appraisal Business and/or your operation of the Appraisal Business, including failing to timely and/or properly complete any reports, status updates or filings we require, in accordance with our system operating standards then we may, in our sole discretion, correct the deficiency. If we elect to correct the deficiency then you will reimburse us for our costs and expenses incurred in correcting the deficiency which we may collect in the same manner and form as we use to collect the weekly Continuing Royalty fees.

6. Franchisees are required to manage all aspects of an appraisal file, including files received by insurance carriers, referral sources and other national accounts from the initial write-up to the delivery to the client. If you cannot manage any portion of the appraisal file due to temporary staffing issue or other reasonable cause, then we may, subject to availability, provide temporary assistance at the rates as shown in the table above. Corporate assistance may not exceed the greater of (i) 30 days' in a calendar year or (ii) 30 appraisal files in a calendar year. If your Appraisal Business exceeds this limit, then we may declare a default under the Franchise Agreement, which may result in termination of your Appraisal Business.

**Item 7: Estimated Initial Investment<sup>(1)</sup>**

**YOUR ESTIMATED INITIAL INVESTMENT**

(Column 1) Type of Expenditure	(Column 2) Amount		(Column 3) Method of payment	(Column 4) When due	(Column 5) To whom payment is to be made
	Low	High			
Initial Franchise Fee (2)	\$10,000	\$50,000	Lump Sum or monthly payments if financed	At signing of Franchise Agreement or the day of each month outlined in the Promissory Note if financed	Us
Training Expenses (3)	\$1,500	\$2,000	Airlines, hotels, meals, as required by provider	As airlines, hotels, etc. require	Airlines, hotels, restaurants, etc.
Real Property, construction, remodeling, leasehold improvements and decorating costs (4)	\$2,000	\$2,500			
Equipment, fixtures, other fixed assets, (5)	\$5,000	\$7,500		As supplier or landlord requires	As supplier or landlord requires
Inventory to begin operating (6)	\$0	\$0	As supplier requires	As supplier requires	Supplier
Security deposits, utility deposits, business licenses and other prepaid expenses (7)	\$100	\$250			
Insurance (annual premium) (8)	\$2,200	\$4,200	The cost of the insurance policies will vary depending on the insurance carrier charges, terms of payment and certain factors unique to each franchise, including location, size and business volume. Payment will be spread out over 52 equal, weekly payments. If insurance purchased through us then the annual premium and administrative fee is paid pro-rata to us on a weekly basis or agent requires.	Before opening	Us or Insurance agent
Computer Software licenses (9)	\$500	\$500	Lump Sum	Before Opening	Owner of Software License or Us (see Item 8 and 11)

(Column 1) Type of Expenditure	(Column 2) Amount		(Column 3) Method of payment	(Column 4) When due	(Column 5) To whom payment is to be made
	Low	High			
Additional funds – 3 months (10)	\$6,000	\$13,000	As expenses occur	Payroll weekly, other purchases according to agreed-on terms	Employees, suppliers of goods and services
TOTAL	\$27,300	\$79,950			

**Notes:**

1. The ranges and categories of expenses listed on the table above are based solely on the experience of SCA Appraisal Businesses and your expenses may be significantly different depending on the suppliers you use and local costs. Do not rely on this estimate of expenses to project your future performance because your expenses may differ from the ranges above and you will have additional expenses to third party suppliers, to us and our affiliates which we have not listed. See Item 8 for additional information concerning your purchases from third party suppliers. We do not make any representation regarding whether any amounts paid to third parties are refundable. Unless otherwise stated, amounts paid to us are not refundable. Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.
2. The initial franchise fee is non-refundable. See Item 10 for options for financing.
3. There is no charge for initial training. The chart estimates your trainees' living and transportation expenses for initial training. You must pay all these expenses. See Item 11.
4. We expect that virtually all of our franchisees will operate their Appraisal Business out of home offices and, therefore, will not incur expenses for real property. The chart estimates your costs and expenses for outfitting an already existing room in your home as an office.
5. Required office equipment includes a copier, personal computer and printer, commercial word processing and accounting software, a telephone with a minimum of two lines, a mobile smart phone capable of taking photographs and running our mobile management system "Core Mobile", and a high speed internet connection. Estimate is based on a purchase of these items. We expect that virtually all of our franchisees will use their personal automobile for transportation and the cost of owning an automobile is not included in this amount. The forms needed for operation are available without charge on our website. You will be required to print these forms on your personal printer or using a quick print service such as Kinkos for volume printing.
6. We do not currently require you to purchase a minimum amount of inventory.
7. Because we assume virtually all franchisees will operate from a home office, we do not estimate costs for security deposits and utility deposits, but you may have prepaid telephone and internet costs. See Notes 3, 4 and 5 above. See Item 11. You must comply with federal, state and local license, certificate and permit requirements for the operation of your Appraisal Business. Certain states require property damage appraisers to obtain licenses. The requirements of such states vary. You should determine what laws apply to you before acquiring a franchise. You must obtain and pay for these licenses for yourself and any of your employees that provide appraisal services before commencing your appraisal business.
8. Annual premium for required insurance coverage. See Item 8.
9. This estimates the costs for you to obtain your own license to use the software from the third party vendors.
10. The estimate of additional funds for the initial phase of your Appraisal Business is based on operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. The additional funds required will vary by your area; how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your services; competition; and your sales level reached during the initial period. In compiling these estimates, we rely on our and SCA's experience in operating and franchising businesses. You should review these figures

carefully with a business advisor before making any decision to purchase the franchise. It is anticipated that you will initially have no payroll expense.

#### **Item 8: Restrictions on Sources of Products and Services**

We and our owners and affiliates have spent considerable time, effort and money to develop the System. You must conform to our high and uniform standards of quality in operation your Franchise. You must provide the Services in accordance with the standards related to response time, appearance, and safety, including those standards and requirements imposed by our National Accounts. We anticipate that our standards will change over time. You are expected to adhere to these changes. To ensure that you maintain the highest degree of consistency, quality and service, and to protect our brand, you must operate and develop your Appraisal Business in strict conformance with our methods, standards and specifications and obtain certain goods, inventory, services, supplies, materials, equipment, and other products, including your uniforms, advertising materials, computer hardware, and software, in strict compliance with our specifications and only from us, our affiliates or the authorized manufacturers, distributors, suppliers, vendors, merchants or providers designated or approved by us. Our methods, standards and specifications, including, without limitation, any standards imposed by national accounts (collectively, the “System Standards”), are prescribed in our Confidential Operations Manual (the “Operations Manual”).

We will disclose to you, in the Operations Manual or otherwise in writing, any specifications related to providing your appraisal services. You must sell and offer for sale all services required by us in the manner and style we require. In addition, you must provide the services utilizing the method of technology we require. You must not deviate from our System Standards without obtaining our prior written consent. We may periodically change System Standards at our sole discretion and we reserve the unlimited right to formulate, modify and supplement our System Standards for operating the Appraisal Business. The vehicle appraisal industry is constantly changing and you may be required to utilize new methods of servicing customers, including new products and software that provide virtual appraisal services or that solicit or service customers through crowdsourcing. You must at all times comply with any System Standards imposed by national accounts. We will provide you with written notice of any changes as they occur, which may include through mail, email, posting on our website or other means. You must implement all changes at your sole expense. You may incur increased costs to comply with our changes. We may also require you to occasionally participate in the test marketing of products, services, distribution methods, mobile apps and software programs at your expense. We reserve the right to implement quality assurance audit or otherwise establish a quality control or audit program or “secret customer” program to anonymously evaluate your operations and if we do, you must participate in the program. A significant level of negative feedback from your customers, National Accounts, or an unsatisfactory result of a mystery shopper or customer program or quality assurance audit will be a default under your Franchise Agreement, and we may require you to participate in remedial training or terminate your Franchise.

Currently there are no other items for which we or our affiliates are approved suppliers or the only approved suppliers. There are no approved suppliers in which any of our officers owns an interest.

We will provide you with written specifications governing the minimum standards of certain products, services or equipment you procure from unrelated third parties. Currently, your required purchases

from approved suppliers are as follows: one NADA Vehicle Value Subscription, one set of Neon Photos Arrows, one Keson Tape Measurer, and one Tire Depth Gauge. We may modify our specifications in writing, and may add new specifications in writing. You may purchase these items from any supplier whose product, service or equipment meets our specifications.

We provide to you, free of charge, the right to use our Core software program and mobile Core app "Core Mobile". You must purchase a license to use the collision estimating software programs we designate. We recommend, but do not require, additional software programs for use in the Appraisal Business. We reserve the right to change the software you must use or the approved vendors for any software we require in our discretion. Any costs incurred in connection with any change in software requirements is solely your responsibility. Any software we require must currently be licensed independently from any of our approved vendors but we and our affiliates reserve the right to establish a sub-license program in the future and derive a profit from the program. If we or our affiliate has a sub-license program for any software, you must participate and we and our affiliates reserve the right to charge a fee for use of the software. In connection with our or our affiliate's administration of the various software programs, we and our affiliates reserve the right to collect all software fees on behalf of the vendor and directly remit payment to the particular vendor on your behalf and to charge you a monthly fee as a separate administration fee. The fees negotiated by us with the software providers may result in fees charged to you which is currently less than any available retail subscription. If we or our affiliate has a sub-license program, we reserve the right to renegotiate or cancel the relationship in our discretion. You must purchase a computer or laptop and a DSL line or other comparable high-speed wireless Internet connection and service, required dedicated telephone and power lines and other computer-related accessories, smartphone, peripherals and equipment, including a fax machine and a dedicated phone line for faxes meeting the specifications described in Item 11. The computer hardware may be purchased from any supplier.

We do not maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier. If we name a supplier for a product or service, you may contract with an alternative supplier if we approve the supplier. To obtain our written approval for the alternative supplier, you must submit a written request to us for approval of the supplier and the supplier must meet our specifications to our reasonable satisfaction. We will approve an alternative supplier if it meets the performance standards of our comparable and approved suppliers. We will give you notice of our approval or disapproval within 3 to 6 weeks depending on the nature of the product or service. We do not currently charge a testing fee. We reserve the right to revoke our approval of a supplier if we determine that it no longer meets our quality, operational, pricing, or service standards. If we revoke approval of any supplier, we will give you written notice.

You must obtain and maintain insurance policies protecting you and us in connection with certain demands or claims with respect to the operation of your Appraisal Business in the minimum policy limits described in the Franchise Agreement and Operations Manual. You must maintain broad form comprehensive general liability coverage in the minimum amount of \$2 million and automobile insurance with policy limits of \$2 million per person for death or bodily injury, \$500,000 property damage, and \$2 million aggregate, including non-owned driver insurance for the automobile you use in your Appraisal Business. You must also maintain statutory workers' compensation insurance; errors and omissions insurance in the minimum amount of \$3 million and cyber liability insurance in the minimum amount of \$3 million. We can change the required coverage and amounts. We make

available to you, as a convenience, an insurance program in which you may participate if you choose. We reserve the right to either discontinue offering our business insurance or to make it mandatory for you to participate in our business insurance program. Our insurance program may require you to purchase insurance through a master policy issued to us. Our current insurance program does not include cyber liability insurance for your business activities outside breaches related to our computer system. You will need to obtain a separate cyber liability insurance to cover your other cyber and data security needs. If you do not participate in our business insurance program, you must provide us a copy of your insurance policies, meeting the insurance requirements outlined in this Item and the Operations Manual, and you must name us as additional insureds. We reserve the right to reject any insurance policy that you provide if it does not meet the required limits or standards of quality if in our sole opinion the insurance does not sufficiently protect us, you or your customers. We may also designate an insurance agency or broker as an Approved Supplier where you must procure your insurance from the designated agency or broker.

We may, from time to time, offer certain marketing and promotional programs for National Account and other clients and customers of the System. If Franchisee participates in such programs, then it must fulfill its obligations and adhere to the standards, terms and conditions of such programs at all times. Any programs may be further described in the Operations Manual or other materials, which may be amended, cancelled, terminated or modified from time to time.

We and our affiliates receive no other payments from any supplier, nor do we or our affiliates receive any special discount on purchases from any supplier for ourselves or themselves, in connection with purchases from our franchisees.

We currently do not negotiate purchase arrangements with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. We do not provide you with material benefits (such as renewal or granting additional franchises) based on your use of designated or approved sources but doing so is one of your obligations under the Franchise Agreement.

For the fiscal year ending March 31, 2024, we did not derive any revenue from franchisee’s required purchases or leases. The equipment, products and supplies required to be purchased or leased in accordance with our specifications represent approximately 3% of your total purchases in connection with the establishment of an Appraisal Business and approximately 5% of your total purchases in operating the Appraisal Business.

**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.**

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 7(a)(ii) of Franchise Agreement	Item 10 of this Disclosure Document
b. Pre-Opening purchases/leases	Section 6 of the Franchise Agreement	Item 10 of this Disclosure Document

Obligation	Section in Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Sections 5(b)(iv), 6(a)(i), 6(f), 7(a)(i), 7(b)(iii), and 7(b)(xvi) of the Franchise Agreement	Items 6 and 11 of this Disclosure Document
e. Opening	Not Applicable	Not Applicable
f. Fees	Sections 4, 8 and 13 and Exhibit A of the Franchise Agreement	Items 5 and 6 of this Disclosure Document
g. Compliance with standards and policies/Operations Manual	Section 7 of the Franchise Agreement	Item 11 of this Disclosure Document
h. Trademarks and proprietary information	Sections 7(b)(iv), 7(c)(i), 11 and 15 of the Franchise Agreement	Item 13 of this Disclosure Document
i. Restrictions on products/services offered	Section 2 of the Franchise Agreement	Item 16 of this Disclosure Document
j. Warranty and customer services requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/services purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Sections 7(b)(viii) and Section 7(d) of the Franchise Agreement	Items 7 and 8 of this Disclosure Document
o. Advertising	Section 7(e) of the Franchise Agreement	Item 11 of this Disclosure Document
p. Indemnification	Section 7(b)(xi) of the Franchise Agreement	Not Applicable
q. Owner's participation/ management/staffing	Glossary to the Franchise Agreement	Item 15
r. Records and reports	Sections 7(b)(ix) and (x), and 14(c)(xiv) of the Franchise Agreement	Not Applicable
s. Inspections and audits	Sections 7(b)(ix) and 7(b)(x) of the Franchise Agreement	Item 6 of this Disclosure Document
t. Transfer	Sections 7(b)(xii) and 12 of the Franchise Agreement	Item 17 of this Disclosure Document
u. Renewal	Section 5 and Exhibit A of the Franchise Agreement	Item 17 of this Disclosure Document
v. Post-termination obligations	Sections 11(a)(ix) and (b) and 15 of the Franchise Agreement	Item 17 of this Disclosure Document
w. Non-competition covenants	Section 16 of the Franchise Agreement	Item 22
x. Dispute resolution	Section 20 of the Franchise Agreement	Item 17 of this Disclosure Document

## Item 10: Financing

We may offer to purchase the appraisal fees owed to your Appraisal Business (your accounts receivables for the appraisal fees due from insurance companies). We will pay you for the accounts receivables and in return we will have a security interest in your accounts receivables and the right to collect the appraisal fees.

To obtain the Accounts Receivable financing, you must meet our qualifications and the Accounts Receivables must be owed by insurance companies we approve in advance for appraisal services performed by your Appraisal Business. Our form of agreement for our purchase of accounts receivable is annexed as Exhibit C to the Franchise Agreement. We will maintain a reserve of 10% of collections, on a rolling basis, for amounts that are uncollectible on account of claims by the insurance carrier of unsatisfactory work. Our purchase of your accounts receivable will be on a non-recourse basis.

Additionally, we may agree to finance your initial franchise fee for your Appraisal Business if you meet our financial and credit requirements and other standards for qualification. If this financing is offered, you will sign a Promissory Note (the "Note") which is attached to the Franchise Agreement as Exhibit (G).

The following table summarizes the two types of financing we may offer you:

	<b>Accounts Receivable Purchase Agreement</b>	<b>Initial Franchise Fee Financing</b>
Source of Financing	Us	Us
Amount Financed	Varies depending upon amount of account receivable	Varies depending upon amount of initial franchise fee
Down Payment	None	None
Term	Agreement terminates on thirty days written notice as to future transactions	12 months
Rate of Interest plus finance charge	None	The lower of the (1) the highest rate allowed under law or (2) the prime rate plus 5% per annum
Monthly Payment	None	Varies depending upon amount of initial franchise fee
Prepayment Penalty	None	None
Security Required	Security Interest in Accounts Receivables	We may secure the obligations under the Note with the weekly advances made to you. We have the right to file a UCC-1 Financing Statement.
Guarantee	Personal guarantee from your owners of principal amount of receivable financed principally for claims for unsatisfactory performance.	None
Liability upon Default	Termination of franchise; you must pay entire amount due and our attorneys' fees and court costs in collection debt	Termination of franchise; you must pay entire amount due and our attorneys' fees and court costs in collection debt

	<b>Accounts Receivable Purchase Agreement</b>	<b>Initial Franchise Fee Financing</b>
Loss of Legal Rights upon Default	None	<p>If you sign the Note, you will (i) waive demand, presentment for acceptance, presentment for payment, notice of dishonor, protest of dishonor, notice of intent to file suit, and diligence in collecting the Note; (ii) agree to any substitution, exchange, or release of any collateral securing the indebtedness evidenced by the Note for the release of any person or entity primarily or secondarily liable on the Note; (iii) agree that we and any assignee of the Note shall not be required first to institute suit or exhaust its remedies against you or others liable or to become liable on the Note or to enforce our or any assignee's rights against any collateral then securing the payment of the Note in order to enforce payment of the Note against any collateral then securing the payment of the note or against anyone liable on the Note including you; (iv) consent to any extension or postponement of time for payment of the Note and to any other indulgence relating to the Note without notice; and (v) agree that neither our failure nor the failure of any assignee to exercise our or any assignee's right to accelerate the maturity of the indebtedness nor you or any other signer of the Note being granted indulgence shall be considered a waiver of our or any assignee's right of acceleration or estop us or any assignee from exercising said right.</p> <p>If you sign the Note, you also agree that jurisdiction and venue for any and all claims, causes of actions, liabilities, controversies, and disputes between you and us or our assignee shall, at our option, be proper in a court of general jurisdiction in Los Angeles, California or the United States District Court for the Central District of California. If you sign the Note and we assign the Note, then you will be barred from asserting any defense against the assignee which cannot be asserted against a holder in due course. You may lose all of your defenses against our assignee as a result of our sale or assignment of the Note.</p>

We have not in the past and do not presently sell, assign, or discount to a third party, in whole or in part, any note, contract, or other instrument executed by any franchisee. However, we may in the future assign to a third party notes, contracts, or other instruments executed by franchisees should we determine that this action is advisable or in our best interests.

## **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**

Before you open your Business, we will:

1. Designate your Service Area. (Franchise Agreement, Section 3 and Exhibit A)

We do not require that you maintain a "site" for your Business, and we expect that virtually all of our franchisees will operate out of offices in their homes.

2. Lend you a copy of the Operations Manual. You must strictly comply with the Operations Manual in operating your Appraisal Business. We can change the Operations Manual, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement. (Franchise Agreement, Section 6(a)(ii) and 11(b))

See below in this Item 11 for the Table of Contents of the Operations Manual as of the date of this disclosure document.

3. Furnish you with any written specifications for required products and services. We and our affiliates do not deliver or install any of these items. (Franchise Agreement, Section 6(d)) We require that you license certain computer software programs for use in the operation of your Appraisal Business. We have no interest in the owners of these software programs. See Item 8. (Franchise Agreement, Section 6(d))
4. Provide you access to the Core program software and Core Mobile. (Franchise Agreement, Section 6(d))
5. Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is approved. (Franchise Agreement, Section 7(e))
6. Furnish requirements for your training and duties and those of your damage appraisers or employees, if any. (Franchise Agreement, Section 6(a)(i))
7. Suggest prices for your products and services. We negotiate prices for appraisal services for national accounts, which you must observe. We recommend, but do not establish, prices for any other services you perform. (Franchise Agreement, Section 6)
8. From time to time and at our discretion, make arrangements with national and regional Customers and offer you the right to service the national account at the price we establish. (Franchise Agreement, Section 6(c))
9. Make available to you, as a convenience, an insurance program in which you may participate if you choose; provided that we reserve the right to either discontinue offering our business

insurance program or to make it mandatory for you to participate in our business insurance program. (Franchise Agreement, Section 6(a)(iv))

## **Time to Open**

You must open your Appraisal Business within 30 days after we sign your Franchise Agreement, which is our estimated typical length of time between the signing of the Franchise Agreement and the opening of your Appraisal Business. If we do not offer our Initial Training Program within the 30 days after signing of the Franchise Agreement, then we will extend the deadline for opening until we offer the Initial Training Program for you. Factors affecting time to open include attendance at and satisfactory completion of our “Initial Training Program”, delivery and installation of equipment and computer software, obtaining and printing forms and business cards and obtaining any necessary local or industry required licenses and insurance.

You must obtain our consent prior to opening. We will consent to your opening once (1) your Operating Principal and Designated Appraiser complete the “Initial Training Program” to our satisfaction, (2) you purchase, receive and install all required equipment and computer software, (3) you obtain all required business forms and business cards, and (4) you obtain any required or necessary permits, licenses and approvals, and (5) you obtain any required insurance.

## **Obligations After Opening**

During the operation of the Appraisal Business, we will:

1. Furnish you with those field support services we consider advisable to provide support and resolve operating problems you encounter. (See Franchise Agreement, Section 6(b))
2. Provide standard forms as part of the start-up package. (Franchise Agreement, Section 6(a))
3. Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose. (Franchise Agreement, Section 6(b))
4. Furnish you with the Operations Manual. (Franchise Agreement, Section 6(a))
5. Periodically and in our sole discretion, provide you with a list of approved suppliers, vendors and contactors as we may periodically revise. (Franchise Agreement, Section 6(b))
6. Periodically and in our sole discretion, establish and enforce System Standards. (Franchise Agreement, Section 6(b))
7. Periodically and in our sole discretion, provide advice concerning operations, new techniques or operating methods for the Appraisal Business and use of the Operations Manual. (Franchise Agreement, Section 6(b))
8. Periodically and in our sole discretion, specify minimum policy limits for certain types of insurance coverage and review, verify and/or approve proof of insurance and forms of additional insured endorsements. (Franchise Agreement, Section 7(d))

We are not required to provide any other service or assistance to you for the continuing operation of your Appraisal Business.

### **Advertising Fund**

We do not have a national advertising and marketing fund and therefore you are not required to contribute to any national advertising and marketing fund. We may however, require you to spend a minimum amount on local advertising as described below.

### **Local Advertising Requirement**

We do not currently require you to spend a minimum amount local advertising, marketing and promotion, however, we reserve the right to do so in the future. See Item 6. However, we do require you spend a minimum of ten (10) hours per month marketing the Services offered by your Appraisal Business. (Franchise Agreement – Section 7(e)). Upon request, you must provide us with a report logging and outlining all of local marketing endeavors and initiatives. If we require you to spend a minimum amount of funds in local advertising, then you must provide us a monthly report of your local marketing expenditures along with any requested supportive documentation evidencing the expenditures as we may require from time to time. Local marketing may include expenditures on television, radio, newspapers, magazines, billboards, posters, banners, brochures, direct mail, Yellow Pages and website listings (Angie’s List, Yelp, Yahoo! Local Listings, etc.), local social media websites or review sites, and other types of marketing designated in the Operations Manual and approved by us in accordance with our approval process described in the Operations Manual.

### **Advertising Cooperatives**

There is no cooperative composed of franchisees or others for advertising purposes which you are required to or may join.

### **Other Advertising Information**

There is no advertising council composed of franchisees that advises the franchisor on advertising policies. The Franchise Agreement does not give us the power to form, change or dissolve an advertising council.

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area or territory.

You may develop advertising materials for your own use, at your own cost. As stated above, we must approve these advertising materials in advance and in writing, but if we do not respond within ten (10) business days after receiving your proposed advertising material, the material is approved.

### **Market Tests and Surveys**

You may be asked to participate in marketing tests and surveys. In the event that you are approved to participate, you may be required to enter into an agreement that outlines all the requirements for marketing tests and surveys. All test and survey requirements, processes and procedures must be

adhered to and any applicable costs will be our responsibility. You must provide complete data statistics on the tests or surveys for our review and evaluation.

## **Electronic Accounting System**

Before the commencement of operation of the franchised Appraisal Business, you must purchase a desktop or laptop computer meeting the specifications outlined below that can effectively operate the required Core software program and the required collision estimating system software. You must also have a DSL line or other comparable high-speed wireless Internet connection and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment, including a fax machine and a dedicated phone line for faxes and smartphone (the "IT System"). You must also maintain a functioning e-mail address for your business.

The following are the current specifications for the required IT System: a PC with a 2.0 GHz processor; 256 MB RAM; a 40 Gb hard drive; flat monitor; keyboard; optical mouse; and Windows XP Professional, or comparable laptop system; smartphone with voice, email, text, and Internet capable of taking and uploading photographs and running the mobile management system "Core Mobile". The system also requires a Hewlett-Packard laser printer, Microsoft Office Professional and QuickBooks business accounting software. We estimate the cost of purchasing or leasing the system to be approximately \$7,000.

You must provide all assistance we require to bring your IT System on-line with our headquarters computer at the earliest possible time and to maintain this connection as we require. We will have independent access to computer data and information. We may retrieve from your IT System all information that we consider necessary, desirable or appropriate. This information may include individual or summaries of appraisals, sales and marketing information, financial statements, expense reports, or related financial documents, tax returns or filings, other records related to the Franchise Business (such as insurance, employee, invoicing, royalty, fee, or related information), any internal communications, and correspondence with customers or third-parties. There are no contractual limitations on our right to access information. The computer systems and programs will be used for administrative and service purposes to assist in the total operations of the business including collecting customer information and tracking invoices.

Due to legal and contractual requirements of certain customers, you must monitor all users of Core and Core Mobile including conducting background checks on any person you provide with access to the software. Only authorized registered employees and agents of the Appraisal Business may use or have access to Core and Core Mobile. At any time we may mandate additional user restrictions and guidelines for Core and Core Mobile use and you must comply with them.

You must maintain your IT System and keep it in good repair. There is no contractual limit on our ability to require you to upgrade the IT System and computer software, add components to the IT System and computer software and replace components of the IT System and computer software. We cannot predict the actual cost of maintaining, updating or upgrading your IT System or its components or computer software because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time. The cost of any monthly software license fees may increase and you may have to

update the hardware necessary to run any updated software. We estimate your increased cost (for both the increased licensing fee and additional hardware upgrades) to be between \$1,500-\$2,000.

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data related problems and attacks by hackers and other unauthorized intruders (“E-Problems”). We do not guarantee that information or communication systems we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may include trying to secure your Computer Systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

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## Field Experience Requirement

In order to be qualified to become a SCA franchisee, you must have a minimum of three (3) years prior full time verifiable experience, within the past ten (10) years, in one of the following positions:

body shop collision estimating/management, insurance field appraiser, or independent automobile damage appraiser.

## Training

We do not provide any on the job training. Prior to the opening of your SCA Appraisal Services Business, we will provide the required Initial Training Program consisting of approximately six to ten (6-10) hours of classroom training. We will conduct the initial training at our California headquarters in Burbank, California or at facilities in Bayville, New York or Richardson, Texas, depending upon your location. We may modify the location of the initial training or provide all virtual training at our discretion. The topics of the initial training program are as follows:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours Of On The Job Training	Location
Welcome and introduction	1 hour	None	See above
Operations and Software	2 - 3 hours	None	See above
Customer Service and Marketing	1 - 2 hours	None	See above
Service Level Standards	1 - 2 hours	None	See above
Industry Best Practices	1 - 2 hours	None	See above

The instructional materials consist of our Operations Manual, rate schedules, organizational charts and an industry best practices manual. The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is 5 years. You must complete the Initial Training Program to our satisfaction prior to opening your business and no later than 90 days after the signing of the Franchise Agreement. We reserve the right to modify the Initial Training Program for current franchisees, prior SCA independent contractors or employees who have familiarity or previous knowledge of the System, System Standards or operations of a SCA Appraisal Business.

The Initial Training Program is mandatory for the Operating Principal and Designated Appraiser. The initial franchise fee includes the cost of the Initial Training Program and there is no additional charge for training, although you must bear your own travel and living costs and other expenses during training. (Franchise Agreement, Section 6(a)(i))

See Item 6 for information about charges for training additional or subsequent trainees.

You can request on-site training and/or assistance at any time. We will provide it at our option, but the Franchise Agreement does not require us to provide it.

We may conduct additional training programs and/or mandatory meetings/training from time-to-time for the benefit of all Appraisal Business franchisees whose attendance may or may not be mandatory. When attendance is mandatory, we will provide you with reasonable notice in writing.

Your failure to attend mandatory meetings, trainings, or conventions will be treated as a default under the Franchise Agreement. Fees may be imposed for necessary make up sessions and related expenses. We may charge a registration fee for conventions, which will not exceed our costs per attendee in producing the convention, and you must pay for the expense of salaries, travel, meals, lodging, and miscellaneous expenses of your personnel attending such seminars or conventions. (Franchise Agreement, Section 6(f))

Except as described above, we do not require any additional training programs or refresher courses at this time, but we reserve the right to do so in the future. You are required to complete all continuing training, whether virtual or classroom within the timeframe set by us. If we offer any additional training programs or refresher courses at the time of the renewal of your Franchise Agreement, then you must complete them as a condition of renewal.

## **Item 12: Territory**

We will grant you a geographic area (the “Service Area”). We will describe your Service Area in detail in Exhibit A to our Franchise Agreement. The Service Area is the geographic area in which you have primary responsibility, but you have no exclusive or protected rights in the Service Area. During the term of your Franchise Agreement, we reserve the right to increase Franchisee’s Service Area up to fifty (50) miles to accommodate the needs of certain National Accounts. In the event that we exercise our right to increase the Service Area, we will provide you at least thirty (30) days’ advance written notice.

We reserve the right to modify your Service Area upon renewal.

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.

Your franchise rights do not depend on your achieving a certain sales volume, market penetration or other contingency. There is no minimum sales quota. There is no provision in the Franchise Agreement for modification of your territorial rights for any reason, except that we may assign all or part of your Service Area to an SCA-owned office or other franchisee or utilize the service of independent appraisers if we believe, in our sole subjective discretion that you are not satisfactorily servicing insurance companies in the Service Area, including if you fail to meet the designated deadline for completing the services (“Cycle Time”).

We reserve all rights not expressly granted in the Franchise Agreement. Unless specifically agreed with you in writing, our grant of the Appraisal Business does not include any option or promise to allow you to purchase any additional franchises or to expand your Service Area contiguously or elsewhere, whether by option, right of first-refusal or similar right.

Virtually all of our franchisees operate out of a home office, so we do not have restrictions on the relocation of your Appraisal Business.

There is no limitation on our rights to sell products and services under the Trademarks within and outside your Service Area through any method of distribution including, through any and all channels of distribution as the Internet, telemarketing, mobile applications, or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Service Area except as described in the following paragraph and you will receive no compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or mobile application or sell through any other alternative distribution channel, and we receive orders for any Appraisal Business products or services calling for delivery or performance in your Service Area, then we will offer the order to you at the price we establish but you must agree to meet the designated Cycle Time. If you choose not to fulfill the order or are unable to do so within the designated Cycle Time, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will be entitled to no compensation in connection with this. If you fail to fulfill an order to the customer’s satisfaction or within the designated Cycle Time, then we have no obligation to offer you additional orders in your Service Area through alternative distribution channels.

You may solicit or accept orders from customers outside your Service Area, but you may not use alternative distribution channels to solicit or fill orders.

We and our affiliates can use alternative channels of distribution to make sales within your Service Area of products or services under trademarks different from the Trademarks you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type.

As of March 17, 2020, WCF established a franchise system which offers and sells franchised businesses that provide appraisal services under the Doan Group trademark in the United States. WCF does not intend to own or operate Doan Group outlets. WCF franchisees will solicit and accept calls for services within your and other SCA Appraisal Business’ Service Areas.

We have implemented procedures to reduce the potential for any conflict between a Doan Group franchisee and SCA Appraisal Business. We and SCA have a national account sales team of representatives that solicit National Accounts for SCA Appraisal Businesses and WCF employs an entirely separate sales representative team to solicit National Accounts for its system. If a National Account prospect calls us, SCA or one of our or their sales representatives, the new client or National Account will be assigned to a SCA Appraisal Business. The same is true if a new client calls the Doan Group sales team and it will be assigned to a Doan Group franchise. National Account and prospective National Account information will not be exchanged between the sales representatives of each franchise system.

However, if a client or National Account is dissatisfied with the service provided by a SCA Appraisal Business or Doan Group franchise and requests to be transferred, we reserve the right to assign the file to the other franchise system or another SCA Appraisal Business, in our discretion. If there is no SCA Appraisal Business to service an assignment for a client or National Account, we reserve the right to assign the file to a Doan Group franchise, in our discretion.



WCF's principal place of business is 5090 Highway 212, Covington, Georgia 30016 and will maintain a separate office and training facility and employ a separate operations manager.

**Item 13: Trademarks**

The principal SCA Claim Services commercial symbol which we will sub-license to you appears on the cover of this Disclosure Document.

As used in this Disclosure Document and our Franchise Agreement, the term "Trademarks" includes our trademarks, service marks, trade names, logos and commercial symbols. The principal Trademarks include those that you will use to identify your Appraisal Business.

SCA has registered the below listed Trademarks on the United States Patent & Trademark Office ("USPTO") Principal Register:

Registration Number	Description of Mark	Registration Date
3,527,379	Service Mark  The mark consists of standard characters "SCA" without claim to any particular font, style, size or color	November 4, 2008
5,058,588	Service Mark  	October 11, 2016
5,341,435	Service Mark  	November 21, 2017

SCA has filed all required affidavits for the Trademarks. SCA has granted us a non-exclusive world-wide license to the Trademarks. We will sub-license to you the right to use the Trademarks to operate your Appraisal Business upon the terms of your Franchise Agreement.

There are presently no effective determinations of the USPTO, any trademark trial and appeal board, any state trademark administrator or any court, or any pending interference, opposition, or cancellation proceeding involving any of the above-referenced Trademarks. There are no currently effective agreements that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to the franchise. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Trademarks in this state or any other state in which the Appraisal Business is to be located. There is no pending material federal or

state court litigation regarding our use or ownership rights in any Trademark. All required affidavits and renewals have been and will be filed.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Trademarks, you must promptly notify us. We will promptly take the action we consider necessary to defend you in our sole judgment. The Franchise Agreement does not require us to take any affirmative action when notified of these uses or claims. We must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the Trademarks. We will have no obligation to defend or indemnify you if the claim against you relates to your use of the Trademarks in violation of the Franchise Agreement.

If you learn that any third party whom you believe is not authorized to use the Trademarks is using the Trademarks or any variant of the Trademarks, you must promptly notify us. We will determine whether or not we wish to take any action against the third party. You will have no right to make any demand or to prosecute any claim against the alleged infringer for the infringement.

If you are required to modify or discontinue a Trademark, we are not obligated under the Franchise Agreement to reimburse you for your expenses in doing so or for any loss of revenue attributable to any modified or discontinued Trademark or for any expenditure you make to promote a modified or substitute trademark or service mark.

## **Item 14: Patents, Copyrights and Proprietary Information**

### **Patents and Copyrights**

We hold no patents. We have not registered any copyright with the United States Copyright Office. However, we own copyrights to certain forms, advertisements, promotional materials and other written materials. We also own copyrights and other proprietary rights on the SCA Appraisal Services Confidential Operations Manual.

There are currently no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the USPTO, the U.S. Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this Disclosure Document.

### **Confidential Information**

You may never – during the initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a

third party except as we authorize. All personnel affiliated with you must sign our form of NDA or an NDA in a form approved by us.

Our confidential information will include products, services, equipment, technologies and procedures relating to the operation of a SCA Appraisal Services Business; systems of operation, services programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the SCA Appraisal Services Business; the Operations Manual; records of customers and billings; methods of advertising and promotion; instructional materials; information regarding our National Accounts, prospective customer or customer lists; and other matters.

#### **Item 15: Obligation to Participate in the Actual Operation of the Franchise Business**

The Franchise Agreement requires you to designate an Operating Principal. Your Operating Principal must personally supervise the operation of your Appraisal Business. Your Operating Principal must devote the necessary time and best efforts for the proper and effective operation of the business. If you are an individual, you must serve as the Operating Principal and the Designated Appraiser.

If the franchisee is a Business Entity, the Operating Principal must have at least 51% economic, equity and voting interest in the franchise entity of the Appraisal Business. The Operating Principal may appoint a Designated Appraiser who will have day-to-day management responsibility for your Appraisal Business, will exercise on-premises supervision and personally participate in the direct operation of the Appraisal Business. Your Operating Principal may delegate the day to day activities, performance of services and management of the Franchise to a Designated Appraiser, but the Operating Principal will at all times remain responsible for the Franchise. We reserve the right to approve all Operating Principals and Designated Appraisers. Your Operating Principal and Designated Appraiser must complete the Initial Training Program to our satisfaction. After an Operating Principal's or Designated Appraiser's death or disability, you must immediately notify us, and you must designate a successor or acting Designated Appraiser within 10 days. You must obtain our approval of a replacement Operating Principal within 60 days.

All (1) Owners, (2) Operating Principals, (3) Designated Appraisers (where permitted by law) and (4) personnel who complete our initial training (where permitted by law) must sign our Restrictive Covenant Agreement.

All Designated Appraisers, personnel who complete our initial training, and personnel who have access to the Operations Manual or other confidential and proprietary information (including National Account information), must sign an NDA.

We require your current and future Owners and their spouses to: (1) provide the financial information that we may reasonably require; (2) sign the Guaranty in the form of Exhibit (D) to the Franchise Agreement guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures; and (3) sign a Restrictive Covenant Agreement.

## **Item 16: Restrictions on What the Franchise May Sell**

You must offer and sell all products and services which are part of the SCA Appraisal Services Business, and all services and products we incorporate into the SCA Appraisal Services Business in the future. You may not conduct any other business from your Appraisal Business without our previous written consent.

We may add to, delete from or modify the products and services which you can and must offer. We may modify the method in which you are required to service customers and the Cycle Times you must meet, including, without limitation, due to changes imposed by national accounts. You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are no other limits on our rights to make these changes.

You may only sell SCA Appraisal Services Business products and services at retail, and you may not engage in the wholesale sale and/or distribution of any SCA Appraisal Services product, service, equipment or other component, or any related product or service.

You may solicit or accept orders from customers outside your Service Area but you may not use alternative distribution channels to solicit or fill orders. See Item 12.

## **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>Provisions</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 5(a)	Five (5) year initial term
b. Renewal or extension of the term	Section 5(b)	You have an option to renew the term for five (5) years

Provisions	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 5(b)	<p>You are in full compliance with the Franchise Agreement and satisfy the then-current general standards for SCA Appraisal Services franchisees;</p> <p>You notify us of your intention to renew not earlier than 180 days nor later than 90 days before the expiration date of the initial term;</p> <p>You sign our then current renewal form of Franchise Agreement that may have materially different terms and conditions than the original contract;</p> <p>You complete and cause your employees to complete any supplemental or refresher training we require, not later than 30 days before the preceding term's scheduled expiration date; and</p> <p>Where not prohibited by law, you sign a general release, in a form prescribed by us, releasing us and our Affiliates and our subsidiaries (if any) and our respective officers, directors, employees, attorneys, contractors, agents, and representatives from any claim that you may have against us prior to the expiration of the initial term of the Franchise Agreement.</p>
d. Termination by franchisee	Not Applicable	You have no right to terminate the Franchise Agreement under its explicit terms, however, you may terminate the Franchise Agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Not Applicable	We may not terminate the franchise without cause.
f. Termination by franchisor with cause	Not Applicable	We may terminate only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.

Provisions	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Section 14(b)	<p>(i) The Operating Principal or Designated Appraiser fails to complete the training program, or to establish and begin operating your Appraisal Business within 90 days, and fail to cure such failure within 30 days after we notify you in writing of the remedial action to be taken;</p> <p>(ii) You fail to fulfill any requirement, to perform any obligation, or to observe any restriction in Sections 7(b) of the Franchise Agreement (Operations) and fail to come into compliance within 30 days after we notify you in writing of the remedial action to be taken;</p> <p>(iii) You fail to pay any royalty or other payment due to us or our affiliate, including any late payment and interest on delinquent payments, within 10 days after notice that payment is past due;</p> <p>(iv) You fail to maintain the required insurance and fail to cure such breach within 10 days' notice from us;</p> <p>(v) You fail to attend any required Continuing Training, Remedial Training or Franchise Convention and fail to cure such breach within 10 days' notice from us;</p> <p>(vi) You fail to meet your Advertising Requirement and fail to cure such breach within 10 days' notice from us;</p> <p>(vii) You fail in any way to comply with the System Standards and fail to cure such breach within 10 days' notice from us; or</p> <p>(viii) You breach any other obligation undertaken by you under the Franchise Agreement (other than the non-curable defaults described in (h) below) and fail to remedy such breach within 30 days after written notice from us specifying the breach alleged to have occurred and the action to be taken by you in curing the same.</p>
h. "Cause" defined – non-curable defaults	Section 14(c)	<p>(i) Your franchise application was untrue, incomplete or misleading in any material respects when received by us;</p> <p>(ii) You either fail to observe or comply with the requirements of Section 12 of the Franchise Agreement in connection with any sale, assignment or transfer, or make a material misrepresentation in any transfer request or document in support of a request;</p> <p>(iii) You commit a breach of Section 16(a) (exclusive dealing) or of the confidentiality provisions of Section 11(b) of the Franchise Agreement;</p> <p>(iv) You violate the provisions of Section 12 (limitations on transfer) of the Franchise Agreement;</p> <p>(v) You abandon your Appraisal Business. You will be conclusively presumed to have abandoned your Appraisal Business if you fail to accept assignments for services or to provide services on more than 5 consecutive business days or on more than 10 business days in any calendar month, with certain permitted exceptions;</p> <p>(vi) We receive 2 or more verified complaints from a national</p>

Provisions	Section in Franchise Agreement	Summary
		<p>account (including an employee or representative of the national account), claimant, insured, SCA employee, or any other party involved in the service transaction about your performance during any consecutive 12-month period or 3 verified complaints from any of the parties listed above during the term of the Franchise Agreement, whether or not you successfully resolve the complaints;</p> <p>(vii) You fail repeatedly to meet required Cycle Times;</p> <p>(viii) You commit or allow to occur 3 or more Events of Default in any 12-month period, whether or not the Events of Default are related types of default and whether or not they are cured;</p> <p>(viii) You, if you are a natural person, or any employee who remains employed by you after a conviction occurs, is convicted of driving while intoxicated (or comparable offense) while driving a vehicle during the course of performing Appraisal Services;</p> <p>(ix) You or any person who executes a Guaranty becomes insolvent, admits in writing the inability to pay your monetary obligations or the guarantor as they mature, is adjudicated a bankrupt, voluntarily files a petition for liquidation, rehabilitation or reorganization, makes an assignment for the benefit of creditors or takes any other action under any federal or state insolvency statute;</p> <p>(x) A receiver or trustee is appointed for all or a substantial part of your assets, or a judgment for an amount in excess of \$5,000 is entered against you that you do not pay or stay within 30 days after the judgment is entered;</p> <p>(xi) You or the Operating Principal or any Owner, is convicted of a felony, fraud, embezzlement, or any crime involving moral turpitude;</p> <p>(xii) You fail to obtain or to maintain any license required by applicable law to lawfully operate your Appraisal Business;</p> <p>(xiii) You commit an uncured or incurable default under either the Factoring Agreement or the License for our affiliate's Software, leading to the termination thereof;</p> <p>(xiv) You commit an uncured or incurable default under either our Approved Accounts Receivable Purchase Agreement, in the form of <u>Exhibit C</u> attached to the Franchise Agreement, or any other agreement between you and us or our affiliate, leading to its termination;</p> <p>(xv) You commit any act of dishonesty or other intentional malfeasance relating to or, in our sole, subjective judgment, materially adversely affecting your Appraisal Business or your ability to continue to successfully operate your Appraisal Business or the goodwill associated with our Marks, including without limitation, maintaining false or misleading books and records, accepting anything of value from a person to influence your property damage appraisal, purchasing or selling any type of salvage, using body shop estimates without independent estimates or investigations, having an interest in any person or</p>

Provisions	Section in Franchise Agreement	Summary
		<p>entity that performs services for any client of a customer, or having a conflict of interest with any customer; or</p> <p>(xvi) You violate Section 6(c) of the Franchise Agreement, including but not limited to, by (a) communicating with employees or representatives of national accounts other than the National Account Rep (except in cases of potential or suspected insurance fraud); or (b) engaging in inappropriate behavior or behaving in an unprofessional manner towards any National Account, insured or claimant, or their respective employees and representatives.</p>
i. Franchisee's obligations on termination/ nonrenewal	Section 11(a)(ix) Section 15(a) Section 16(b) and 16(c)	<p>a. Pay all you owe to us, affiliates and third parties.</p> <p>b. Stop using our Trademarks, confidential information, trade secrets and Operations Manual.</p> <p>c. Cancel assumed name registration which contains our Trademarks.</p> <p>d. Deliver to us all confidential information, the Operations Manual and items with Trademarks.</p> <p>e. Stop using telephone numbers listed in directories under our Trademarks.</p> <p>f. De-identify Appraisal Business.</p>
j. Assignment of contract by franchisor	Section 12(j)	We can assign if the assignee is financially responsible and economically capable of performing our obligations, and agrees to perform them.
k. "Transfer" by franchisee – (definition--see FA Section 12(a))	Section 12(a)	Any assignment, transfer, sub-franchising, sublicensing or sale of Franchise Agreement, Appraisal Business, any interest in them or a Business Entity franchisee.
l. Franchisor approval of transfer by franchisee	Section 12(a)	We have the right to approve all transfers but will not unreasonably withhold approval. A transfer not approved will be ineffective and will constitute a default under the Franchise Agreement.
m. Conditions for franchisor approval of transfer	Section 12(b)	<p>(a) You must be in compliance with all obligations and up to date on payments due;</p> <p>(b) the transfer must be a complete disposition of the Franchise Business;</p> <p>(c) you must return all copies of the Operations Manual, Customer List and Copyrighted Materials;</p> <p>(d) you must provide us with a copy of the contract;</p> <p>(e) the transferee must execute a Franchise Agreement</p> <p>(f) you must agree to release us on any claims you may have against us unless otherwise prohibited by law;</p> <p>(g) we must receive a signed Guaranty from the general partner and those with a 9% equity interest or higher</p> <p>(h) the transferee must complete the training program; and</p>

Provisions	Section in Franchise Agreement	Summary
		(i) we must be paid the Transfer Fee and Transfer Deposit.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12(f)	We have 30 days from receipt of an exact copy of a bona fide offer made to purchase your interest in the business to accept or reject it. If we fail to accept the offer in the 30 day period you are free to effect the disposition upon the terms in the Franchise Agreement, provided that if transfer or disposition is not complete within 120 days, then we shall again be given notice and a new right of first refusal.
o. Franchisor's option to purchase franchisee's business	Section 15(d)	Within 90 days of termination or expiration of the Franchise Agreement, we may purchase your business. The purchase price will be equal to the lower of net book value or fair market value of all tangible assets of franchisee.
p. Death or disability of franchisee	Section 12(g)	We have 180 days from the date of death or disability to evaluate new management and determine whether new management is qualified to manage the Franchise Business. If the new management is not approved then you have 180 days to sell the Franchise Business to an approved buyer. If you do not sell within 180 days then we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 16(a)	During the term of the Franchise Agreement, you will not engage in a competitive business (subject to applicable state law). The term " <u>Competitive Business</u> " means any business that offers, markets, or performs property and casualty damage appraisals (including auto, property or specialty claims), pre-underwriting inspections, vehicle adjustment work, special investigation services, scope and photo services, or related services, or in any business which grants franchises or licenses to others to operate such a business other than a SCA business operated under a Franchise Agreement with us. You must not divert any business from your business or from us.
r. Non-competition covenants after the franchise is terminated or expires	Section 16(b)	No competing business for 2 years after franchise is terminated or expires in Service Area and each territory outside Service Area in which we, an Affiliate, or a franchisee is then operating (subject to applicable state law).
s. Modification of the agreement	Section 22(a)	Any modification of the Franchise Agreement must be in writing.
t. Integration/merger clause	Section 22(c)	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in the franchise agreement or any related agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 20(d)	American Arbitration Association
v. Choice of forum	Section 20(b)	Subject to applicable state and federal laws, Los Angeles, California. See the State Addenda located at Exhibit E.
w. Choice of law	Section 20(a)	Subject to applicable state and federal laws, California, except that all claims, causes of actions or disputes related to your covenants not to compete set forth in Section 16(b) of the Franchise Agreement, including the interpretation, validity and enforcement of those covenants, will be governed by the laws

Provisions	Section in Franchise Agreement	Summary
		of the state where the Franchised Business is located. See the State Addenda located at Exhibit E.

**Item 18: Public Figures**

There are no public figures associated with us or our franchises.

**Item 19: Financial Performance Representations**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential 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.

This Item sets forth certain historical data submitted by each of the franchised locations operating during our last fiscal year (the “Franchised Locations”), including annual gross revenue for the period beginning on April 1, 2021 and ending on March 31, 2022 (the “2021 Measurement Period”), for the period beginning on April 1, 2022 and ending on March 31, 2023 (the “2022 Measurement Period”), and for the period beginning on April 1, 2023 and ending on March 31, 2024 (the “2023 Measurement Period” and with the 2021 Measurement Period and the 2022 Measurement Period, collectively, the “Measurement Periods”). The Franchised Locations disclosed in this Item 19 were all open and operating for the Measurement Periods, except for those noted below, which were only open and operating for part of the Measurement Periods. The total number of Franchised Locations represented in the below chart for the 2021 Measurement Period is 107. The total number of Franchised Locations represented in the below chart for the 2022 Measurement Period is 90. The total number of Franchised Locations represented in the below chart for the 2023 Measurement Period is 87. All Franchised Locations that were open and operating during the Measurement Periods are noted in the below chart.

The chart below presents the annual gross revenue, as well as the number of files for each of the Franchised Locations and the number of locations for each of the Franchised Locations operating during the 2021, 2022 and 2023 Measurement Periods.

Location	2021 Measurement Period		
	Number of Locations in 2021 <sup>(1)</sup>	Number of Files in 2021 <sup>(2)</sup>	2021 Annual Gross Revenue <sup>(3)</sup>
Franchise Location 1	2	2,572	\$391,087.93

Franchise Location 2	1	2,816	\$376,617.34
Franchise Location 3	1	709	\$120,839.84
Franchise Location 4	1	1,626	\$125,099.06
Franchise Location 5 <sup>(4)</sup>	1	853	\$97,336.24
Franchise Location 6	2	2,013	\$297,108.45
Franchise Location 7	1	2,919	\$452,933.16
Franchise Location 8	1	1,248	\$180,005.01
Franchise Location 9	3	2,763	\$296,903.64
Franchise Location 10 <sup>(4)</sup>	3	1,641	\$230,392.78
Franchise Location 11 <sup>(4)</sup>	1	850	\$137,957.45
Franchise Location 12	3	3,264	\$492,448.87
Franchise Location 13 <sup>(4)</sup>	1	820	\$128,867.28
Franchise Location 14 <sup>(4)</sup>	1	1,462	\$95,597.19
Franchise Location 15	1	1,036	\$180,569.39
Franchise Location 16	4	3,448	\$375,007.79
Franchise Location 17	10	17,908	\$2,322,344.42
Franchise Location 18	2	3,711	\$433,046.07
Franchise Location 19	3	3,578	\$427,608.74
Franchise Location 20	1	695	\$137,507.57
Franchise Location 21	2	804	\$113,764.25
Franchise Location 22	1	732	\$103,835.92
Franchise Location 23	1	642	\$80,957.20
Franchise Location 24	1	745	\$83,117.80
Franchise Location 25	4	2,378	\$382,236.22

Franchise Location 26 <sup>(4)</sup>	1	176	\$25,549.72
Franchise Location 27	1	6,112	\$389,365.10
Franchise Location 28	1	11,374	\$677,262.32
Franchise Location 29	2	2,154	\$328,913.49
Franchise Location 30	3	930	\$120,539.89
Franchise Location 31	1	1,070	\$177,206.24
Franchise Location 32	1	689	\$112,694.42
Franchise Location 33	2	3,585	\$387,451.19
Franchise Location 34	2	2,982	\$349,177.23
Franchise Location 35 <sup>(4)</sup>	1	1,977	\$282,269.13
Franchise Location 36	1	1,011	\$145,651.92
Franchise Location 37	1	1,235	\$154,595.01
Franchise Location 38 <sup>(4)</sup>	4	11,646	\$1,018,614.65
Franchise Location 39 <sup>(4)</sup>	1	1,592	\$343,223.50
Franchise Location 40	1	3,072	\$400,933.01
Franchise Location 41 <sup>(4)</sup>	2	3,991	\$558,657.14
Franchise Location 42	2	1,651	\$203,804.23
Franchise Location 43	1	1,591	\$181,897.90
Franchise Location 44	1	1,571	\$171,248.32
Franchise Location 45	2	1,003	\$140,396.39
Franchise Location 46	1	1,714	\$240,993.20
Franchise Location 47	1	2,047	\$300,493.46
Franchise Location 48	1	221	\$29,468.03
Franchise Location 49	1	669	\$56,367.49

Franchise Location 50	1	1,044	\$175,222.52
Franchise Location 51	1	1,962	\$224,421.45
Franchise Location 52	1	1,388	\$255,018.05
Franchise Location 53 <sup>(4)</sup>	1	1,483	\$213,412.76
Franchise Location 54	1	1,969	\$265,169.77
Franchise Location 55	1	152	\$23,521.13
Franchise Location 56 <sup>(4)</sup>	1	1,803	\$165,063.21
Franchise Location 57 <sup>(4)</sup>	1	893	\$97,996.54
Franchise Location 58 <sup>(4)</sup>	1	1,487	\$234,709.95
Franchise Location 59 <sup>(4)</sup>	1	116	\$17,493.43
Franchise Location 60	2	2,272	\$382,206.84
Franchise Location 61 <sup>(4)</sup>	1	1,001	\$127,525.77
Franchise Location 62	1	3,439	\$262,575.42
Franchise Location 63	2	6,795	\$740,192.09
Franchise Location 64 <sup>(4)</sup>	1	70	\$9,124.22
Franchise Location 65	1	917	\$115,820.40
Franchise Location 66 <sup>(4)</sup>	2	3,522	\$457,228.16
Franchise Location 67 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 68 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 69 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 70 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 71 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 72 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 73 <sup>(4)</sup>	N/A	N/A	N/A

	<b>2022 Measurement Period</b>		
<b>Location</b>	<b>Number of Locations in 2022<sup>(1)</sup></b>	<b>Number of Files in 2022<sup>(2)</sup></b>	<b>2022 Annual Gross Revenue<sup>(3)</sup></b>
Franchise Location 1	2	2,058	\$375,270.11
Franchise Location 2	1	1,586	\$319,624.76
Franchise Location 3	1	1,208	\$226,323.95
Franchise Location 4	1	749	\$116,061.29
Franchise Location 5 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 6	1	1,115	\$189,119.87
Franchise Location 7	1	2,011	\$348,740.50
Franchise Location 8	1	1,690	\$249,387.28
Franchise Location 9	3	2,469	\$358,450.54
Franchise Location 10 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 11 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 12	2	1,810	\$297,802.24
Franchise Location 13 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 14 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 15	1	976	\$216,919.84
Franchise Location 16	4	2,793	\$386,753.70
Franchise Location 17	10	15,349	\$2,672,853.40
Franchise Location 18	3	2,461	\$309,987.80
Franchise Location 19	3	4,057	\$526,576.03
Franchise Location 20	1	556	\$84,117.01
Franchise Location 21	2	650	\$105,247.09

Franchise Location 22	1	1,112	\$156,452.02
Franchise Location 23	1	769	\$105,798.83
Franchise Location 24	2	821	\$97,744.07
Franchise Location 25	4	2,534	\$427,501.53
Franchise Location 26 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 27	1	7,560	\$492,448.26
Franchise Location 28	1	9,180	\$795,708.36
Franchise Location 29	2	1,504	\$303,651.71
Franchise Location 30	3	1,038	\$150,349.16
Franchise Location 31	1	1,419	\$199,870.19
Franchise Location 32	1	749	\$133,710.85
Franchise Location 33	2	2,249	\$330,237.16
Franchise Location 34	2	1,657	\$263,300.20
Franchise Location 35 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 36	1	773	\$117,875.60
Franchise Location 37	1	1,078	\$215,040.56
Franchise Location 38 <sup>(4)</sup>	5	11,139	\$1,315,347.04
Franchise Location 39 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 40	1	1,826	\$279,123.76
Franchise Location 41 <sup>(4)</sup>	2	2,961	\$383,202.50
Franchise Location 42	2	1,503	\$207,169.14
Franchise Location 43	1	786	\$114,586.23
Franchise Location 44	1	1,020	\$145,052.25
Franchise Location 45	2	1,218	\$166,234.27

Franchise Location 46	1	2,447	\$378,041.64
Franchise Location 47	1	1,668	\$268,107.64
Franchise Location 48	1	273	\$38,499.91
Franchise Location 49	1	474	\$64,123.06
Franchise Location 50	1	1,609	\$284,808.91
Franchise Location 51	1	711	\$89,112.30
Franchise Location 52	1	1,445	\$292,616.76
Franchise Location 53 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 54	1	922	\$141,511.18
Franchise Location 55	1	1,730	\$308,869.88
Franchise Location 56 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 57 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 58 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 59 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 60	2	2,334	\$402,643.03
Franchise Location 61 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 62	1	2,219	\$243,335.53
Franchise Location 63	2	3,680	\$611,266.51
Franchise Location 64 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 65	1	1,115	\$154,135.97
Franchise Location 66 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 67 <sup>(4)</sup>	1	1,521	\$271,668.67
Franchise Location 68 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 69 <sup>(4)</sup>	N/A	N/A	N/A

Franchise Location 70 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 71 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 72 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 73 <sup>(4)</sup>	N/A	N/A	N/A

Location	2023 Measurement Period		
	Number of Locations in 2023 <sup>(1)</sup>	Number of Files in 2023 <sup>(2)</sup>	2023 Annual Gross Revenue <sup>(3)</sup>
Franchise Location 1	2	1,668	\$311,216.38
Franchise Location 2	1	1,074	\$193,655.97
Franchise Location 3	1	1,341	\$237,340.11
Franchise Location 4	1	455	\$73,700.40
Franchise Location 5 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 6	1	666	\$130,688.87
Franchise Location 7	1	1,655	\$297,769.27
Franchise Location 8 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 9	2	1,760	\$307,557.71
Franchise Location 10 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 11 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 12	2	1,690	\$272,340.44
Franchise Location 13 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 14 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 15	1	728	\$162,635.74
Franchise Location 16	4	2,111	\$324,805.40

Franchise Location 17	9	12,089	\$2,521,976.33
Franchise Location 18	2	2,652	\$335,600.73
Franchise Location 19	3	4,705	\$709,595.04
Franchise Location 20	1	586	\$85,202.60
Franchise Location 21	2	650	\$108,028.84
Franchise Location 22	1	627	\$91,333.04
Franchise Location 23	1	670	\$94,428.03
Franchise Location 24	1	828	\$128,115.19
Franchise Location 25	4	2,566	\$479,710.10
Franchise Location 26 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 27 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 28	1	6,272	\$886,329.16
Franchise Location 29	2	1,401	\$270,426.60
Franchise Location 30	3	1,095	\$150,856.24
Franchise Location 31	1	1,443	\$223,955.93
Franchise Location 32	1	708	\$118,935.03
Franchise Location 33	2	1,934	\$322,267.67
Franchise Location 34	2	1,364	\$227,140.90
Franchise Location 35 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 36	1	731	\$107,034.82
Franchise Location 37	1	974	\$221,845.76
Franchise Location 38 <sup>(4)</sup>	5	5,318	\$884,360.29
Franchise Location 39 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 40	1	1,249	\$246,786.95

Franchise Location 41 <sup>(4)</sup>	1	2,192	\$310,623.91
Franchise Location 42	2	1,595	\$240,009.17
Franchise Location 43	1	875	\$150,281.66
Franchise Location 44	1	1,397	\$195,854.47
Franchise Location 45	2	1,405	\$203,979.41
Franchise Location 46	1	907	\$129,779.83
Franchise Location 47	1	1,577	\$253,858.08
Franchise Location 48	1	305	\$40,136.51
Franchise Location 49 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 50	1	1,266	\$236,486.56
Franchise Location 51 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 52	1	1,458	\$246,600.49
Franchise Location 53 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 54	1	814	\$136,993.63
Franchise Location 55	1	1,539	\$268,477.70
Franchise Location 56 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 57 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 58 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 59 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 60	2	2,406	\$406,615.73
Franchise Location 61 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 62	1	1,056	\$179,958.51
Franchise Location 63	1	3,172	\$530,765.46
Franchise Location 64 <sup>(4)</sup>	N/A	N/A	N/A

Franchise Location 65	1	686	\$124,564.78
Franchise Location 66 <sup>(4)</sup>	N/A	N/A	N/A
Franchise Location 67 <sup>(4)</sup>	1	2,870	\$488,749.98
Franchise Location 68 <sup>(4)</sup>	1	400	\$55,350.71
Franchise Location 69 <sup>(4)</sup>	1	13	\$1,648.91
Franchise Location 70 <sup>(4)</sup>	1	547	\$97,844.31
Franchise Location 71 <sup>(4)</sup>	1	12	\$1,363.70
Franchise Location 72 <sup>(4)</sup>	2	93	\$13,305.95
Franchise Location 73 <sup>(4)</sup>	1	282	\$40,433.66

Notes:

1. “Number of Locations” means the number of locations the franchisee was operating the SCA Appraisal Services Business during the applicable Measurement Period.
2. “Number of Files” means the total number of vehicle appraisals completed during the applicable Measurement Period.
3. “Annual Gross Revenue” mean the amount of all cash collected, or other consideration received, including check, credit and debit card, barter exchange, trade credit, or other credit transactions, for all services provided by Franchised Location.
4. These Franchised Locations were open and operating for only a portion of the applicable Measurement Period.

General Notes to Item 19:

This analysis does not contain complete information concerning the operating costs and expenses that you will incur in operating your business. This Item 19 also does not contain any information about fees that you must pay to us, such as royalty or advertising fees or other expenses such as rent.

**Some Franchised Locations have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

Written substantiation of the data used in preparing this information is available upon reasonable request.

Other than the preceding financial performance representation, SCA Franchising Corporation does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting President, Timothy W. P. Davis, SCA Franchising Corporation, 3817 West Magnolia Boulevard, Burbank, CA 91505, telephone (800) 572-8010, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20: Outlets and Franchisee Information**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021 to 2023**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2021	103	93	-10
	2022	93	87	-6
	2023	87	87	0
SCA-Owned Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	103	93	-10
	2022	93	87	-6
	2023	87	87	0

**Table No. 2  
Transfers From Franchisees to New Owners (Other than the Franchisor)  
For Years 2021 to 2023**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
Arizona	2021	0
	2022	1
	2023	0
California	2021	1
	2022	1
	2023	2
Colorado	2021	1
	2022	0
	2023	0
Florida	2021	0
	2022	0
	2023	0

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
Georgia	2021	0
	2022	0
	2023	0
Hawaii	2021	0
	2022	0
	2023	0
Illinois	2021	0
	2022	1
	2023	0
Iowa	2021	0
	2022	0
	2023	0
Kansas	2021	0
	2022	0
	2023	0
Louisiana	2021	0
	2022	0
	2023	0
Michigan	2021	0
	2022	0
	2023	0
Missouri	2021	0
	2022	0
	2023	0
Montana	2021	0
	2022	0
	2023	0
Nevada	2021	0
	2022	0
	2023	0
New Jersey	2021	0
	2022	1
	2023	1
New York	2021	6
	2022	0
	2023	0
North Carolina	2021	0
	2022	1
	2023	0
Ohio	2021	0
	2022	0
	2023	1
Oklahoma	2021	0
	2022	0
	2023	0
Oregon	2021	0
	2022	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2023	0
Pennsylvania	2021	0
	2022	0
	2023	0
South Carolina	2021	0
	2022	3
	2023	0
Rhode Island	2021	0
	2022	0
	2023	0
Tennessee	2021	0
	2022	0
	2023	0
Texas	2021	0
	2022	0
	2023	0
Utah	2021	0
	2022	0
	2023	0
Virginia	2021	0
	2022	0
	2023	0
Washington	2021	0
	2022	0
	2023	0
Total	2021	7
	2022	8
	2023	4

**Table No. 3  
Status of Franchised Outlets  
For Years 2021 to 2023**

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased operations – Other Reasons	Col. 9 Outlets at the end of Year
Arizona	2021	3	0	0	1	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arkansas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
California	2021	28	0	0	0	2	0	26
	2022	26	0	1	0	1	0	24
	2023	24	0	0	0	0	0	24

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased operations – Other Reasons	Col. 9 Outlets at the end of Year
Colorado	2021	4	0	0	0	1	0	3
	2022	3	0	2	0	0	0	1
	2023	1	0	0	0	1	0	0
Connecticut	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Delaware	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
District of Columbia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	10	0	0	0	2	0	8
	2022	8	0	0	0	1	0	7
	2023	7	0	0	0	0	0	7
Georgia	2021	2	1	0	0	2	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Hawaii	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Illinois	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Indiana	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Iowa	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Kansas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Kentucky	2021	1	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Louisiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Michigan	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
	2023	0	0	0	0	0	0	0
Mississippi	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Missouri	2021	1	0	0	0	0	0	1

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased operations – Other Reasons	Col. 9 Outlets at the end of Year
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Montana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Nebraska	2021	1	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0
Nevada	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Hampshire	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
New Jersey	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Mexico	2021	2	0	0	0	1	0	1
	2022	1	0	0	0	0	0	1
New York	2021	10	1	0	0	0	1	9
	2022	9	0	0	0	1	0	8
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
Ohio	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Oklahoma	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Oregon	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Pennsylvania	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Rhode Island	2021	1	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0
South Carolina	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Tennessee	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Texas	2021	8	0	0	0	2	0	6
	2022	6	0	0	0	0	0	6

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased operations – Other Reasons	Col. 9 Outlets at the end of Year
Utah	2023	6	2	0	0	1	0	7
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Washington	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
West Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Wisconsin	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	103	6	0	1	14	1	93
	2022	93	2	3	0	4	1	87
	2023	87	3	1	0	2	0	87

**Table 4  
Status of Company-Owned Outlets  
For Years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of the Year
Arizona	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
California	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Florida	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Georgia	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Hawaii	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of the Year
Illinois	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Kansas	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Michigan	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Missouri	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Montana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Nevada	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
New York	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Ohio	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Oklahoma	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Oregon	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
PA	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
South Carolina	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Tennessee	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Texas	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Utah	2021	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of the Year
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Virginia	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Washington	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table No. 5  
Projected Openings as of March 31, 2024**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	0	0
California	0	0	0
Colorado	0	1	0
Idaho	0	1	0
Kansas	0	1	0
Michigan	0	1	0
Texas	0	2	0
Washington	0	1	0
Total	0	7	0

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

There are no franchisees that have failed to communicate with the franchisor within the past 10 weeks of the application date.

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

**Exhibit F** lists the name of all current franchisees and their addresses and telephone numbers as of March 31, 2024.

**Exhibit G** lists the name contact information of every franchisee who had its franchise terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the 2023/2024 fiscal year or who has not communicated with us within 10 weeks of the 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.

**Item 21: Financial Statements**

Attached as **Exhibit B** are our audited financial statements dated as of May 31, 2024, for the fiscal year ended (a) March 31, 2024, (b) March 31, 2023 and (c) March 31, 2022.

**Item 22: Contracts**

Copies of all proposed agreements regarding the franchise offering are included in Exhibit A herein. These include our Franchise Agreement and all exhibits to it (Franchise Description, Releases, Personal Guaranty, Approved Accounts Receivable Purchase Agreement and Secured Promissory Note).

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

**Item 23: Receipts**

You will find copies of a detachable receipt in **Exhibit J** at the very end of this Disclosure Document.

## **EXHIBIT A**

### **Franchise Agreement and Related Materials**

Exhibits to Franchise Agreement:

- Exhibit (A) - Franchise Description
- Exhibit (B) - General Release
- Exhibit (C) - Approved Accounts Receivable Purchase Agreement
- Exhibit (D) - Personal Guaranty
- Exhibit (E) - Non-Compete, Confidentiality and Non-Solicitation Agreement
- Exhibit (F) - Confidentiality and Non-Solicitation Agreement
- Exhibit (G) - Secured Promissory Note
- Exhibit (H) - State Addenda to Franchise Agreement



**SCA FRANCHISING CORPORATION**

**FRANCHISE AGREEMENT**

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THIS FRANCHISE AGREEMENT (together with all exhibits, schedules, appendices and addenda, signed in connection with the grant of the Franchise defined below and described herein collectively, the “Agreement”) is entered into as of the date set forth in Exhibit A between SCA Franchising Corporation, a California corporation (“Company”), and the Franchisee and Owners (as defined in Section 1(f) below) identified in Exhibit A and shall be deemed effective upon the date countersigned by Company (“Effective Date”).

Company and Franchisee hereby agree as follows:

**1. Statement of Underlying Facts.**

(a) Defined Terms. Certain terms are used in this Agreement with the meanings assigned in body of this Agreement or in the Glossary of Terms at the end of this Agreement. Exhibit A and the Glossary are incorporated into and made an integral part of this Agreement by this reference.

(b) Company’s Affiliate. Company’s sister corporation, SCA Enterprises, Inc. (“Affiliate”), has developed a System for the operation of businesses providing property damage appraisal services (“Services”) identified by the Marks and using the Intellectual Property.

(c) License from Affiliate. Affiliate has granted a license to Company to franchise the System and sub-license the Marks and Intellectual Property to qualified franchisees for the operation of Franchised Businesses in accordance with our System Standards.

(d) Franchisee’s Application. Franchisee has submitted an application for a franchise to operate a Franchised Business, representing and warranting that all of the information Franchisee provided Company in such application is true, complete, and not misleading in all material respects. Company has approved the application in reliance upon Franchisee’s representation and warranty.

(e) Acknowledgments. Franchisee understands that the terms of this Agreement are reasonably necessary to maintain our System Standards and the uniformity of those standards among all SCA Appraisal Franchises, and to protect and preserve the goodwill of the Marks, the Intellectual Property and the System. Further Franchisee appreciates and acknowledges the importance of Company’s standards of quality, appearance and service as a necessity of owning and operating a Franchised Business in conformity with Company’s standards and specifications and Franchisee represents and warrants that:

(i) Franchisee is not a party to or subject to any order, judgment or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement.

(ii) neither Franchisee nor any person or firm cooperating, assisting or acting with Franchisee in connection with the opening of this Franchise, or upon whom or which he may be relying for any assistance in this matter, direct or indirect, financial or otherwise, is a party to any contract, agreement or arrangement (including but not limited to, employment agreement, non-compete agreement, non-solicit agreement or confidentiality agreement with any other person or entity) which limits, prohibits or purports to limit or prohibit Franchisee’s entering into this Agreement or performing Franchisee’s obligations hereunder.

(iii) the execution, delivery and performance of this Agreement does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Franchisee is a party or by which Franchisee is bound and upon the execution

and delivery of this Agreement, this Agreement shall be a valid and binding obligation of Franchisee, enforceable in accordance with its terms; and

(iv) it has not and will not at any time after entering into this Agreement disclose any confidential proprietary information or trade secret information of any former employer, franchisor, licensor or business partner. Franchisee represents that it has not taken any action(s) to date that would have constituted a violation of this Agreement had the Agreement been in place at the time of such action(s).

(f) Owner Acknowledgement. Franchisee, including its Operating Principal, current and future owners, shareholders, members, partners, equity holders and principals (“Owners”) have represented to Company that Franchisee has entered into this Agreement with the intention to comply fully with the obligations to operate a SCA Franchised Business hereunder and not for the purpose of reselling the rights to develop the Franchise hereunder. Franchisee and its Owners understand and acknowledge that Company has granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by, Franchisee (including its Owners) and that this Agreement and the rights and obligations hereunder may not be transferred until after the Franchise commences operations to the public and then only in accordance with the terms of this Agreement.

## **2. Grant of Franchise.**

(a) Grant. Subject to the terms and conditions of this Agreement, Company grants and Franchisee accepts the right and obligation to operate a Franchised Business within the Service Area (defined in Section 3) during the entire Term in accordance with Company’s System Standards.

(b) Enumeration of Rights. The franchise includes the following rights and licenses:

(i) Authorization to provide Services for Customers using the System, Intellectual Property and the Marks within the Service Area; and

(ii) Authorization to advertise and promote the Franchised Business and to solicit assignments for Services from Customers using the Marks as an authorized provider of Services.

(c) Reservation of Rights. Company reserves and retains all rights that this Agreement does not expressly grant to Franchisee.

(d) Alternative Services. Franchisee acknowledges and understands that Company and its affiliates may develop, create, offer or launch new products, services, or service lines, directly or indirectly through distribution, licensing, franchising or other business models, which may be competitive or complementary to the Products and Services offered by the Franchised Business. Franchisee understands this Agreement does not grant Franchisee any rights to offer the new products, services, or service lines described in this Section 2 or share in any of the revenue or proceeds generated from such sales.

(e) Service Certification Program and Qualification Requirements. The Company or its affiliates, reserve the right to establish or launch one or more service certification or qualification requirements through which SCA franchisees may be authorized to provide additional services or products which Company may designate in connection with the System (“Certification Program(s)”). The Company may condition Franchisee’s participation in any Certification Program on meeting certain standards, terms and requirements. Participation in a Certification Program may require (1) additional purchase of equipment, inventory or supplies; (2) training for the Operating Principal and Designated Appraiser; (3) additional marketing requirements; (4) Franchisee and its personnel obtaining additional professional or

industry licenses, permits, approvals, certifications, and authorizations; and (5) other conditions, all of which Franchisee must meet at its own expense. In the event Franchisee is unable or unwilling to participate in a Certification Program or does not meet the requirements of participation, then Franchisee understands and agrees that Company and its affiliates have the right to perform Certification Program services in the Service Area or grant other franchisees or third parties the right to perform Certification Program services in the Service Area. Franchisee disclaims any compensation or consideration for work performed by others in the Service Area. This Section does not constitute a right of first refusal for any additional franchise programs which the Company or its affiliates may now or in the future create.

### **3. Service Area.**

(a) Service Area Defined. The Service Area is the geographic territory within which Franchisee has primary responsibility to provide, advertise, and solicit assignments for Services from Customers. Franchisee will devote its full time and best efforts to provide, advertise, and solicit assignments for Services to be performed within the Service Area. Company reserves the right to increase Franchisee's Service Area up to fifty (50) miles to accommodate the needs of certain National Accounts (as defined in Section 6(c) below). In the event that Company exercises its right to increase the Service Area, then Company shall provide Franchisee at least thirty (30) days' advance written notice.

(b) Franchisee's Rights. Provided that Franchisee satisfies Customer assignments for the performance of Services in the Service Area in accordance with System Standards and Company does not receive complaints from Customers about the quality or timeliness of Franchisee's work in the Service Area (including, without limitation, failures to meet designated Cycle Times):

(i) Franchisee may provide, advertise and solicit Services outside of the Service Area so long as such area is not assigned as a Service Area of another Franchisee. Franchisee may only provide Services to Customers located in another Franchisee's Service Area if authorized in writing by the Franchisee's Regional Director by following the procedure set forth in the Operations Manual. Failure to receive authorization from Franchisee's Regional Director in accordance with the terms of this provision and the Operations Manual shall be a default under this Agreement and Section 8(f) of this Agreement; and

(ii) Company will not assign the same geographic territory as the Service Area as another SCA franchisee's area of primary responsibility. If, however, Company receives complaints from Customers about the quality or timeliness of Franchisee's work in the Service Area (including, without limitation, by failing to meet designated Cycle Times) and Company determines that Franchisee is not Satisfactorily providing Services in the Service Area, then Company may assign all or part of the Service Area to one or more other members of the Company Network.

(c) No Exclusivity. Notwithstanding anything contained in this Section 3 or elsewhere in this Agreement or implied to the contrary, Franchisee does not have any exclusive rights of any kind within or outside of the Service Area, and Company, its affiliates and its franchisees and their respective employees and contractors, may, without limitation or obligation to Franchisee, advertise, solicit and provide Services to clients of Customers located within the Service Area or in any other geographic area and itself open or franchise others to open one or more offices within the Service Area.

**4. Initial Payment.** In consideration of Company's granting the franchise, Franchisee will pay Company an initial franchise fee in the amount stated in Exhibit A. The franchise fee is payable (a) in full when Franchisee signs this Agreement; or (b) in accordance with the payment schedule outlined in the secured promissory note attached to this Agreement as Exhibit G. The initial franchise fee is deemed fully earned upon execution of this Agreement. The initial franchise fee is non-refundable. Franchisee also

acknowledges and agrees that the grant of the license to operate the Franchised Business and the undertakings and agreements of Company contained in this Agreement constitute the sole and exclusive consideration for Franchisee's payment of the initial franchise fee.

## 5. Term and Renewal.

(a) Initial Term. The franchise will continue for an initial term of 5 years from and after the Effective Date ("Initial Term"), subject to earlier termination in accordance with Sections 14 and 15.

(b) Renewal. If, upon the expiration of the Initial Term, Franchisee is in full compliance with this Agreement and has been in substantial compliance with this Agreement during the entire Initial Term, Company is still offering and selling SCA Franchised Businesses at the expiration of the Initial Term, and Franchisee satisfies the then current general standards for Company's new franchisees, Franchisee will have the option to renew the Franchise for one additional 5 year term (the "Renewal Term") and together with the Initial Term, the "Term") by doing the following:

(i) notifying Company of Franchisee's intention to renew not earlier than 180 days nor later than 90 days before the expiration date of the initial term;

(ii) signing Company's then current renewal form of Franchise Agreement, which will govern Company's and Franchisee's rights and obligations during the renewal term;

(iii) agreeing to any modifications to the Service Area due to System Standards, National Account needs, shifts in population, Customer demand or other factors;

(iv) completing and causing Franchisee's employees to complete any supplemental or refresher training Company requires, not later than 30 days before the preceding term's scheduled expiration date;

(v) signing a general release, in the form prescribed by the Company and hereto attached as Exhibit B, releasing Company and Affiliate and their subsidiaries (if any) and their respective officers, directors, employees, attorneys, contractors, agents, and representatives from any claim that Franchisee may have against them prior to the expiration of the initial term of this Agreement (the "General Release"); and

(vi) Franchisee's Designated Appraiser obtains any additional certifications, licensing or authorizations required to provide any services or products offered by new franchisees at the time of renewal.

Upon Franchisee's notice to Company of its desire to renew the Franchise within the time period prescribed in subsection (b) above, Company, in turn, shall provide Franchisee with any documents that Franchisee is required to execute for the renewal term, which documents may include, but are not limited to, a general release, Company's then current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used in granting new SCA franchises. Franchisee must execute and return to Company, no later than the expiration date of the Initial Term. If Company does not receive the executed documents by such expiration date, then this Agreement shall expire, Franchisee shall have no further rights under this Agreement. Further, if Franchisee fails or refuses to make the required modifications or undergo any refresher training or otherwise meet any conditions set forth above, then Company shall have the right to terminate any renewal agreement.

(c) Failure to Properly Renew. If Franchisee fails or refuses to comply with any of the conditions to renewal contained in Section 5(b) and continues to accept the benefits of this Agreement, then, at Company's option, this Agreement may be treated as: (i) expired as of the date of the initial term's expiration, which will result in Franchisee's operating the Franchised Business without a license in violation of Company's rights; or (ii) continued on a month-to-month basis until Company provides Franchisee with notice of Company's intent to terminate the month-to-month term. In the latter case, all of Franchisee's obligations shall remain in full force and effect as if this Agreement had not expired, and all obligations and restrictions imposed upon Franchisee upon the expiration of this Agreement shall be deemed to take effect upon the termination of the month-to-month term.

(d) Current Form of Franchise Agreement. Franchisee acknowledges and agrees that Company's renewal form of Franchise Agreement may vary in material respects from the terms and conditions of this Agreement, including, without limitation, with respect to royalty payments, further renewal rights, Service Area, Services, and other material and non-material economic and non-economic aspects of the relationship between the parties.

(e) Standards for Renewal. If at the time of renewal of the franchise, Franchisee is unable to satisfy Company's then current general standards for new franchisees but is otherwise in compliance with the terms of this Agreement and System Standards, Company will permit Franchisee to transfer the franchise to a purchaser that meets Company's then general standards for new franchisees in accordance with the provisions of Section 12, subject to Company's right of first refusal set forth in Section 12(f). If, after exercising diligent efforts to make such transfer, Franchisee is unable to do so by the expiration of the Initial Term of this Agreement, this Agreement will be renewed on a month-to-month basis for up to a maximum of 6 months, on the written request of Franchisee to Company prior to the expiration of the Initial Term, to allow the Franchisee to complete such transfer.

(f) Failure to Renew. If Franchisee does not qualify to renew, or elects not to renew, the franchise, the provisions of Sections 15(b) through (e) and Sections 16 (b) and (c) will apply.

## **6. Services and Assistance by Company.**

(a) Initial Assistance. Before Franchisee commences operation of its Franchise Business, Company will:

(i) Conduct an initial training program without tuition charge for the Operating Principal, Designated Appraiser and one other employee or Owner of Franchise;

(ii) Provide Franchisee with Company's Operations Manual will be loaned to Franchisee as described in Section 11(b). Company will deliver the Operations Manual to Franchisee when Franchisee arrives for the initial training program or at such time as otherwise determined by Company;

(iii) Provide Franchisee with one Start-Up Package;

(iv) as a convenience, provide Franchisee an insurance program in which Franchisee may participate if it chooses; provided that the Company reserves the right to either discontinue offering such insurance program upon notice to Franchisee at any time in its sole discretion or to make it mandatory for Franchisee to participate in such insurance program. If Franchisee does not choose to participate in such insurance program or the Company discontinues offering such insurance program, Franchisee must comply with the insurance requirements set forth in this Agreement and in the Operations Manual;

(v) sublicense to Franchisee any required software or provide a list of approved vendors or suppliers for the required software; and

(vi) provide Franchisee a list of all required equipment, tools and supplies necessary to operate the Franchise Business.

(b) Operational Assistance. During the term of this Agreement, provided Franchisee is in compliance with all of its obligations under this Agreement, including the payment of royalties, fees and financial reporting, Company will:

(i) make its staff accessible to the Franchisee for consultation by telephone, email, and other written communications. Company will occasionally send inspectors to visit the Service Area to conduct field inspections and to ensure that Franchisee is providing Services in accordance with the requirements of this Agreement;

(ii) send an experienced employee to the Service Area to provide additional assistance that Franchisee reasonably requests from time to time. Company's obligations under this Section 6(b)(ii) is subject to the availability at the time of Franchisee's request of a sufficiently skilled staff person and Company's reasonable advance scheduling requirements. Franchisee will pay the person's travel and lodging expenses and a fee for the person's services established by Company from time to time;

(iii) loan Franchisee additions and supplements to the Operations Manual as they become available;

(iv) invite Franchisee to attend (at Franchisee's expense) all conventions, seminars and other Franchisee-oriented functions Company from time to time plans and sponsors;

(v) approve or disapprove, in Company's sole discretion, any advertising, direct mail, identification and promotional materials and programs Franchisee proposes in writing;

(vi) periodically and in Company's sole discretion, provide Franchisee with a list of approved suppliers, vendors and contactors as Company may periodically revise in its sole discretion;

(vii) periodically and in Company's sole discretion, establish and enforce System Standards;

(viii) periodically and in Company's sole discretion, provide advice concerning operations, new techniques or operating methods for the Franchised Business and use of the Operations Manual; and

(ix) provide the other services and rights described elsewhere in this Agreement.

(c) National and Regional Customers; Alternative Distribution Channels. Company may, from time to time, make arrangements with national and regional Customers or otherwise receive orders through any Internet, World Wide Web or other computer network site, mobile application or any other alternative distribution channel ("National Accounts") for the provision of Services by members of the Company Network, which may include requests for Services in Franchisee's Service Area. If a National Account requests Services in Franchisee's Service Area, Company will offer the National Account to Franchisee at the price the Company establishes; provided that Franchisee agrees to meet the designated Cycle Time and comply with any other standards imposed by such National Account. National Account

arrangements may also include, but are not limited to specially prescribed methods of: (i) providing Services; (ii) handling assignments, invoicing and billing; and (iii) procedures for communicating with the National Account Rep (as defined below). Franchisee will use its best efforts to fulfill all assignments for such Services in accordance with the requirements of such Customers in a manner to preserve the goodwill of the System and the Marks and the relationship with such Customers (including, without limitation, by meeting designated Cycle Times). Furthermore, in order to maintain uniformity among franchisees servicing National Accounts, Franchisee shall direct all communications (except in the case of potential or suspected insurance fraud) to the National Account's designated representative ("National Account Rep"). Unless otherwise designated by the National Account or Company, the National Account Rep shall be the inside staff adjuster. If Franchisee fails to satisfactorily provide Services (including, without limitation, by failing to meet designated Cycle Times) with respect to a National Account or violates any other standard imposed by a National Account, then the Company shall have no further obligation to offer any National Accounts to Franchisee for Services in Franchisee's Service Area. For the avoidance of doubt, all amounts received under a National Account, whether categorized as fees for services or goods, expense, mileage or travel reimbursement, are included in the definition of Gross Revenues and subject to the Royalty set forth in Section 8. National Accounts may require employees or franchisees servicing the National Accounts to undergo periodic background checks, including, without limitation, those persons to whom Franchisee provides access to the programs Core and Core Mobile described in subsection (d) below and any employee or agent conducting inspections on vehicles.

(d) Information Technology System.

(i) At Franchisee's expense, Franchisee will purchase and use in the operation of the Franchised Business the Information Systems specified in Company's Operations Manual. Company may change or modify the Information Systems and any component of the Information Systems at its discretion.

(ii) Company will provide Franchisee with access to Company's Core software system and mobile Core app, "Core Mobile" which Franchisee must use in accordance with the terms of the Operations Manual.

(iii) Company and/or its Affiliate are parties to one or more certain master licenses for the sub-licensing of one or more software programs that are required to be used by Franchisee and sublicensed to its franchisees, including Franchisee. Company may terminate or not renew these master licenses and to enter into new licenses with different vendors and require franchisees enter into new sublicense agreements. Company may develop in the future proprietary software programs that will replace or supplement the third party programs described above and require franchisee to use such software programs at its expense.

(iv) The Company and Affiliate reserve the right to require its franchisees, including Franchisee, to sublicense or license additional or replacement software programs from Company or its Affiliate on terms and conditions which Company will establish and which will be uniform for all franchisees of Company similarly situated to Franchisee. Franchisee shall perform all of its obligations under all any software sublicenses or licenses for all Information Systems, including for any proprietary software hereafter sublicensed or licensed by Company or its Affiliate, including the payment of the fees required to be paid thereunder, and a uncured or incurable default under any such license or sublicense will be an Event of Default under this Agreement.

(v) Company may, in its sole discretion, collect from Franchisee the license fees due the unaffiliated licensors of certain computer software programs required to be used by System franchisees, including Franchisee, and may otherwise administer the relationship with such licensors.

Company may charge the Franchisee for such services or may otherwise receive compensation resulting from this administration.

(e) Invoicing and Collections; Purchase of Accounts Receivable.

(i) Company will invoice and use commercially reasonable efforts to collect all payments due Franchisee on account of Services rendered by Franchisee for National Accounts.

(ii) If requested by Franchisee, Company will also invoice and use commercially reasonable efforts to collect all payments due Franchisee on account of Services rendered by Franchisee for Customers of Franchisee other than National Accounts. Franchisee shall pay a fee for such services by Company in accordance with Company's standard charges to all of its franchisees similarly situated to Franchisee, as published by Company from time to time.

(iii) If requested by Franchisee, and agreed by Company, and provided that Franchisee is then in full compliance with this Agreement and all other agreements with Company and its Affiliate, Company or its Affiliate will purchase all or certain of the accounts receivables of Franchisee from the operation of the Franchised Business pursuant to this Agreement in accordance with the terms and conditions of Company's Approved Accounts Receivable Purchase Agreement, in the form of Exhibit C, attached hereto, which Franchisee and Company will sign contemporaneously with this Agreement.

(f) Continuing, Additional and Remedial Training

(i) Company may require Franchisee's Operating Principal and/or Designated Appraiser to attend mandatory additional, periodic or refresher training courses on-site, at locations designated from time to time by Company or by webinar, teleconference, or videoconference ("Continuing Training") and pay Company's costs and expenses in providing such Continuing Training. Company will require Franchisee's Operating Principal and, if permitted by law, Franchisee's Designated Appraiser, to sign a restrictive covenant agreement in the form attached hereto as Exhibit E ("Restricted Covenant Agreement"). Franchisee is responsible for all of its attendees' or Company's trainers' (as applicable) wages, travel, living and miscellaneous expenses incurred in connection with such Continuing Training. The current cost of Continuing Training is \$150 per day, per attendee (if at one of Company's training facilities) or per trainer (if in Franchisee's Service Area). Franchisee must complete all Continuing Training within the time periods set by Company.

(ii) Subject to availability, Franchisee may request additional training for new employees, managers, appraisers, owners or re-enroll personnel who already received initial training, which Company may agree to provide in its sole discretion ("Additional Training"). If Company provides Additional Training, Franchisee must pay the then-current fee for such training, which is currently \$150 per day, per attendee (if at one of Company's training facilities) or per trainer (if in Franchisee's Service Area). Franchisee is responsible for all of its attendees' or Company's trainers' (as applicable) wages, travel, living and miscellaneous expenses incurred in connection with such Additional Training.

(iii) If Franchisee request, fail to successfully complete Initial Training, and/or if Company believes it is appropriate or necessary in Company's sole discretion to protect the quality, integrity and reputation of the System, Marks and Intellectual Property, Company or its designee may (subject to availability and in Company's sole discretion) provide remedial training ("Remedial Training"). If Company provides Remedial Training, Franchisee must pay the then-current fee for such training, which is currently \$150 per day, per attendee (if at one of Company's training facilities) or per trainer (if in Franchisee's Service Area). Franchisee is responsible for all of its attendees' or Company's trainers' (as

applicable) wages, travel, living and miscellaneous expenses incurred in connection with such Remedial Training.

(iv) Continuing Training, Additional Training, and Remedial Training fees are fully earned and non-refundable when paid.

## 7. **Franchisee's Performance.**

(a) **Pre-Opening Commitments.** Prior to the opening of the Franchised Business, Franchisee agrees to fulfill the following requirements:

(i) The Operating Principal, Designated Appraiser and another of Franchisee's employees or owners, if desired, will attend and must Satisfactorily complete initial training program described in Section 6(a)(i) within 30 days of the Effective Date. If required by Company, Operating Principal and Designated Appraiser shall sign a Restrictive Covenant Agreement prior to the initial training program. The Operating Principal, Designated Appraiser and another of Franchisee's employees must Satisfactorily complete the training program before Franchisee may commence operations of the Franchise Business and in any event no later than 90 days after the Effective Date. If any trainee from Franchisee's organization does not Satisfactorily complete the initial training program within the allocated time period, or if Company determines that any trainee from Franchisee's organization cannot Satisfactorily complete the initial training program, Franchisee will designate a replacement and cause that person to attend and Satisfactorily complete the training program; provided, however, Company reserves also the right to disqualify Franchisee as a franchisee of Company by delivering written notice to Franchisee of such disqualification at any time prior to the time that the Operating Principal and Designated Appraiser Satisfactorily completes Company's initial training program. If Company disqualifies Franchisee as a franchisee of Company pursuant to the foregoing provision, this Agreement will be deemed terminated. Company will refund the initial franchise fee paid by Franchisee pursuant to Section 4 less any training and other out-of-pocket expenses incurred by Company once (1) Franchisee returns to Company all training materials, the Operations Manual and other written or electronic materials, and all copies thereof furnished to Franchisee or any other trainee and (2) Franchisee and its owners all sign a General Release. Neither party shall thereafter have any further rights or obligation under this Agreement, except under those provisions of this Agreement, which are by their nature intended to survive the termination of this Agreement. Company will not permit Franchisee to provide Services until such time as the Operating Principal, Designated Appraiser and another of Franchisee's employees have Satisfactorily completed the initial training program. Company reserves the right to modify the initial training program for current franchisees, prior SCA independent contractors or employees who have familiarity or previous knowledge of the System, System Standards or operations of a SCA Appraisal Business.

(ii) Franchisee will provide Company the street and e-mail addresses and the telephone and fax numbers of Franchisee's Business Office, and will notify Company of any change at least 10 Business Days before a change of address or telephone/fax number becomes effective. Franchisee will execute such form(s) as Company provides to irrevocably appoint Company or as Franchisee's attorney-in-fact with full power and authority to assign to Company or to Company's nominee upon the expiration or sooner termination of this Agreement all rights to the telephone numbers and telephone directory listings used by Franchisee in connection with the Franchisee's Business during the term of this Agreement.

(b) **Operations.** In connection with the operation of the Franchised Business, Franchisee agrees to fulfill the following requirements:

(i) Franchisee will observe and strictly comply with all of the requirements of the Operations Manual in the operation of the Franchised Business including but not limited to (1)

submitting all reports and filings on a timely basis, (2) updating of all customer files on a daily basis, (3) selling and offering for sale all services required by Company in the manner and style and utilizing the method, which may include technology, Company requires, including, without limitation, meeting designated Cycle Times, which Franchisee shall upload inspection by midnight the day of the inspection, (4) occasionally participating in the test marketing of products, services, distribution methods, mobile apps and software programs at Franchisee's sole expense and (5) taking any and all steps, procedures and requirements necessary to comply with System Standards.

(ii) Franchisee will comply fully and on a timely basis with any changes that Company implements in accordance with Section 10, including the introduction or cessation of any Services.

(iii) Franchisee will employ competent employees for the provision of Services, licensed as required by applicable law, and provide appropriate training and supervision for all personnel employed in the Franchised Business. Franchisee will be solely responsible for the compensation, benefits, employer contributions, the deduction and deposit of withholding taxes on employee compensation, social security deductions and deposits, and all other costs attendant to the employment of all employees. Franchisee may not hire independent contractors or otherwise subcontract for the performance of Services under this Agreement except with Company's prior written consent in each instance, which consent Company may withhold in its sole, subjective discretion. Consent by Company to any subcontracting arrangement for which such consent is requested by Franchisee will not constitute assurance by Company that any subcontractor is not an employee of Franchisee as a matter of applicable local, state and federal laws pertaining to labor and employment, and Franchisee will at all times be solely responsible for compliance with such laws with respect to any person it characterizes as an independent contractor.

(iv) Franchisee will use the Marks, Intellectual Property, the Copyrighted Materials, and the Operations Manual in strict compliance with Section 11 and in a manner tending to promote the goodwill and public image of the Marks.

(v) Franchisee will comply strictly with all federal, state and local laws, ordinances and government regulations that apply to the Franchised Business, including those relating to licensing, taxes, labor practices, employees' wages, child and immigrant labor, disabled persons, workers' compensation, truth-in-advertising, and occupational safety and health.

(vi) Franchisee will acquire and install prior to commencement of operations of the Franchised Business and use during the term of this Agreement the Information System, as it may be upgraded or modified by Company or Affiliate.

(vii) Franchisee will furnish to Company copies of all federal and state income and sales tax returns that Franchisee files with respect to the Franchised Business' income or sales. Franchisee will deliver these returns to Company within 30 Business Days after the date they are filed.

(viii) Franchisee shall observe the insurance provisions set forth in Section 7(d) of this Agreement and in the Operations Manual.

(ix) Franchisee will maintain complete and accurate books and records relating to the operation of the Franchised Business, permit Company representatives to inspect such books and records at reasonable times and, within 45 days after the end of each fiscal year, submit to Company a balance sheet, income statement and statement of cash flow for the year then ended. These financial

statements will disclose separately the items specified by Company on forms it provides, and will be prepared in accordance with the accounting principles and practices Company prescribes.

(x) Franchisee will permit Company, at any time during the term of this Agreement and for 3 years after it expires or terminates, to conduct an audit of Franchisee's books and records. If an audit establishes that Franchisee's royalty reports or profit and loss statements have understated Gross Revenues for any fiscal year by more than 2%, Franchisee will pay the audit's cost, including the travel, lodging and meal expenses of the persons who conduct the audit. Otherwise, Company will bear the audit's entire cost. Franchisee will promptly pay Company any royalty and other fee deficiencies established by an audit, together with late fees and interest as provided in Section 13.

(xi) Franchisee will indemnify, hold harmless and timely defend Company, and its Affiliate and their officers, directors, employees, agents, successors and assigns (each, an "Indemnified Party" and collectively, "Indemnified Parties") from and against any and all claims, demands, legal proceedings, administrative inquiries, investigations and proceedings, damages, losses, judgments, settlements, fines, penalties, remedial actions, costs and expenses (including attorneys' fees) asserted against, incurred or sustained by any Indemnified Party, whether or not separately insured, that arise out of or are attributable to Franchisee's operation of the Franchised Business, provision of any Services, or hiring or supervision of its employees (and/or any independent contractors engaged by Franchisee). Company may elect (but under no circumstance will be obligated) to undertake or assume the defense of any such claim, demand, inquiry, investigation or proceeding (an "Indemnified Matter"), and to conduct and supervise all settlement negotiations related to any Indemnified Matter. Franchisee will pay the legal fees and other expenses Company incurs in connection with the investigation, defense and settlement of any Indemnified Matter Company undertakes to defend or assumes. Company's election to undertake or assume the defense or settlement of an Indemnified Matter will not extinguish or diminish Franchisee's indemnification obligation hereunder. This obligation shall survive the termination of this Agreement.

(xii) Franchisee will not, without Company's prior written consent, transfer or sell all or any interest in the Franchised Business or its assets or control of any Business Entity that is the Franchisee hereunder to any person or entity who has not agreed in accordance with Section 12 to continue to provide Services as a Company franchisee.

(xiii) Franchisee shall maintain a Business Office from which Franchisee will conduct the Franchised Business that will satisfy Company's specifications set forth in the Operations Manual. Except with Company's prior written consent, Franchisee's Business Office will be located in Franchisee's Service Area. Company may, in its sole discretion, permit Franchisee to operate from a Business Office located in Franchisee's place of residence.

(xiv) Franchisee will be solely responsible for all costs and expenses relating to the establishment and operation of the Franchised Business and will pay all amounts due to its vendors and creditors when due.

(xv) Franchisee shall monitor all users of Core and Core Mobile, including, without limitation, conducting background checks on any person that Franchisee provides with access to Core and Core Mobile prior to providing such person with access. Franchisee understands and acknowledges that National Account Customers have certain requirements that appraisers and persons with access to National Account information successfully pass background checks. Franchisee shall conduct such background checks at Franchisee's sole expense and shall provide Company with a copy of any and all such background checks upon request. Only employees and agents of the Franchised Business who successfully pass background checks and are registered and authorized users may have access to Core and Core Mobile. At any time, Company may, in its sole discretion, mandate additional user restrictions and

guidelines for Core and Core Mobile use and Franchisee must promptly comply with such additional restrictions and guidelines at Franchisee's sole expense.

(xvi) Company may, in its discretion, hold international, national or regional seminars, conventions, conferences or meetings (collectively, the "Franchise Conventions") at a location to be selected by Company. Company may require Franchisee to attend any Franchise Conventions Company holds. Company reserves the right to charge an attendance or registration fee. The amount of the registration fee will not exceed the costs, per Franchisee, Company incurs in holding the Franchise Convention. In addition, all expenses of Franchisee and its attendees, including wages, travel, living and miscellaneous expenses incurred during the Franchise Conventions, are Franchisee's sole responsibility. If Company requires Franchisee to attend the Franchise Conventions, and Franchisee does not attend, additional fees may be imposed for necessary make up sessions and related expenses.

(c) General Standards of Performance.

(i) Recognizing the excellent reputation of Company and Affiliate and the value of the goodwill associated with the Marks, Franchisee shall, in the operation of the Franchised Business, maintain the highest standards of honesty, integrity, and ethical conduct, and shall at all-times be responsive and courteous to Customers and their representatives and to clients for which Services are performed.

(ii) Consistent with the foregoing general standard of performance, Franchisee will not and will not permit any of its employees (or any independent contractors engaged by Franchisee) to accept a gratuity or anything of value from any client of any Customer for whom Franchisee performs Services, have any interest in any provider of goods or services in connection with the repair of any property damage relating to any assignment of Services to Franchisee, or having any interest in salvage purchase of property of any client of a Customer, or do any act or fail to do any act which creates a conflict of interest with any Customer.

(iii) Franchisee shall promptly report to Company any complaints received on account of Services or otherwise from the operation of the Franchised Business, including, without limitation any litigation or notices of regulatory action by any governmental authority.

(iv) Franchisee acknowledges that the Company may offer certain marketing and promotional programs for National Account and other clients and customers of the System. If Franchisee participates in such programs, then it agrees to fulfill its obligations and adhere to the standards, terms and conditions of such programs at all times. Any programs may be further described in the Operations Manual or other materials, which may be amended, cancelled, terminated or modified from time to time.

(d) Insurance Provisions

(i) Franchisee will carry continuously during the term of this Agreement insurance of the types (including worker's compensation, employer's liability, motor vehicle liability, various special liability coverage, and professional liability (errors and omissions)) in the amounts and with the coverage this Agreement and the Operations Manual specify from time to time and such additional insurance as may be required by laws or regulations applicable to the Franchised Business. It is Franchisee's sole obligation to determine whether such additional insurance is required by laws or regulations applicable to the Franchised Business. Until the Operations Manual specifies otherwise, Franchisee will carry general liability, employer's liability and automobile liability insurance (including non-owned driver insurance for the automobile Franchisee uses in the Franchised Business) with policy

limits of \$2,000,000 per person for death or bodily injury, \$500,000 property damage, and \$2,000,000 aggregate, cyber liability insurance in the minimum amount of \$3,000,000 and errors and omissions insurance in the minimum amount of \$3,000,000. Each policy must (1) be obtained from an insurance carrier that has and maintains a Best's Insurance Reports rating of A, Class VIII, or better; (2) satisfy the additional insured requirements set forth in Section 7(d)(iii) below and afford separate coverage to each named insured; (3) provide for a deductible of not more than \$7,500 per occurrence; (4) contain no provision that limits or reduces Franchisee's coverage on account of a claim against Franchisee by Company; (5) provide for not less than 30 days' prior notice to Company of cancellation, amendment, expiration or non-renewal; and (6) be primary coverage without the right of contribution from any of Company's insurance. Company may change these insurance requirements, upon reasonable notice to Franchisee, to conform to reasonable business practices. If Franchisee fails to maintain the required insurance, Company may obtain coverage on Franchisee's behalf and charge the cost to Franchisee. Franchisee agrees to reimburse Company for the premium costs Company incurs to provide such coverage, plus Company's administrative fee as provided in Section 13, within 10 days after Company submits a statement for its costs.

(ii) The cost of the insurance policies will vary depending on the insurance carrier charges, terms of payment and certain factors unique to each franchise, including location, size and business volume. Payment will be spread out over 52 equal, weekly payments. The standards and specifications for insurance coverage as set forth in this Agreement (including, without limitation, the coverages offered pursuant to Section 6(a)(iv) of this Agreement) and in the Operations Manual are intended as "minimum" standards and Franchisee must review Franchisee's insurance coverage and policies, and Franchisee should consult with Franchisee's insurance agents, brokers, attorneys or other insurance advisors, to determine if additional coverage is necessary, desired or appropriate for Franchisee's Franchise in addition to the coverage and limits required by us. Company does not represent or warrant that any insurance that Franchisee is required to purchase, or which Company procures on Franchisee's behalf or offers pursuant to Section 6(a)(iv) of this Agreement, will provide adequate coverage for Franchisee. The requirements of insurance specified in this Agreement and in the Operations Manual are for Company's protection. If Franchisee believes that Franchisee should not be required to carry an identified type of insurance or otherwise comply with Company's minimum insurance requirements, Franchisee must submit a written waiver request and obtain a waiver from Company. Until such time as Company notifies Franchisee in writing of Company's approval, Franchisee is obligated to comply with all minimum insurance requirements.

(iii) Each insurance policy required under this Agreement and/or the Operations Manual must contain a Grantor of Franchise endorsement approved in writing by Company naming Company as additional insureds and an additional insured endorsement approved in writing by Company naming Company, Company's affiliates (including, without limitation, the Affiliate) and each of their respective officers, directors, managers, partners, members, affiliates, subsidiaries and employees as additional insureds. Additional insured status shall include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or any other form approved in writing by Company that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of Company or other additional insureds. Franchisee shall maintain such additional insured status for Company on Franchisee's general liability policies continuously during the term of this Agreement.

(iv) Franchisee's obligation to obtain and maintain the insurance policies in the amounts specified in this Agreement and the Operations Manual shall not be limited in any way by reason of any insurance that may be maintained by Company, nor shall Franchisee's procurement of required insurance relieve Franchisee of liability under the indemnification provisions set forth in this Agreement. Franchisee's insurance procurement obligations under this Agreement and as specified in the Operations Manual are separate and independent of Franchisee's indemnification obligations under this Agreement.

(v) Prior to the time any insurance is required to be carried by Franchisee, and thereafter prior to the renewal of any such policy, Franchisee must submit to Company a copy of the certification of insurance evidencing such coverages that are required by this Agreement and the Operations Manual. Franchisee will also furnish a full copy of each insurance policy, both prior to the first day Franchisee provides any Services and within 10 days after each policy renewal date. Company's review and verification of certain elements of Franchisee's insurance does not in any way reduce or eliminate Franchisee's obligations to fully comply with all of the insurance requirements set forth in this Agreement and in the Operations Manual.

(vi) It is Franchisee's sole obligation to fully comply with these insurance requirements and it is Franchisee's sole obligation to confirm with Franchisee's insurance providers that Franchisee's policies are in compliance. Company may make an insurance program available to Franchisee and Franchisee agrees to pay the required allocated portion of the premium to Company on demand or as otherwise required by Company. Company's current insurance program does not include cyber liability insurance for Franchisee's business activities outside of utilizing Company software. Franchisee will need to obtain a separate cyber liability insurance to cover its other cyber and data security needs and to comply with this Agreement and the Operations Manual.

(e) Advertising.

(i) Franchisee is required to spend a minimum of ten (10) hours per month marketing, advertising and promoting the Services offered by Franchisee's Franchised Business in the Service Area and in accordance with the parameters, specifications and standards outlined in the Operations Manual (the "Advertising Requirement"). Company may increase the Advertising Requirement to up to twenty (20) hours by notifying Franchisee of such change. Upon request, Franchisee must provide Company Satisfactorily evidence that it is meeting the Advertising Requirement.

(ii) The Company reserves the right to also require Franchisee spent a minimum amount of funds to meet the Advertising Requirement. If Company imposes a minimum spend to meet the Advertising Requirement, then such amount will not exceed the greater of \$250 per month or one percent (1%) of Gross Revenue. Upon Company request, Franchisee must send Company proof of these expenditures on a monthly basis, or in any other manner as Company may specify.

(iii) Franchisee's advertising must conform to all provisions of this Agreement. All advertising, promotion and marketing must be completely clear and factual, not misleading and conform to the highest standards of ethical marketing and promotion policies that Company may prescribe from time to time. In no event will Franchisee's advertising contain any statement or material which may be considered: (a) in bad taste or offensive to any group or person, (b) defamatory on any person or an attack on a competitor, (c) inconsistent with Company public image, or (d) not in accord with Company standards. Samples of all advertising, promotional and marketing materials which Company has not prepared or previously approved must be submitted to Company for approval before Franchisee uses them. If Franchisee does not receive Company's written disapproval or approval within ten (10) business days after Company receipt of such materials, the materials are deemed approved. Upon Company notice Franchisee

must immediately cease using any advertising, marketing or promotional materials which are no longer approved.

(iv) Marketing may include expenditures on television, radio, newspapers, magazines, billboards, posters, banners, brochures, direct mail, and other types of marketing designated in the Operations Manual and approved by Company.

(f) Failure to Adhere to Performance Obligations. Without limiting any other right of Company under this Agreement or under any applicable law, Company may elect, in its sole discretion, to remedy any deficiency or default by Franchisee under this Section 7 or any failure of Franchisee to comply with System Standards or the Operations Manual (including any failure to meet the standards or requirements imposed by any National Account) and charge Franchisee for all of Company's costs and expenses in doing so without prior notice or cure period. This includes, but is not limited to, initial estimates, supplements and revision/correction requests. A National Account file removed from Franchisee may be fulfilled by an alternative resource without compensation to Franchisee. Further, if Franchisee is unable to Satisfactorily service a National Account and Company is required to re-assign the National Account to another member of the Company Network, then Franchisee must reimburse Company for its reasonable costs and expenses in doing so.

(g) Photo/Video Release. You acknowledge and authorize us to use your likeness in a photograph or video in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph or video using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish, or distribute any photograph or video of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph or video of you. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action that you may have in connection with this authorization. For purposes of this Section "you" shall refer to your owners if you are a legal entity.

(h) Artificial Intelligence Usage. Franchisor acknowledges and agrees that in order to protect the goodwill of the System and the Intellectual Property, the use of artificial intelligence ("AI") in the Franchised Business must be conducted in a safe, thoughtful, and ethical manner. Franchisee shall adhere to the following guidelines when employing AI technologies within the Franchise operations as well as any other guidance set forth in the Operations Manual:

(i) *Permitted and Prohibited Use of AI.* Franchisee may implement AI solutions within the permitted business scope of operating its Franchise, focusing on tasks such as process automation, customer service optimization, data analysis, and targeted marketing. Franchisee is strictly prohibited from using AI solutions to: (i) access, use, or transmit Confidential Information or Intellectual Property without Franchisor's prior written authorization; (ii) collect, store, or otherwise utilize Intellectual Property and Confidential Information in any way not expressly permitted under this Agreement and applicable data privacy laws; (iii) engage in any activity that could harm the System or Franchisor's brand reputation or expose it or us to legal or regulatory risk; and (iv) develop or deploy AI solutions that violate applicable laws or regulations, including those pertaining to discrimination, data privacy, and consumer protection.

(ii) *Data Security, Confidentiality, and Privacy.* Franchisee must implement and maintain appropriate technical and organizational measures to protect the security and privacy of all data processed or stored through AI solutions. Franchisee shall not use, disclose, or permit the use or disclosure of any Confidential Information, including but not limited to trade secrets, business strategies, and proprietary processes, in connection with the development, implementation, or operation of AI

technologies. Under no circumstances shall Franchisee use any Intellectual Property and Confidential Information, whether obtained through the System or otherwise, in connection with AI technologies. Franchisee must promptly notify Franchisor of any potential data security breaches or privacy violations involving Franchisee's AI solutions.

(iii) *Ethical AI Practices.* Franchisee agrees to employ AI technologies in accordance with industry best practices and ethical standards. This includes, but is not limited to, ensuring transparency, fairness, and accountability in AI decision-making processes.

(iv) *Monitoring and Reporting.* Franchisor reserves the right to periodically audit Franchisee's use of AI solutions to ensure compliance with this provision. Upon request or as otherwise directed in the Operations Manual, Franchisee agrees to provide Franchisor with regular reports on the performance and impact of Franchisee's AI solutions, including metrics relevant to data security, privacy, and compliance in the form set forth in the Operations Manual.

(v) *Consequences of Breach.* Any violation of this provision constitutes a material breach of this Agreement and entitles Franchisor to all remedies available under law and this Agreement, including termination of the Franchise Agreement. Notwithstanding anything set forth in these guidelines or the Operations Manual, Franchisee is solely responsible for ensuring its use of AI solutions and technologies comply with all applicable laws, rules and regulations, industry best practices, and any vendor supplier contracts. In no event will Franchisor be responsible for Franchisee's use of AI solutions or technologies, and Franchisee shall defend and indemnify Franchisor in accordance with Section 20 of this Agreement for any losses and expenses incurred as a result of Franchisee's use of AI solutions and technologies.

## 8. Fees.

### (a) Royalty.

(i) Franchisee agrees to pay Company Continuing Royalties equal to 50% of Gross Revenues earned by Franchisee during the term of this Agreement. Royalties are due and payable weekly not later than Friday of each week, based on the Gross Revenues for the preceding week. Payments will be made to the place designed in writing by Company from time to time. If Company is collecting any of Franchisee's invoices for Services, then from the gross fees collected by Company, Company will deduct Continuing Royalties, Advertising Fees, Technology and Software Fees and any amounts due on account of such collections. and any other amounts owned to Company. For those Services outside of the core services provided by Franchisee that involve Franchisee's reselling of an authorized third-party product or service, specifically, services and products produced by Carfax, CCC evaluations, DCI evaluations, Fuel Sample testing, etc. (the "Third-Party Services"), the Continuing Royalties will be applied to Gross Revenues less the costs and expenses incurred by Franchisee or the Company in connection with those Third-Party Services.

(ii) If Franchisee: (1) is not in breach of this Agreement or any other agreement, note or contract with Company; (2) is in compliance with the Operations Manual; and (3) meets the criteria for eligibility for the Company's Elite Program, then Franchisee's Continuing Royalty shall be reduced to 35% of Gross Revenues on all Eligible Assignments for each month satisfies these eligibility conditions. Franchisee's eligibility for the Elite Program is determined on a weekly basis based on performance in the previous rolling 30-day period. Each week Franchisee qualifies for the Elite Program, Company will reimburse Franchisee in an amount equal to 15% of Gross Revenues previously deducted from the 50% Continuing Royalty (for a net 35% Continuing Royalty for that time period), paid no later

than Friday of each month. The specifications and additional terms and conditions of the Elite Program are outlined in the Operations Manual.

(b) Software Fee. Company reserves the right to charge Franchisee a software fee to license or sublicense required software from Company. Such software fee may include an administrative charge to compensate Company for its time and expense in managing such software or software program. Provided however, the sublicense or license fee payable by Franchisee for any such software programs will not exceed \$500 a month during the first 24 months of any such sublicense or license.

(c) Technology Fee. Company does not current charge a separate technology maintenance fee, but it reserves the right to charge a reasonable fee in the event Company or its Affiliates (i) creates or develops and licenses to Franchisee additional software or other technology, (ii) modify, improve, replace or enhance proprietary software, the Information Systems, the website, or technology already licensed to Franchisee, (iii) furnishes Franchisee with other technology or e-commerce related software, maintenance and support services or (iv) incur increased costs or expenses related to third-party software Company requires.

(d) Quality Control Review Administrative Fee/Special Services Fee. It is Franchisee's responsibility to complete all Services for its customers, including all National Accounts in accordance with System Standards. If Franchisee requests that Company provide certain quality control reviews or special services (for example, material corrections or revisions to appraisal reports and estimates), then Company may, in its sole discretion and subject to personnel availability, agree to complete such services on a single occurrence or temporary basis. The current fees for such services are set forth on Exhibit A.

(e) Non-Compliance Fee. In addition to any amounts due under Section 7(f), Company may charge Franchisee \$500 for any instance of non-compliance with the System Standards of this Agreement (other than Franchisee's non-payment of a fee owed to Company). If such non-compliance is ongoing, Company may charge Franchisee \$500 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Company's internal cost of personnel time attributable to addressing the non-compliance, and is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of Company's other rights and remedies.

(f) No Off-Sets. Franchisee may not withhold or offset payment of royalties, or other amounts due Company or Affiliate on account of any breach or alleged breach of Company's obligations under this Agreement. Any failure to make payments due Company or Affiliate at the time such payments are due will give rise to the remedies described in Sections 14 and 15 of this Agreement. Royalties and other fees due under this Agreement are not refundable under any circumstances.

## **9. Guaranty.**

(a) Execution and Delivery. If Franchisee is a Business Entity, contemporaneously with the execution and delivery of this Agreement, all persons owning an equity interest in such Business Entity (whether direct or indirect) shall execute and deliver to Company the Guaranty in the form of Exhibit D hereto. Depending on the creditworthiness of the Owners of the Business Entity and the community property laws of the states in which they reside, Company requires that the spouse of each Owner sign a Guaranty (regardless of whether Franchisee is a Business Entity).

(b) Default under Guaranty. If, for any reason, a Guaranty between Company and any of the persons that own an equity interest in a Business Entity that becomes the Franchisee hereunder (whether at the time of execution of this Agreement, or thereafter pursuant to Section 12(c)) or the spouse(s)

of such persons, materially breaches such Guaranty or for any reason such Guaranty is no longer in full force and effect, such event shall be deemed a default under this Agreement.

**10. System Modifications.** Company reserves the unlimited right in its sole discretion to modify the System, the Services provided and the Service standards (including, without limitation, designated Cycle Times) or System Standards for any reason, including, without limitation, to respond to changes in Customer needs, implement efficiencies, accommodate new methods and technologies, and be more competitive. These changes may include, but are not limited to, requiring Franchisee to utilize new methods of servicing Customers, including new products and software that provide virtual appraisal services or that solicit or service customers through crowdsourcing. Company will provide Franchisee with written notice of any such modifications as they occur, including, without limitation, through regular mail, email, posting on the Company's websites or other means. Franchisee must implement all changes at its sole expense.

**11. Intellectual Property.**

(a) Marks and Copyrighted Materials. Franchisee acknowledges and agrees that:

(i) Affiliate and/or Company are the sole owner of the Marks, the Intellectual Property and the Copyrighted Materials, that Franchisee's interest in the Marks, the Intellectual Property and the Copyrighted Materials is solely that of a sublicensee pursuant to the terms and conditions of this Agreement, and that all uses of the Marks and the Copyrighted Materials by Franchisee are for the benefit of Company;

(ii) Franchisee will conduct business exclusively under the trade name "SCA Appraisal Company," without prefix or suffix. All advertising, bank checks, business cards, invoices, business stationary, business forms, and signs used by Franchisee in connection with the operation of the Franchised Business will include the following legend: "An independently owned and operated franchise of SCA Franchising Corporation."

(iii) If Franchised is a Business Entity, Franchisee will not use any of the Marks or any abbreviation, acronym or variation of those words as part of the name of Franchisee. Franchisee will file an assumed name or fictitious name registration in accordance with applicable law to signify that it is operating as "SCA Appraisal Company";

(iv) Franchisee will not copy, distribute or otherwise disseminate any of the Copyrighted Materials except as specifically permitted, and subject to, the restrictions and limitations of this Agreement;

(v) Franchisee will not use any of the Marks or the Copyrighted Materials to advertise, promote, furnish or sell any goods or services other than Services pursuant to this Agreement;

(vi) Franchisee will at its expense: (1) adopt and use all additional trademarks, brand names, copyrighted materials, slogans, commercial symbols and logos Company develops from time to time, (2) use the Marks in the form and manner Company prescribes, and (3) observe Company's directions regarding the use, copying and distribution of the Copyrighted Materials. Franchisee will promptly abandon and discontinue the use of any Mark or Copyrighted Materials that Company determines in its sole business judgment should be discontinued. Franchisee will submit to Company for approval prior to use all business forms, advertisements and promotional materials not furnished by Company;

(vii) Franchisee will not knowingly permit, and will promptly report to Company, any unauthorized use of a Mark and any unauthorized use of any Copyrighted Materials by any person, or the use by any person of a trade name, trademark, service mark or symbol that Franchisee believes is confusingly similar to a Mark, and will cooperate with the Company in the investigation and protection by Company of its trademark and copyright rights. Company reserves the right to make the final determination of infringement or other unlawful use, to conduct all legal proceedings relating to the Marks and the Copyrighted Materials, and to compromise or settle all infringement claims.

(viii) Franchisee will immediately report to Company any claim by any third party that Franchisee's use of the Marks or Copyrighted Materials violate the legal rights of such third party. Any action taken or not taken by Company in response to any claim by a third party will be in its sole business judgment, based on business decisions that Company alone will be entitled to make in good faith. Company does not warrant to Franchisee that Company's ownership of any of the Marks or Copyright Materials is incontestable or that they do not infringe or conflict with the rights of any third party.

(ix) Upon the expiration or termination of this Agreement, Franchisee will immediately discontinue all use of the Marks, the Intellectual Property and Copyrighted Materials and will make no statement or claim that Franchisee is or was formerly associated with the Company Network. Further, Franchisee will take appropriate action to remove the Marks from any signs, cancel any advertising relating to Franchisee's use of the Marks, the Intellectual Property or the Copyrighted Materials, including yellow pages listings, cancel or withdraw any assumed or fictitious name flings covering Franchisee's use of Marks, and otherwise cease using the Marks to identify Franchisee. Franchisee acknowledges and agrees that Franchisee's failure or refusal to comply fully with these requirements will constitute willful trademark and copyright infringement.

(b) Confidentiality; Operations Manual. During the Term, Company will grant Franchisee electronic (or other) access to the Operations Manual or other writings in which Company designates the System Standards (such Operations Manual to include all written guidelines, bulletins, descriptions, instructions, recordings, videotapes, audiotapes, magnetic media, and computer software concerning System Standards, including updates, amendments and supplements, however communicated by Company or its affiliates or designees). The Franchisee acknowledges and agrees that the System belongs exclusively to Affiliate and Company and that the Operations Manual is confidential and contains information that is proprietary to Company and Affiliate. Franchisee agrees that the unauthorized disclosure or use of any confidential element of the System or any other information contained in the Operations Manual or other materials provided by Company may damage Affiliate and Company. Accordingly, Franchisee agrees to perform and abide by the following provisions and restrictions, each of which will survive the expiration or termination of this Agreement and will be perpetually binding upon Franchisee:

(i) Franchisee will hold the elements of the System, the Intellectual Property, the Confidential Information of the Company and its Affiliates and the contents of the Operations Manual in strict confidence, will not disclose any operating or management procedure to any person or Business Entity other than Franchisee's employees to whom such disclosure is necessary in relation to their job duties, and will instruct and routinely remind Franchisee's employees that the System and the contents of the Operations Manual are confidential and may not be disclosed or appropriated.

(ii) Franchisee will not use any element of the System or the operating, management or marketing procedures the Operations Manual contains in connection with the operation of any business or enterprise other than the Franchised Business, and will promptly discontinue use of the System and the operating, management and marketing procedures the Operations Manual contains upon the expiration or termination of this Agreement.

(iii) Franchisee will not, without Company's prior written consent, copy or permit any person to copy or reproduce any part of the Operations Manual or otherwise permit their use or inspection by any person other than Franchisee's employees to whom such disclosure is necessary in relation to their job duties, and authorized Company representatives.

(iv) The version of the Operations Manual on file in Company's offices constitutes the standard, official version for purposes of resolving any question or dispute concerning the Operations Manual's contents.

(v) Franchisee will obtain from each of Franchisee's employees, including part-time and temporary employees, a Confidentiality/Restrictive Covenant Agreement in the form approved from time to time by Company.

(vi) Franchisee agrees that the Operations Manual is the sole property of Company and is lent to Franchisee for Franchisee's use during the term of this Agreement and subject to the terms and conditions hereof. Franchisee will at all times ensure the confidential safekeeping of the Operations Manual and will promptly return it to Company upon the expiration or termination of this Agreement.

(vii) The Operations Manual may be modified by Company from time to time to reflect changes in the System Standards. The revisions to the Operations Manual will be effective on delivery to Franchisee (including via electronic format), unless Company specifies a later effective date for a particular revision.

(c) Internet Domain Name. Franchisee acknowledges that Company or Affiliate owns and operates a website with the domain name, www. sca-apraisal.com. Franchisee agrees not to use or register any domain name that contains any of the Marks or words that are confusingly similar to any of the Marks.

(d) Customer List. Franchisee assigns and transfers to Company all rights or interests that Franchisee has or may have in the Customer List, as constituted from time to time, with the result that the Customer List will be and remain Company's sole property. Company grants Franchisee the right and license to use the Customer List during the term of this Agreement solely for the purposes contemplated by this Agreement. Franchisee will maintain and use the Customer List in strict compliance with any privacy policy that Company adopts for the Company Network.

## **12. Transfers.**

(a) Limitations on Transfer. Franchisee acknowledges that the integrity of the System and the stability of the Company Network depend in large measure on the technical skills, business qualifications, financial capabilities, honesty and integrity of Company's franchisees. Franchisee further acknowledges that Company's lack of opportunity to evaluate and approve each potential franchisee's qualifications and the terms of each proposed transfer could irreparably damage the Company Network. Consequently, Franchisee agrees not to sell, assign, transfer, give away, pledge, mortgage or otherwise dispose of any interest in the franchise or Franchisee's rights under this Agreement without Company's

prior written consent. If Franchisee is a Business Entity, any sale, transfer or other disposition of any equity interest in Franchisee (except a limited partnership interest) will be considered a transfer covered by and subject to the terms and conditions of this Section 12. Any transfer lacking Company's prior written consent or that otherwise violates the restrictions in this Section 12 will be ineffective against Company and will constitute a default under Section 14(c)(ii).

(b) Conditions to Voluntary Transfer of Rights. Company's consent to a voluntary disposition of Franchisee's interest in the franchise or under this Agreement will not be unreasonably withheld, provided that Franchisee files a written request for Company's consent a reasonable time prior to the proposed transfer date along with a deposit of \$1,000 (the "Transfer Deposit"), and complies with all of the following conditions:

(i) At the time of transfer, Franchisee is in full compliance with Franchisee's obligations under this Agreement, including payment of all monetary obligations due Company;

(ii) The proposed transfer or other disposition involves the complete disposition of the Franchise Business, and Franchisee simultaneously assigns all of its rights and the transferee assumes all of Franchisee's obligations under this Agreement in writing for the benefit of Company;

(iii) Franchisee delivers to Company all copies of the Operations Manual, as supplemented or amended, the Customer List and all Copyrighted Materials;

(iv) Franchisee furnishes Company a copy of the contract of sale, including price and payment terms, and Company, in its sole discretion, determines that the transferee will be able to satisfy any debt obligations to Franchisee and still derive a reasonable profit from the Franchised Business;

(v) Concurrently with the transfer, the transferee agrees to the termination of this Agreement and executes Company's then current form of Franchise Agreement (which will provide for the same royalty and Ad Fund rates as those provided in this Agreement and will limit the term of the transferee's franchise to the unexpired term of Franchisee's franchise);

(vi) The transferee provides Company a General Release;

(vii) Each General Partner or holder of more than 9% of the transferee's equity delivers a signed Guaranty to Company;

(viii) The transferee's Operating Principal and another of transferee's employees Satisfactorily complete the training program provided under Section 6(a)(iii);

(ix) Company receives a Transfer Fee in the amount stated in Exhibit A to cover the cost of the transferee's training and Company's administrative, legal and other expenses in connection with the transfer; and

(x) The Franchisee and its owners sign and deliver to Company general releases, in form and substance prescribed by Company, releasing Company and Affiliate and their respective officers, directors, employees, agents and representatives from any known or unknown claim, except for the payment of uncollected amounts due Franchisee for Services prior to the effective date of transfer.

Company will hold the Transfer Deposit for a period of ninety (90) days as collateral for the satisfaction of all of Franchisee's financial and other obligations due to Company or its Affiliates. Ninety days after the effective date of the transfer, Company shall refund the Transfer Deposit less any unpaid liabilities attributable to Franchisee during its ownership of the Franchise under this Agreement. For the avoidance of doubt, the Transfer Deposit shall not limit Company's rights, remedies, damages or claims against Franchisee under this Agreement or otherwise at law.

(c) Transfer for Convenience of Ownership. An individual Franchisee may form a Business Entity and transfer the franchise to the new entity, provided that Franchisee owns 100% of the equity interest in the new entity. To obtain Company's consent to the transfer, the new entity must expressly assume Franchisee's obligations under this Agreement, Franchisee must personally guaranty the new entity's obligations to Company, and the new entity must pay Company a fee of \$1,500 to defray its administrative expenses incident to a transfer by Franchisee.

(d) Involuntary Transfers. No involuntary transfer or partitioning of Franchisee's interest in the franchise or under this Agreement, whether in connection with bankruptcy, foreclosure, divorce or other proceeding, will be effective against Company unless all of the following conditions are satisfied:

(i) the transferee and her/his spouse (if applicable) shall each deliver to Company a signed Guaranty under which transferee and his/her spouse agree to be jointly and severally liable for the payment of Franchisee's monetary obligations under this Agreement, whether or not such obligations are then delinquent;

(ii) the transferee agrees in writing to be personally bound by the confidentiality provisions and restrictive covenants in this Agreement; and

(iii) unless the transfer encompasses Franchisee's total interest in the franchise and under this Agreement, the transferee irrevocably designates and appoints Franchisee to be the transferee's agent and attorney-in-fact with whom Company may deal for all purposes expressed in or contemplated by this Agreement.

(e) Waiver of Interference Claims. Franchisee acknowledges that Company has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Company's contact with potential transferees for the purpose of protecting its business interests will not constitute wrongful conduct, including without limitation, unlawful interference with Franchisee's business or contracts. Franchisee expressly authorizes Company to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Without limitation of the foregoing, Franchisee waives any claim that any action Company takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

(f) Right of First Refusal. If Franchisee receives a bona fide offer to purchase Franchisee's interest in this Agreement or in the Franchised Business from any third party, or Franchisee proposes to sell, assign or otherwise transfer Franchisee's interest in this Agreement or in the Franchised Business to any third party, other than a Business Entity in which Franchisee owns the entire equity interest, or if the owners of a 51% or greater equity interest in Franchisee propose to sell, assign or otherwise transfer any part of their equity interests in Franchisee (either in a single transaction or a series of related transactions), Franchisee or the owners of a controlling interest in Franchisee (the "Franchisees") will first offer to sell such interest to Company on the following terms:

(i) The Franchisees will provide to Company an exact copy of the offer they made or received, and Company will have 30 days from the receipt of the offer either to accept or reject it. Written notice of Company's decision to accept or reject the offer will be delivered by Company within the 30-day period. Acceptance by Company will be at the same price and on the same terms set forth in the offer, except that the Company will have the right to substitute cash for the fair market value of any non-cash consideration.

(ii) If Company fails to accept the offer within the 30-day period, Franchisee will be free to effect the disposition upon the terms set forth in the offer upon compliance with the requirements of Section 12(b); provided, however, if the transfer or other disposition is not completed within 120 days after the end of such 30-day period, Company shall again be given notice and shall have a new right of first refusal on the terms and conditions set forth herein.

(g) Transfer Upon Franchisee's Death or Disability.

(i) This Section 12(g) applies only if (i) an individual franchisee, a general partner that owns 50% or greater economic interest in a Franchisee that is a partnership, a member of a limited liability company that is the Franchisee and owns 50% or more of the membership or economic interests in the Franchisee, or a beneficial owner of 50% or more of the outstanding capital stock of a Franchisee that is a corporation dies or becomes disabled during the term of the franchise, and (ii) the death or disability results in a change in responsibility for managing the Franchised Business.

(ii) During the first 180 days after the death or disability occurs, Company will evaluate the new management's willingness and ability to operate the Franchised Business in compliance with this Agreement. By the end of the 180-day evaluation period, Company will decide whether the new management is qualified to manage the Franchised Business and will notify management of its decision. As conditions to continuing the franchise, each new proprietor, general partner or beneficial owner of 50% or more of Franchisee's equity must furnish Company a signed Guaranty, and any Event of Default by Franchisee (whether or not the subject of a prior notice from Company) must be Satisfactorily cured. Further, Company may require the new management to attend and Satisfactorily complete the training program provided under Section 6(a)(i).

(iii) If any of the conditions stated in Section 12(g)(ii) are not satisfied, or if Company decides that the new management has not adequately demonstrated its technical or business qualifications or commitment to the franchise relationship, the owners of the franchise will have 180 days after delivery of Company's notice to sign a binding contract to sell the Franchised Business to a buyer approved by Company in accordance with, and in a transaction structured to comply with, Section 12(b). The proposed sale will be subject to Company's right of first refusal under Section 12(f).

(iv) If any of the franchise's owners fail to sign a binding contract of sale before the 180-day selling period expires, or if a contract is signed, but the proposed sale is not concluded

within 30 days after Company approves the transfer, Company may terminate this Franchise Agreement in accordance with Section 15.

(h) Legend on Certificates. If Franchisee is a Business Entity, or if the franchise is transferred to a Business Entity, Franchisee agrees to cause each certificate evidencing shares of its capital stock, LLC membership units or the partnership agreement to be imprinted with a conspicuous legend to the affect that ownership interests in Franchisee are subject to the provisions of this Section 12.

(i) Ownership Reports. To assist Company in determining and enforcing its rights under this Section 12, Franchisee agrees to submit to Company on or before December 31 of each year a written list of the name and address of each person who owns an equity interest in Franchisee, designating the amount and percentage of equity interest each such person owns.

(j) Assignment by Company. There are no restrictions upon the right of Company to assign its rights or delegate its obligations under this Agreement. Without limiting the generality of the foregoing, Company may delegate any of its duties described in Section 6(e) of this Agreement to Affiliate or a subsidiary of Affiliate.

**13. Late Fees; Interest on Delinquent Accounts.** If Franchisee fails to make any royalty or any other periodic payment to Company within 3 Business Days after it is due, Franchisee will make the following payments to Company in addition to the amount otherwise due:

(a) a one-time late fee of 2% of the amount due, which amount is intended as compensation for Company's costs and administrative expenses in processing late payments and is not interest or a penalty; and

(b) interest on any overdue payment at the lower of (i) one and one-half percent (1.5%) per month; or (ii) the highest contract rate allowable by law. Interest on any overdue amount shall accrue from the original due date until payment in full is received. Interest as enumerated in this Section 13 shall also apply to any understated amounts as revealed by an audit of Franchisee's financial records. Franchisee acknowledges that this Section 13 is not Company's agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance Franchisee's operation of the Franchise.

Nothing in this Agreement will obligate Franchisee or any guarantor of Franchisee's obligations to pay, or entitle Company to collect, interest in excess of the maximum rate applicable law permits. If, for any reason, Company charges or receives interest in excess of the maximum rate permitted by applicable law, the excess will be applied as a payment against the principal amount of Franchisee's other obligations under this Agreement. If no other obligations are due, Company will promptly refund the excess payment to the party that paid it.

**14. Default.**

(a) Event of Default. If any event or condition listed in this Section 14 (an "Event of Default") occurs, Franchisee will be deemed to have committed a material breach of this Agreement. The occurrence of an Event of Default is not predicated on notice of default by Company. Company's failure to take prompt action with respect to a particular Event of Default will not constitute a waiver of that or any subsequent Event of Default.

(b) Curable Defaults. Following are Events of Default that Franchisee may cure by taking appropriate remedial action within a prescribed time after Company demands remedial action. Unless Franchisee cures such an Event of Default before the end of the indicated remedial period, Company

may terminate this Agreement or take any of the other actions Section 15 permits. If the Event of Default is cured to Company's satisfaction before Company gives Franchisee notice of termination, Company will not proceed under Section 15.

(i) The Operating Principal or Designated Appraiser of Franchisee fails to complete the training program in accordance with Section 7(a)(i), or to establish and begin operating the Franchised Business within 90 days after the Effective Date, and fails to cure such failure within 30 days after Company notifies Franchisee in writing of the remedial action to be taken;

(ii) Franchisee fails to fulfill any requirement, to perform any obligation, or to observe any restriction set forth in Section 7(b) and fails to come into compliance within 30 days after Company notifies Franchisee in writing of the remedial action to be taken;

(iii) Franchisee fails to pay any royalty or other payment due Company or Affiliate, including any late payment and interest on delinquent payments, within 10 days after notice that payment is past due;

(iv) Franchisee fails to maintain the insurance required under Section 7(b)(viii) and Section 7(d) and fails to cure such breach within 10 days' notice from Company;

(v) Franchisee fails to attend any required Continuing Training, Remedial Training or Franchise Convention and fails to cure such breach within 10 days' notice from Company;

(vi) Franchisee fails to meet its Advertising Requirement and fails to cure such breach within 10 days' notice from Company;

(vii) Franchisee fails in any way to comply with System Standards and fails to cure such breach within 10 days' notice from Company; or

(viii) Franchisee breaches any other obligation undertaken by it under this Agreement (other than the non-curable defaults described in Section 14(c)) and fails to remedy such breach within 30 days after written notice from Company specifying the breach alleged to have occurred and the action to be taken by Franchisee in curing the same.

(c) Non-Curable Defaults. Following are Events of Default that are non-curable and give rise to the right by Company to forthwith terminate this Agreement immediately upon the delivery of notice of termination to Franchisee:

(i) Franchisee's franchise application was untrue, incomplete or misleading in any material respect when delivered to Company;

(ii) Franchisee either (i) fails to observe or comply with the requirements of Section 12 in connection with any sale, assignment or transfer, or (ii) makes a material misrepresentation in any transfer request or document in support of a request for Company's consent to a transfer of the Franchise;

(iii) Franchisee commits a breach of Section 16(a) (exclusive dealing) or of the confidentiality provisions of Section 11(b) of this Agreement;

(iv) Franchisee violates the provisions of Section 12 hereof;

(v) Franchisee abandons the Franchised Business. Franchisee will be conclusively presumed to have abandoned the Franchised Business if Franchisee fails to accept assignments for Services or to provide Services on more than 5 consecutive Business Days or on more than 10 Business Days in any calendar month, except on account of verified injury or illness, or any other planned or unforeseen event (of which Company is informed in accordance with the requirements of the Operations Manual), or other circumstances Franchisee demonstrates was beyond Franchisee's reasonable control;

(vi) Company receives 2 or more verified complaints from a National Account (including an employee or representative thereof), claimant, insured, SCA employee, or any other party involved in the service transaction about Franchisee's Service performance during any consecutive 12-month period or 3 verified complaints from any of the parties listed above during the term of this Agreement, whether or not Franchisee successfully resolves the complaints;

(vii) Franchisee fails repeatedly to meet required Cycle Times;

(viii) Franchisee commits or allows to occur 3 or more Events of Default during the Term of this Agreement or during any consecutive 12 month period during the Term, whether or not the Events of Default are related types of default and whether or not they are cured;

(ix) Franchisee, if Franchisee is a natural person, or any employee who remains employed by Franchisee after a conviction occurs, is convicted of driving while intoxicated (or comparable offense) while driving a vehicle during the course of performing Services;

(x) Franchisee or any person who executes a Guaranty becomes insolvent, admits in writing the inability to pay the monetary obligations of Franchisee or the guarantor as they mature, is adjudicated a bankrupt, voluntarily files a petition for liquidation, rehabilitation or reorganization under any provision of the United States Bankruptcy Code, makes an assignment for the benefit of creditors or takes any other action pursuant to any federal or state insolvency statute;

(xi) A receiver or trustee is appointed for all or a substantial part of Franchisee's assets, or a judgment for an amount in excess of \$5,000 is entered against Franchisee that Franchisee does not pay or stay within 30 days after the judgment is entered;

(xii) Franchisee, or if Franchisee is a Business Entity, any person that owns more than 49% of the Business Entity, is convicted of a felony, fraud, embezzlement, or any crime involving moral turpitude;

(xiii) Franchisee fails to obtain or to maintain any license required by applicable law to lawfully operate the Franchised Business;

(xiv) Franchisee commits an uncured or incurable default under either the Company's Approved Accounts Receivable Purchase Agreement, in the form of Exhibit C, attached hereto, or any other agreement between Franchisee and Company or its Affiliate, leading to the termination thereof;

(xv) The commission by Franchisee of any act of dishonesty or other intentional malfeasance relating to or, in Company's sole, subjective judgment, materially adversely affecting the Franchised Business or Franchisee's ability to continue to successfully operate the Franchised Business or the goodwill associated with the Marks, including without limitation, maintaining false or misleading books and records, accepting anything of value from a person to influence Franchisee's property damage appraisal, purchasing or selling any type of salvage, using body shop estimates without independent

estimates or investigations, having an interest in any person or entity that performs services for any client of a Customer, or having a conflict of interest with any Customer; or

(xvi) Franchisee violates Section 6(c) of this Agreement, including but not limited to, by (a) communicating with employees or representatives of National Accounts other than the National Account Rep (except in cases of potential or suspected insurance fraud); or (b) engaging in inappropriate behavior or behaving in an unprofessional manner towards any National Account, insured or claimant, or their respective employees and representatives.

**15. Actions Upon Expiration or Termination of Agreement.** All of the following remedies of Company upon expiration or earlier termination of this Agreement are cumulative:

(a) Commission of Event of Default. If Franchisee commits or allows an Event of Default to occur and does not cure it before the related remedial period, if any, expires, or if Franchisee fails to or is unable to renew the term of this Agreement, Company may at its sole discretion, either terminate the franchise and Franchisee's rights under this Agreement or compel Franchisee to sell the Franchised Business in accordance with Section 15(d), giving rise to Company's purchase option in Section 15(e). Upon termination or expiration of the franchise, Franchisee's right and privilege to use the Marks, the Copyrighted Materials, the Operations Manual and the System will cease. Thereupon, Franchisee will immediately:

- (i) discontinue use of the Marks, the Copyrighted Materials and the System;
- (ii) return to Company the Operations Manual, including any supplements thereto;
- (iii) deliver to Company the Customer List, retaining no copies; and
- (iv) remove from the Business Office all signs containing the Marks and other materials in which the Marks are used.

(b) Payment of Amounts Due. Franchisee shall pay to Company all royalties and other amounts due Company, plus late fees and interest due under Section 13.

(c) Injunctive Relief. Company will be entitled to injunctive relief, without bond, against Franchisee restraining the unauthorized use of any Mark or Copyrighted Materials, or the unauthorized use or disclosure of Company's confidential information.

(d) Purchase Option. Company or its nominee will have an option (but no obligation) to purchase all of the tangible assets relating to the operation of the Franchised Business from Franchisee within 90 days after the Agreement expires or is terminated. The purchase price will equal the net book value (i.e. cost, less depreciation) or fair market value, whichever is lower of all tangible assets of Franchisee. In computing the purchase price, no value will be given to this Agreement, the Marks, the goodwill associated with the Marks or the Customer List, since all of such assets are the sole property of Company. The purchase price will be payable in cash (except that Company may assume any note or lease covering office equipment). Franchisee agrees to provide Company the information necessary to establish the purchase price, to assign and deliver to Company a bill of sale or an assignment of lease, and otherwise to cooperate with Company in its taking title to and delivery of the items Company purchases. If Franchisee fails or refuses to comply with its obligations under this Section Company will be entitled to an order from any court of competent jurisdiction for an order of specific performance.

(e) Hold Back. Company shall have the right, following termination or expiration of this Agreement for any reason, to holdback any amounts due to Franchisee with respect to the servicing of National Accounts or otherwise due from Company to Franchisee pending receipt and satisfaction of any other amounts due in connection with the operation of the Franchise prior to termination or expiration. Company shall refund any holdback amounts less any unpaid liabilities attributable to Franchisee during its ownership of the Franchise under this Agreement upon satisfaction of any unresolved liabilities or claims. For the avoidance of doubt, the holdback shall not limit Company's rights, remedies, damages or claims against Franchisee under this Agreement or otherwise at law.

**16. Exclusive Dealing; Covenants Against Competition and Other Covenants.**

(a) Disclosure by Franchisor. During the Term, as a result of the Franchise granted hereby, and in order to carry out Franchisee's duties hereunder, Franchisor may disclose, a variety of information concerning it, its affiliates, its business and the System including, without limitation: the Operations Manual; System Standards; the Intellectual Property; methods for operating, managing and developing the Franchise; marketing, advertising and promotion methods, strategies, campaigns and discussions; best-know-methods, standard operating procedures, techniques, processes and practices and initiatives; equipment or supplies; recruitment, training and compensation methods; reporting methods and techniques; recruitment, human resourcing, training, sales and merchandising strategies; any related underlying materials, analyses, compilation, forecasts, research or market studies; proprietary software (if applicable); customer lists (including information on National Accounts); trade secrets; referral sources; billing and collection methods; training materials; know-how; procedures and processes for providing the Services; financial information; and any other non-public information about Franchisor and its Approved Suppliers, strategic partners, franchisees, business plans, employees, and independent contractors (collectively, the "Confidential Information"). The parties acknowledge that the Confidential Information is proprietary, confidential and Franchisor's trade secrets. Franchisee acknowledges that Franchisor and its affiliates have expended and continue to expend great amounts of time, money and effort in devising and processing the Confidential Information.

(c) In-Term – Competitive Activities. Franchisee acknowledges Company's legitimate business interest in the Confidential Information and goodwill associated with its System. Franchisee covenants that during the Term of this Agreement, except as otherwise approved in writing by Company, Franchisee and each of its Owners and each of their respective spouses shall not, directly or indirectly (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on Franchisee's own account):

(i) Divert or attempt to divert any business or customer to any competitor, by direct or indirect inducement or otherwise, to do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks, Intellectual Property and the System; or

(ii) Own, maintain, engage in, be employed by, lease real estate to, finance, or have any interest in any Competitive Business (as defined below), other than a Franchise under an effective Franchise Agreement with us.

(d) After the Term. For the 2-year period following the expiration or termination of this Agreement for any reason, unless Company otherwise permits in writing, neither Franchisee nor its Owners or their respective spouses shall, directly or indirectly (whether as owner, partner, associate agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on Franchisee's own account):

(i) Participate in the development of, or engage in, or market, sell, distribute, render, provide, perform, offer or sell similar services, or contribute Franchisee's knowledge to, or have any financial interest in, any work or activity that relates to or involves any of the Confidential Information or is in any way engaged in the operation, licensing, franchising or consulting, developing, marketing, organizing, providing or promoting of a Competitive Business (i) within the Service Area, (ii) within any geographic territory that Company has assigned to a Franchise or in which Company directly operate, market or sell, (iii) via the Internet or other form of e-commerce, wherever located, or (iv) within twenty-five (25) miles of the Service Area or any protected area described in clause (ii) above in existence or under development as of the end of the Term;

(ii) Induce or attempt to induce, or solicit any of Company or other SCA strategic partners, customers, referral sources, brokers, appraisers, Personnel or other independent contractors to accept employment or an affiliation with Franchisee; or

(iii) Solicit, divert, contact, take away or interfere with any of Company's business, customers, referral sources, brokers, insurers, suppliers, trade or patronage with whom Company (or its affiliates or franchisees) does business or whom Franchisee knows Company has contacted or solicited for business relationships, or those of any of Company's affiliates or franchisees, as of the date of termination or expiration of this Agreement.

(e) Acknowledgements and Further Covenants. Franchisee acknowledges and agrees that:

(i) Franchisee's covenant not to compete is reasonable as to time, geographical area and scope, and is necessary to protect the business and goodwill of the Company Network and to avoid misappropriation or other unauthorized use of the System. The covenant set forth in this Section 16 will be construed as independent of any other covenant or provision of this Agreement. If any portion of the covenant in this Section 16 is held unreasonable or unenforceable in a final judicial decision or arbitration award, Franchisee and Franchisee's Operating Principal or Designated Appraiser (if Franchisee is a Business Entity) agree to be bound by a lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(ii) Franchisee's Designated Appraiser and any personnel who undergo our training, as permitted by law, must sign a Restrictive Covenant Agreement. Franchisee must ensure that all of its other employees, officers, directors or independent contractors who may have access to our Intellectual Property information execute a Confidentiality Agreement before having access to our Intellectual Property information. Franchisee must use its best efforts to ensure that these individuals comply with the terms of the Restrictive Covenant Agreements and Confidentiality Agreements, as applicable, and Franchisee must immediately notify us of any breach that comes to its attention. Franchisee agrees that Company will have independent enforcement rights of the Restrictive Covenant Agreements and Confidentiality Agreements and agrees to reimburse Company for all reasonable expenses that it incurs in enforcing a Restrictive Covenant Agreement or Confidentiality Agreement, including reasonable attorneys' fees and court costs.

(iii) Company will have the right, in its sole discretion, unilaterally to reduce the scope of the covenant set forth in this Section 16 without their consent, effective immediately upon notice to Franchisee. Franchisee and Franchisee's Operating Principal and Designated Appraiser (if Franchisee is a Business Entity) agree that they will immediately comply with the covenant, as modified.

(iv) Franchisee or Franchisee's Operating Principal and Designated Appraiser (if Franchisee is a Business Entity) possesses the education, training and experience necessary to earn a reasonable livelihood apart from operating a business that offers Services.

Franchisee shall refrain from taking any action, directly or indirectly, which is contrary to the interests of Company or making any disparaging, untrue, negative, derogatory or defamatory remarks concerning Company or its business practices at any time, including, without limitation, on any social media platform (whether it be a personal page or business page).

(f) Notification of Legal Proceedings and Crisis Events. Franchisee will notify Company in writing as soon as possible but in no event more than twenty-four (24) hours of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which Franchisee becomes aware and which may adversely affect the operation or financial condition of Franchisee's Franchised Business. Upon the occurrence of a Crisis Event (defined below), Franchisee will immediately inform Company by telephone and email (or other electronic medium authorized by Company for this purpose). Franchisee will cooperate fully with Company with respect to its response to the Crisis Event. In the event of the occurrence of a Crisis Event, Company may also establish emergency procedures, which may require Franchisee to temporarily close the Franchised Business to the public, in which event Company shall not be liable to Franchisee for any loss or costs, including consequential damages or loss profits occasioned thereby.

For purposes of this Section, a "Crisis Event" any event or business interruption that runs the risk of (1) escalating in intensity; (2) adversely impacting Franchised Business's financial position; (3) causing harm to Customers, Personnel or the public or damage to their respective property or the environment; (4) falling under close media or governmental or regulatory scrutiny; (5) interfering with normal operations and wasting significant management time and/or financial resources; (6) adversely affecting Personnel morale; or (7) jeopardizing the business, the Marks or the System's reputation, image, products, brand, intellectual property, or management and therefore negatively impacting its future. Without limiting the foregoing, a Crisis Event shall include contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance, which may damage the System, Marks, or Company's image or reputation.

(g) Press Releases. Franchisee will not issue any press release or conduct any interviews regarding its franchised business without Company's prior express written approval.

(h) Contributions and Donations. Franchisee will not make any contributions or donations of items, services, or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic, or other type of organization (or to any individual on behalf of any organization) in the name of SCA or otherwise associate with any Mark, without Company's prior express written consent.

**17. Severability.** The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding will not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision will be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, will continue in full force and effect.

**18. Notices.** All notices, requests, consents and other communications required hereunder shall be in writing and shall be duly given if hand delivered and a signed receipt obtained, sent by registered or certified mail, postage prepaid, return receipt requested, sent by overnight express type service, or sent by telecommunication with confirmed delivery, including electronic mail, addressed:

If to Company, to:

SCA Franchising Corporation  
3817 W. Magnolia Boulevard  
Burbank, CA 91505  
Attention: Timothy W. P. Davis  
President

and if to Franchisee, to the address shown in Exhibit A.

Either party may at any time change the address to which notices are to be sent by giving the other party at least 10 days' prior notice in accordance with this Section. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery; (b) one (1) day after notice is sent, if by overnight express type service; (c) on the date of transmission by telecommunication with confirmed delivery, if by electronic mail or other electronic method; and (d) on the first occurring of: (i) three (3) business days after mailing, postage prepaid, or (ii) the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed. Any notice provided by electronic mail or other electronic method shall be confirmed by one (1) of the delivery methods listed under subsection (a), (b), or (d) although this shall not affect the time notice is deemed given hereunder.

**19. Relationship.** Franchisee will be at all times an independent contractor. Franchisee shall at all times remain an independent business owner of its Franchised Business. This Agreement creates a franchise relationship, it is not intended to create, and will not be interpreted or construed as creating, a partnership, joint venture, agency, employment, fiduciary or other special relationship between Company and Franchisee. No representation to the contrary will be binding on Company. No person, other than an Affiliate, not a signatory to this Agreement is an intended beneficiary of this Agreement and no third party beneficiary relationship is created by this Agreement. Affiliate shall be a third party beneficiary of this Agreement as its interests appear.

**20. Law Governing; Dispute Resolution.**

(a) Governing Law. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 and the sections following it) or other federal law, this Agreement and the Franchised Business shall be enforced and governed by and under the substantive law of the State of California, without regard to choice of law rules, unless otherwise provided herein. Notwithstanding the foregoing, the Franchisee and Company specifically agree and acknowledge that all claims, causes of actions or disputes related to Franchisee's covenants not to compete set forth in Section 16(b) of this Agreement, including the interpretation, validity and enforcement thereof, shall be governed by the laws of the state where the Franchised Business is located.

(b) Jurisdiction. Except as otherwise set forth herein, the exclusive venue and exclusive forum for all disputes between the parties shall be any state court of general jurisdiction located in Los Angeles, California or the United States District Court for the Central District of California, and the parties to this Agreement hereby waive any and all objections with regard to personal jurisdiction and/or venue.

(c) Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Company to Company's President, after providing notice as set forth in Section 18 above. Company must respond to Franchisee's notice inquiry within ten (10) business days of receipt or otherwise it is deemed denied. Franchisee must exhaust this internal dispute resolution procedure ("IDR")

before Franchisee may bring Franchisee's dispute before a third party. Franchisee agrees that Company has sixty (60) days to attempt to resolve Franchisee's claim or dispute with IDR (the "IDR Period"). This agreement to first attempt resolution of disputes internally through IDR will survive termination or expiration of this Agreement.

(d) Mediation. At Company's sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, may be submitted to non-binding mediation conducted before a sole neutral mediator referred by the American Arbitration Association ("AAA") in accordance with its Commercial Mediation Procedures. Mediation will be conducted in Los Angeles, California. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Franchisee and Company. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence that is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. Company will notify Franchisee of Company's election to submit any dispute to non-binding mediation within (i) thirty (30) days after the end of the IDR Period or (ii) at the time Company provides Franchisee with notice of a dispute, claim, or alleged cause of action, as applicable.

(e) Arbitration. At Company's sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement (including the arbitrability of such claims), may be resolved by submission to binding arbitration by and before a neutral franchise attorney referred by AAA and selected by the parties in accordance with the then-existing Commercial Arbitration Rules of the AAA. All hearings and other proceedings will take place in Los Angeles, California. Company will notify Franchisee of Company's election to submit any dispute to arbitration within thirty (30) days of a non-binding mediation determination pursuant to Section 20(d) above, or if Company do not elect mediation under Section 20(d), within (i) thirty (30) days after the end of the IDR Period, or (ii) at the time Company provides Franchisee with notice of a dispute, claim, or alleged cause of action, as applicable.

(i) The following shall supplement and, in the event of a conflict with any law or rule, including but not limited to the AAA Commercial Arbitration Rules, shall govern any dispute submitted to arbitration. The parties shall select one arbitrator from the proposed list of arbitrators provided by the AAA. If the parties are unable to agree upon an arbitrator, each party to the dispute shall have fifteen (15) days from the transmittal date of the proposed list in which to strike names objected to, number the remaining names in order of preference, and return the list to the AAA. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, the AAA shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the process of submitting lists shall continue until a suitable arbitrator is selected. In all aspects of conducting the arbitration and in rendering his or her decision, the arbitrator shall enforce and apply the substantive laws of the State of California for interpretation of this Agreement, without regard to choice of law rules. The parties may conduct one seven-hour discovery deposition of a designated representative of the opposing party. Any party wishing to take such a deposition must describe with reasonable particularity, in the notice of deposition, the matters to be inquired into at the deposition,

and the party producing the designated representative must designate one or more officers, directors, or managing agents who consent to testify on its behalf. No other discovery depositions shall occur, unless the arbitrator finds such additional depositions to be necessary after written request and an opportunity to be heard. Each party shall be permitted up to ten (10) interrogatories and reasonable requests for production of documents. Each party shall be entitled to file a motion to dismiss, a motion for summary judgment and reasonable motions in limine. The arbitrator shall permit a responding party a reasonable period of time to respond in writing to any such motions. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The arbitrator's award shall include an award of pre-hearing interest from the date upon which any damages were incurred, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than 1.5% per month, or part of a month (unless a lower rate is required by law). The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator's fee, interest, and costs of investigation. In addition, the prevailing party shall be entitled to an award of its reasonable and necessary attorneys' fees. The arbitration hearings shall be completed within one hundred and fifty (150) days of the filing of the arbitration demand, unless the arbitrator, for good cause, must extend this deadline.

(ii) The arbitrator shall have no authority to amend or modify the terms of this Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District for the Central District of California or any state court of general jurisdiction located in Los Angeles, California and, if confirmed, may be subsequently entered and/or docketed, including as a judgment, in any court having competent jurisdiction. Similarly, any appeals from and/or relating to any arbitration which may be brought in accordance with this Section 20(e)(ii) shall be heard before the United States District Court for the Central District of California, or any other state court of general jurisdiction located in Los Angeles, California.

(iii) The arbitration provisions of this Agreement shall survive any termination or expiration of this Agreement.

(f) Injunctive Relief. Nothing contained in this Agreement shall prevent Company from applying for and/or obtaining, from any court having competent jurisdiction, a writ of attachment, injunctive relief, including without limitation a temporary injunction or preliminary injunction, and/or other emergency relief available to safeguard and protect Company's interests. Company is entitled to seek this relief without the posting of any bond or security and, if a bond is nevertheless required by a court of competent jurisdiction, the parties expressly agree that the sum of \$1,000 is a sufficient bond.

(g) Third Party Beneficiaries. Company's officers, directors, shareholders, agents, representatives, affiliates, and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provision set forth in this Section 20, each having authority to specifically enforce the right to mediate/arbitrate/litigate claims asserted against such person(s) by Franchisee or asserted in relation to this Agreement.

(h) Prior Notice of Claims. As a condition precedent to commencing an action for damages or for Company's violation or breach of this Agreement, Franchisee must notify Company in writing within ninety (90) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

(i) Cumulative Remedies. The remedies available to any party if the other party breaches this Agreement are cumulative. The exercise of any remedy will not limit any other remedies that may be available. Both parties will also be entitled to any and all remedies available under applicable law.

(j) Waiver of Punitive Damages. WITHOUT LIMITING FRANCHISEE'S OBLIGATIONS TO INDEMNIFY COMPANY PURSUANT TO THIS AGREEMENT, BOTH PARTIES EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO, OR CLAIM OF, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. FRANCHISEE AND COMPANY ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS AND ANY OTHER DAMAGES AWARD SPECIFICALLY REFERENCED IN THIS AGREEMENT.

(k) Limitations of Claims. UNLESS ANOTHER TIME PERIOD IS SPECIFICALLY SET FORTH IN THIS AGREEMENT, ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN AND/OR AMONG FRANCHISEE AND COMPANY MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN 1 YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) INDEMNIFICATION; OR (B) UNAUTHORIZED USE OF THE MARKS, INTELLECTUAL PROPERTY OR CONFIDENTIAL INFORMATION. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

**(l) Waiver of Jury Trial. BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY.**

(m) Waiver of Class Actions. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY.

(n) Arbitration/Litigation Expenses. In any action or dispute, at law or in equity, that may arise under or otherwise relate to the terms of this Agreement, the prevailing party shall be entitled to full reimbursement of its arbitration or litigation expenses from the other party. Litigation or arbitration expenses include reasonable attorneys' fees, arbitrator's fee, defense costs, witness fees including expert witness fees and costs and other related expenses including paralegal fees, administrative costs, investigative costs, court reporter fees, sales and use taxes, if any, travel and lodging expenses, court or arbitration costs, and all other charges billed by the attorneys to the prevailing party. Reimbursement is due within thirty (30) days of written notice of an award or other notice of the expenses due. If Company engages legal counsel for Franchisee's failure to pay when due any monies owed under this Agreement or to submit when due any reports, information or supporting records, or for any failure otherwise to comply with this Agreement, Franchisee must reimburse Company on demand for all of the above-listed expenses Company incurs.

## **21. Security Interest.**

(a) Collateral. Franchisee grants to Company a security interest ("Security Interest") in all of the equipment, signage, décor, inventory, assets and realty of the Franchise, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchise. All items in which a security interest is granted are referred to as the "Collateral."

(b) Indebtedness Secured. The Security Interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums

which Company may, at its option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorney fees that Company incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting Company's rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and Indebtedness of Franchisee to Company or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisee executes any extension agreement or renewal instruments.

Company's security interest, as described herein, shall be subordinated to any financing related to Franchisee's operation of the Franchise including, but not limited to, a real property mortgage and equipment leases.

(c) Additional Documents. Franchisee will from time to time, as required by Company, join with Company in executing any additional documents and one (1) or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Company.

(d) Possession of Collateral. Upon default and termination of Franchisee's rights under this Agreement, Company shall have the immediate right to possession and use of the Collateral.

(e) Our Remedies in Event of Default. Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Company's option and without notice, become due and payable immediately, and Company shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under, the Uniform Commercial Code of the state in which Franchisee's Franchise is located (or other applicable law), including, without limitation, Company's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Company in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above.

(f) Special Filing as Financing Statement. This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

## **22. General Provisions.**

(a) Amendments Must be in Writing. This Agreement may not be amended, modified or rescinded, or any performance requirement waived, except by a written document signed by Company and Franchisee. This provision does not apply to changes in the Operations Manual. The parties expressly agree that this Agreement may not be amended or modified, or any performance standard changed, by course of dealing or by waiver by Company and Franchisee.

(b) Entire Agreement. This Agreement, the attached Exhibits and any duly executed amendment attached to this Agreement contain the entire agreement between and among the parties with respect to the subject matter of this Agreement, and supersedes any prior or contemporaneous agreements

between Company and Franchisee, written or oral, with respect to the franchise. Nothing in this Agreement or in any related agreement is intended to disclaim the representations Company made in the Franchise Disclosure Document.

(c) No Other Representations or Promises. No written or oral agreements, promises, representations, commitments, undertakings or understandings were made to or with Franchisee that are not expressly set forth in this Agreement. No person representing Company made any oral, written or visual claim, presentation or representation to Franchisee that stated or suggested that Franchisee's Franchised Business might attain any actual, projected or forecasted level of sales, income or profits. No representation, warranty, guaranty or promise other than those expressly set forth in this Agreement and in the Franchise Offering Circular that Company delivered to Franchisee was made by Company or any other person to induce Franchisee to sign this Agreement. Franchisee recognizes that neither Company nor anyone else can guarantee Franchisee's business success or state the exact costs of opening and operating a Franchised Business, and that such success and costs will depend primarily upon Franchisee's own efforts and business ability. Franchisee also recognizes that any new business venture is speculative.

(d) Survival. All obligations under this Agreement (whether Franchisee's or Company's) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding the expiration or termination of this Agreement until such provisions are satisfied in full or by their nature expire.

(e) Execution in Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one (1) and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docuSign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

**23. 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.

The below acknowledgment and statements that are contrary to the North American Securities Administrators Association, Inc.'s Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments shall not apply to prospective franchisees who are residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin or who seek to purchase a franchise located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

We have made no promise or representation to you as to the renewal of this Agreement or the grant of a new franchise after the end of the Initial Term set forth in Section 5 hereof. INITIAL HERE:  
\_\_\_\_\_

This Agreement and our Franchise Disclosure Document, or "FDD", have been in your possession for at least fourteen (14) days before you signed this Agreement and before your payment of any monies to us, refundable or INITIAL HERE:

otherwise, and that any unilateral, material changes to this Agreement were memorialized in writing in this Agreement for at least seven (7) days before you signed this Agreement, or as otherwise required by state law.

\_\_\_\_\_

(a) You have read and understand this Agreement and our Franchise Disclosure Document; (b) We have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (c) You have had ample opportunity to consult with advisors of your own choosing; and (d) Our attorneys have not advised or represented you with respect to this Agreement or the relationship created hereby.

INITIAL HERE:

\_\_\_\_\_

You have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchise involves unavoidable business risks. You acknowledge that the success of the Franchise is primarily dependent upon the business abilities and efforts of you and your Personnel.

INITIAL HERE:

\_\_\_\_\_

You have not received any representation, warranty or guarantee, express or implied, from us or any of our officers, directors, shareholders, employees, or agents, as to the potential revenues, income, profits, volume, or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our Franchise Disclosure Document, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees, or agents that are contrary to the statements made in our Franchise Disclosure Document or contrary to the terms hereof. We expressly disclaim the making of any warranty, guarantee, or representations of this type.

INITIAL HERE:

\_\_\_\_\_

This Agreement, the documents referred to herein, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete agreement and understanding between us and you and supersede any and all prior agreements, no other representations, promises, warranties or agreements have induced you to execute this Agreement. You further acknowledge and agree that there are no oral or written representations, promises, assurances, warranties, covenants, "side-deals", rights of first refusal, options or understandings other than those expressly contained in this Agreement. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations, including those that are inconsistent with the terms of this Agreement or our Franchise Disclosure Document.

INITIAL HERE:

\_\_\_\_\_

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party

INITIAL HERE:

\_\_\_\_\_

who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

INTENDING TO BE BOUND, the parties have signed this Agreement as of the date set forth above.

Company:

Franchisee:

SCA Franchising Corporation,  
a California corporation

\_\_\_\_\_  
(Signature)

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

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

\_\_\_\_\_  
Owner Operating Principal

\_\_\_\_\_  
Owner

\_\_\_\_\_  
Owner

## GLOSSARY OF TERMS

The following terms are used in the preceding Franchise Agreement with the meanings assigned in this Glossary.

“Affiliate” means SCA Enterprises, Inc., a California corporation.

“Business Day” means any day other than Saturday, Sunday and holidays on which federally chartered banks are authorized by law to close.

“Business Entity” means a corporation, partnership, or limited liability company.

“Business Office” means the place where Franchisee maintains the books and records of the Franchised Business.

“Company Network” means the entire network of franchised, Affiliate and Company-operated businesses that provide Services in accordance with the System and in association with the Marks.

“Competitive Business” means any business that derives more than 10% of its revenues from the provision of Services or comparable services.

“Confidential Information” means the contents of the Operations Manual, the Information System, and all other training, advice, guidance and directives that Company furnishes to Franchisee, orally or in writing, with respect to the operation of a Franchised Business and the marketing and provision of Services.

“Continuing Royalty” means the weekly fee due to Company as set forth in Section 8(a) of the Agreement. Company reserves the right to change the time and method of payment.

“Copyrighted Materials” refers to and includes all versions, variations and adaptations of the following materials in tangible form, either produced by Company, produced on its behalf as works for hire, or derived from works produced by or on behalf of Company: (i) the Operations Manual, (ii) training materials (including printed, audio, video or electronic materials), (iii) advertisements, commercials and other marketing materials, (iv) labels, forms and reports that Company provides, (v) Affiliate’s Software and other computer software developed by Company or Affiliate or as works for hire for use in the operation of the Franchised Business, (vi) the design and contents of the Company websites, and (vii) any other materials protected by copyright law or marked or identified by Company as protected by copyright.

“Confidentiality Agreement” means Company’s form of Confidentiality Agreement, which Company may revise from time to time, the most current form of which is attached to this Agreement as Exhibit E.

“Customer” means any party who engages Franchisee to provide Services, including any customer received through the Company’s agreement with any National Account.

“Customer List” means any document, database, worksheet or other compilation, no matter the medium in which it is recorded, stored or generated and no matter whether coded, encrypted or translated into a language other than English, that contains any element of the name, address, email address or telephone number of any Customer to whom Franchisee provides Services during the term of Franchisee’s Agreement.

“Cycle Time” means the designated timeframe in which Franchisee must complete Services for a Customer. Cycle Time is measured from the time the Customer order is dispatched to the Franchisee until the Services are performed and the appraisal is uploaded by the Franchisee to the Information System or as otherwise described in the Operations Manual.

“Designated Appraiser” means one (1) full-time qualified appraiser overseeing and operating the Franchised Business and to run the day-to-day basis operations of the Franchised Business and to oversee and conduct all Services. If required by the law where Franchisee’s Service Area is located, Franchisee’s Designated Appraiser must obtain required licensing to provide the Services and remain in good standing at all times. Franchisee’s Operating Principal may act as the Designated Appraiser, or Franchisee may designate a Designated Appraiser.

“Eligible Assignments” means the National Account customer files eligible to receive the 35% Continuing Royalty under the Elite Program.

“Elite Program” means the program implemented by Company to reward high performing franchisees with a reduced Continuing Royalty as set forth in the Operations Manual. Company reserves the right to discontinue or modify the Elite Program, including its terms, conditions, eligibility metrics and other criteria at any time.

“Franchise” or “Franchised Business” means (i) the license granted to Franchisee by Company to operate an SCA Claims damage appraisal business providing the Services in accordance with the System and in association with the Marks operated pursuant to this Agreement, (ii) the assets owned and/or used by Franchisee in the operation of the Franchised Business, and (iii) any and all rights granted to Franchisee by Company under this Agreement.

“Gross Revenues” means the sum of all amounts invoiced or billed by or for Franchisee from the rendering of Services and on account of all the provision of all other services and sales of goods, and income of any kind or nature in connection with the operation of the Franchised Business, whether for cash or on credit without deduction of any costs or expenses whatsoever and shall include any and all amounts allocated by any customer on any contract, invoice or agreement for mileage or similar travel expenses or costs; provided, however “Gross Revenues” shall not include any sales taxes or similar taxes collected from Customers or other persons from which Gross Revenues are earned and paid to any governmental agency.

“Guaranty” means a personal Guaranty and Acknowledgment in the form appended to this Agreement, as amended from time to time by Company.

“Information System” means computer and other electronic equipment, facilities and systems a franchisee uses to collect, compute, store and report a Franchised Business’ Gross Revenues, other financial data, and operating information, including, without limitation, computers, peripheral equipment, a smartphone capable of taking photographs and running our mobile management system “Core Mobile”, high speed Internet connections and related software programs, including, without limitation, Core, Core Mobile and the Company’s collision estimating software system, all of which Company may change, modify, adapt or replace at Company’s discretion.

“Intellectual Property” means the Marks, the Copyrighted Materials and all other intellectual property and other methods and procedures, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, specifications, designations, designs, diagrams, anecdotes, worksheets, techniques, rules, ideas, advertising and promotional materials, software, programming, materials, audio, video and written materials developed and designated for use in connection

with the System, including the URL websites used by the System or other proprietary information we may hereafter acquire, develop or designate for use in connection with the System (together with the Marks, the “Intellectual Property”).

“Marks” refers to and includes (i) the service marks, “SCA Appraisal Company” and “SCA” and related logotypes, and (ii) all additional or different trade names, trademarks, service marks, logotypes and slogans that Company adopts to identify the Company Network and Services.

“National Account Rep” means a National Account’s designated representative and unless otherwise designated by the National Account or Company, the National Account Rep shall be the inside staff adjuster.

“Operating Principal” means the Franchisee if the Franchisee is an individual or, if the Franchisee is a Business Entity, Operating Principal means an individual appointed as Operating Principal who must at all times that he or she serves as Operating Principal maintain a controlling voting, economic and equity ownership interest in the Franchised Business of at least 51%. Franchisee’s first Operating Principal is identified in Exhibit A.

“Operations Manual” means, collectively, all manuals, policy statements, directives, bulletins and memoranda that contain prescribed or recommended specifications, standards, procedures, policies and advice relating to the performance or marketing of Services, or the operation or management of a Franchised Business provided by the Company, its affiliates or its designees.

“Restrictive Covenant Agreement” means Company’s form of Nondisclosure, Non-solicitation and Restrictive Covenant Agreement, which Company may revise from time to time, the most current form of which is attached to this Agreement as Exhibit F.

“Satisfactorily” means to Company’s satisfaction, in its sole, subjective judgment, exercised in good faith.

“Service Area” means the geographic area which is identified in Exhibit A to this Agreement as modified from time to time in accordance with this Agreement.

“Services” means the provision of auto, specialty or property physical damage appraisal services, adjusting services or ancillary services like appraisal clause or department of insurance re-inspection and claim services.

“Start-Up Package” means an initial supply of forms that Franchisee will need to provide Services.

“System” refers to the compilation of unique and distinctive set of operating procedures, marketing concepts, formats, methods, standards, specifications, information, training and business relationships, and management techniques that Company or Affiliate developed to govern the provision of Services and the operation of a business model that provide those Services, all of which Company or Affiliate in our sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time.

“System Standards” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by the Company including without limitation, any procedures, requirements and/or standards related to communicating with National Account Reps and Personnel of the Company, Cycle Times, appearance, business metrics, marketing and public relations,

operating hours, presentation of Marks, product and service offerings, quality of products and services, reporting, safety, and technology (such as computers, computer peripheral equipment, smartphones, apps, information management systems, other software, backup and archiving systems, communications systems (including email, audio, and video systems), and internet access, as well as upgrades, supplements, and modifications thereto).

“Third-Party Services” means those third-party products or services, specifically, services and products produced by Carfax, CCC evaluations, DCI evaluations, Fuel Sample testing, etc. that Franchisee resells in connection with its Franchise.

“Transfer Fee” means a fee in an amount set forth in Exhibit A to reimburse Company for the costs associated with evaluating a proposed transfer. If no Transfer Fee is stated on Exhibit A, then the Transfer Fee is \$1,500.

**EXHIBIT A**

**Franchise Description**

Effective Date of Franchise Agreement:

Name of Franchisee:

Name of All Equity Owners:

Operating Principal:

Address of Franchisee:

Service Area:

Special Service Fee:

Type of Transaction (Sale or Transfer):

Initial Franchise Fee:

Payment Amount:

Transfer Fee:

Financed Amount (if applicable):

Renewal Fee:

Name of Franchise Transferor (if applicable):

**EXHIBIT B**  
**General Release**

THIS GENERAL RELEASE is made and given on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ (“Releasor”) in favor of SCA Franchising Corporation (“SCA”). Capitalized terms not herein defined have the meaning set forth in the Franchise Agreement dated \_\_\_\_\_ between Releasor and SCA.

In consideration of:

\_\_\_\_\_ the execution by SCA of a successor Franchise Agreement and/or other renewal documents renewing the Franchise granted to the Releasor by SCA pursuant to the Franchise Agreement, or

\_\_\_\_\_ SCA’s consent to Releasor’s assignment of its rights and duties under the Franchise Agreement whether by sale, transfer or otherwise, or

\_\_\_\_\_ SCA’s and Releasor’s mutual agreement to terminate the Franchise Agreement pursuant to its terms;

and other good and valuable consideration, Releasor hereby releases and discharges SCA, its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees, servants, attorneys, accountants and agents (in their corporate and individual capacities) and SCA’s affiliates, successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims, and demands whatsoever, in law or in equity, that Releasor and Releasor’s heirs, executors, administrators, personal representatives, successors, and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Release arising out of or related to the Franchise or Franchise Agreement, including, without limitation claims arising under federal, state and local laws, rules, and ordinances.

Releasor acknowledges that it is aware that it may hereafter discover facts in addition to or different from those which it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties’ intention hereby fully, finally, and forever to settle and release any and all claims, demands, actions causes of action, rights, costs, expenses, compensation, duties, dues, debts, bonds, bills sums of money, suits, reckonings, contracts, obligations, controversies, covenants, promises, damages (including punitive damages), attorneys’ fees, remedies, responsibilities, liabilities, disputes and differences of whatsoever kind, nature, or description, whether direct or indirect, in law or in equity, in contract or in tor, pursuant to statute or otherwise, known and unknown, suspected and unsuspected, which now exist, may exist, or heretofore have existed between them. In furtherance of such intention, Releasor acknowledges that the release herein given shall be and remain in effect as a full and complete general release, notwithstanding the discovery or existence of any such additional or different facts.

In California the following provision shall apply: Releasor hereby expressly waives, to the fullest extent permitted by law, the provisions and benefits of Section 1542 of the California Civil Code, which statute provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by Releasor and SCA.

INTENDING TO BE BOUND, Releasor has executed this General Release as of the date first written above.

\_\_\_\_\_  
**Name of Franchisee**

\_\_\_\_\_  
BY:

TITLE:

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

## EXHIBIT C

### APPROVED ACCOUNTS RECEIVABLE PURCHASE AGREEMENT

This APPROVED ACCOUNTS RECEIVABLE PURCHASE AGREEMENT ("Agreement") is made as of the \_\_\_\_ day of \_\_\_\_\_, 202\_ between SCA Franchising Corporation ("Company") and \_\_\_\_\_ ("Franchisee") with reference to the following facts:

A. Franchisee is a franchisee of Company under a Franchise Agreement of even date herewith (the "Franchise Agreement") pursuant to which, among other things, (i) Franchisee will provide automobile damage insurance appraisal services under Company's service mark, "SCA Appraisal Services" (the "SCA Franchised Business"); and (ii) Company will arrange for Franchisee to be provided from time to time with engagements from certain insurance carriers designated by Company ("Designated Insurance Carriers") for automobile damage insurance appraisal services to be performed by Franchisee in the course of his operation of the SCA Franchised Business;

B. During the term of the Franchise Agreement, Franchisee will have Approved Accounts receivable from such Designated Insurance Carriers as a result of appraisal services performed by Franchisee pursuant to such engagements and in the ordinary course of Franchisee's operation of his SCA Franchised Business ("Approved Accounts"); and

C. Franchisee desires to sell to Company the Approved Accounts during the term of the Franchise Agreement.

It is therefore agreed:

1. Franchisee shall offer to sell, assign and transfer to Company all Approved Accounts as they are created by Franchisee in the ordinary course of his operation of his SCA Franchised Business, such assignments to be made upon forms prescribed by Company so that Company may be and become subrogated to all the rights possessed by Franchisee. Franchisee shall also deliver invoices of each Approved Account in duplicate, with proof of delivery and performance of the appraisal services for which the invoice was rendered.

2. Provided Franchisee is in full compliance with its obligations under the Franchise Agreement and no uncured default then exists, Company shall, from time to time during the term of this Agreement, buy such Approved Accounts belonging to Franchisee, as may be approved in writing by the credit department of Company, and shall pay for such Approved Accounts one hundred (100%) percent of the net value thereof. Company shall have all the rights of Franchisee with respect to the Approved Accounts assigned.

3. Company may retain a reserve equal to ten (10%) percent of the face amount of the unpaid Approved Accounts purchased by it as a reserve against any loss which it may sustain by reason of all claims which may be asserted by the Designated Insurance Carriers for which the Approved Accounts were created.

4. Franchisee shall indemnify Company against liability or loss, or expense incurred by it arising out of any claims which may be asserted by the Designated Insurance Carriers relating to the insurance appraisal services provided by Franchisee.

5. Franchisee represents and warrants that all Approved Accounts to be assigned to Company will be based upon a bona fide written order from Designated Insurance Carriers during the term of this

Agreement and that the Approved Accounts assigned will be for automobile damage insurance appraisal services performed pursuant to the terms of such written order in the ordinary course of Franchisee's operation of his SCA Franchised Business.

6. Franchisee promises that there will be no offsets or counterclaims against any Approved Accounts assigned to Company, and that Franchisee will not, subsequent to such assignment, incur any obligation which may create any offset or counterclaim thereto. Franchisee shall not sell, grant a security interest in, or assign any of its Approved Accounts elsewhere during the term of this Agreement.

7. Franchisee shall, at his own expense, keep proper books of account showing all sales, claims, and allowances on the performance of automobile damage insurance appraisal services. Immediately upon the consummation of the purchase of Approved Accounts hereunder, Franchisee shall make proper entries in its books disclosing the absolute sale of such Approved Accounts to Company, and Franchisee shall further, upon demand, execute and deliver to Company all instruments and do all things necessary to carry into effect the terms of this Agreement. Franchisee shall permit Company to examine and make extracts from the books and records of Franchisee at any time for the purpose of certifying the validity of any account assigned or to ascertain any facts in connection therewith.

8. Franchisee shall, at its own expense, promptly adjust all disputes with all Designated Insurance Carriers for which Approved Accounts have been assigned to Company and will, at Franchisee's own expense, fully cooperate with Company in adjusting such disputes. In case any dispute remains unadjusted at the time any account becomes due, Company shall have the right to charge back to Franchisee the Approved Accounts involved, and Franchisee shall pay the amount of such Approved Accounts to Company upon demand.

9. In the event Franchisee becomes aware of any claim with any Designated Insurance Carrier which resulted in such assigned Approved Accounts, Franchisee shall give to Company immediate notice of such claim, and thereafter, upon demand, Franchisee shall repurchase the Assigned Account.

10. Franchisee shall hold in trust for Company all checks, drafts, notes, acceptances, cash or other evidence of payment received in payment or on account of any Approved Account purchased by Company hereunder, and shall transmit or deliver these to Company at its office on the day of receipt. The failure of Franchisee to comply with this provision shall constitute conversion. Company is hereby authorized and given power of attorney to indorse the name of Franchisee upon all checks, drafts, notes, money orders, and all other instruments that may require such endorsement. Company shall also have the right to receive all amounts remitted by Designated Insurance Carriers for which Franchisee provided services, and such remittances are to be considered payments on account.

11. Company may send notices of assignment of the Approved Accounts purchased hereunder to any or all of the Designated Insurance Carriers whose Approved Accounts are so purchased.

12. This Agreement shall continue during the term of the Franchise Agreement and any renewal thereof unless terminated as follows:

(a) Either party may, upon at least 30 days' written notice to the other party, cancel this Agreement as to future transactions at the end of any monthly period.

(b) Should Franchisee become insolvent or make an assignment for the benefit of creditors, or should a receiver be appointed for Franchisee, or should Franchisee commit any act of bankruptcy or in any other way should Company become financially insecure, this Agreement may be terminated by Company, without notice, immediately upon the happening of any such events.

(c) Should Franchisee commit a default under the Franchise Agreement resulting in a notice of termination of such Franchise Agreement, this Agreement may be terminated by Company without notice, immediately upon the delivery of the notice of termination of the Franchise Agreement.

13. In addition to Company's right to terminate this Agreement under the provisions of paragraph 12, Company shall have the right to suspend its purchase of any Approved Accounts upon the delivery of a notice of default under the Franchise Agreement, without notice, such suspension to remain in effect until the cure (if applicable) of such default by Franchisee.

14. This Agreement shall not be modified or altered without the written consent of both parties hereto. The failure of Company to insist upon strict observance of all the terms of this agreement in any one or more instances shall not be deemed a waiver of such terms for the future. This is the entire agreement concerning the subject matter hereof and supersedes any other negotiations or agreements. Any dispute arising out of or relating to this Agreement shall be resolved in the same manner as provided for the resolution of disputes in the Franchise Agreement.

15. Franchisee affirms that its only place of business and the place where the records concerning the Approved Accounts herein referred to are kept is the premises of Franchisee's SCA Franchised Business and if such place of business or record keeping is changed or a new place of business or record keeping added, Company will be promptly notified.

INTENDING TO BE BOUND, the parties have signed this Agreement on the date set forth above.

Franchisee:

Company:  
SCA Franchising Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT D

### Personal Guaranty

This personal guaranty (“Guaranty”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, in favor of SCA Franchising Corporation (“we, “our” or “us”). You, the undersigned (and each of you, if more than one, hereinafter referred to as “you,” “undersigned or “Guarantor”), have an interest in \_\_\_\_\_, a corporation/limited partnership/limited liability company (“Franchisee”).

You acknowledge and agree that we have entered into the Franchise Agreement with Franchisee solely on the condition that you be personally obligated and jointly and severally liable with the Franchisee. In consideration of the foregoing and for other good and valuable consideration, the undersigned, individually, and jointly and severally, absolutely and unconditionally guarantees the prompt payment of all amounts when due, including all franchisee fees, royalty payments, and other fees, sums, or obligations, owing by Franchisee and the performances of all covenants, terms, and conditions in the Franchise Agreement, together with all expenses incidental to collection, or enforcement of the obligations under this Personal Guaranty including reasonable attorney’s fees and costs (“Guaranteed Obligations”).

**Guarantor agrees to be personally bound by and personally liable for the breach of each and every provision of the Franchise Agreement as if the Guarantor were the Franchisee.**

1. Continued Liability. Guarantor agrees as follows: Guarantor shall continue to be liable under this Guaranty and the provisions hereof shall remain in full force and effect notwithstanding: (i) any modification, extension, agreement or stipulation between the Franchisee and us, or their respective successors and assigns, with respect to any of the Franchise documents, or the obligations encompassed thereby; (ii) our waiver of or failure to enforce any of the terms, covenants, or conditions contained in any of the Franchise documents or in any modification thereof; (iii) any release of Franchisee or any other guarantor from any liability with respect to the Guaranteed Obligations or any portion thereof; or (iv) our enforcement or failure to enforce any other guaranty of all or any portion of the Guaranteed Obligations.
2. Waivers. Guarantor hereby expressly waives to the extent permitted by law: all set-offs and counterclaims and all presentments, demands for payment, notices of nonpayment, protests, notices of protest, notices of dishonor, any right any Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability, and all other notices or demands of any kind or nature whatsoever with respect to the Guaranteed Obligations.
3. Representations and Warranties. Guarantor warrants and agrees that each of the waivers set forth herein is made voluntarily and unconditionally after consultation with outside legal counsel and with full knowledge of its significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights that Guarantor otherwise may have against us or any other person. If, notwithstanding the intent of the Guarantor that the terms hereof shall control in any and all circumstances, any such waivers or consents are determined to be unenforceable under applicable law, those waivers and consents shall be effective to the maximum extent permitted by law.

Depending on the creditworthiness of each Guarantor and the community property laws of the states in which they reside, we may require that the spouses of one or more Guarantors execute this guaranty as well. Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate or we have waived in writing any requirement that such spouse execute this Guaranty.



\_\_\_\_\_

My commission expires:

\_\_\_\_\_

\_\_\_\_\_  
(signature) (printed name) \_\_\_\_\_ %  
(percentage ownership)

\_\_\_\_\_  
(Signature of Spouse of above Guarantor) (Spouse's name)

STATE OF \_\_\_\_\_ )  
 ) ss.:  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, by

\_\_\_\_\_  
\_\_\_\_\_, Notary Public.

My commission expires:

\_\_\_\_\_

Accepted and Agreed

**SCA Franchising Corporation**

By: \_\_\_\_\_  
Name:  
Title:

DATED: \_\_\_\_\_

## EXHIBIT E

### NONDISCLOSURE, NON-SOLICITATION AND NONCOMPETITION AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of SCA Franchising Corporation, a California corporation, and its successors and assigns ("Company" or "us"), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

"Competitive Business" means (i) any business that derives more than 10% of its revenues from the provision of auto, specialty or property physical damage appraisal services, adjusting services or ancillary services like appraisal clause or department of insurance re-inspection and claim services or comparable services ("Services") or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i).

"Copyrighted Materials" refers to and includes all versions, variations and adaptations of the following materials in tangible form, either produced by Company, produced on its behalf as works for hire, or derived from works produced by or on behalf of Company: (i) the Operations Manual, (ii) training materials (including printed, audio, video or electronic materials), (iii) advertisements, commercials and other marketing materials, (iv) labels, forms and reports that Company provides, (v) Affiliate's Software and other computer software developed by Company or Affiliate or as works for hire for use in the operation of the Franchised Business, (vi) the design and contents of the Company websites, and (vii) any other materials protected by copyright law or marked or identified by Company as protected by copyright.

"Franchisee" means the SCA franchisee for whom you are a manager of such Franchisee.

"Franchised Business" means (i) the license granted to Franchisee by Company to operate an SCA Claims damage appraisal business providing the Services in accordance with the System and in association with the Marks operated pursuant to the Franchise Agreement, (ii) the assets owned and/or used by Franchisee in the operation of the Franchised Business, and (iii) any and all rights granted to Franchisee by Company under this Agreement.

"Franchisee's Location" means the location of the Franchised Business in a geographic area determined by Company.

"Intellectual Property" means the Marks, the Copyrighted Materials and all other intellectual property and other methods and procedures, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, specifications, designations, designs, diagrams, anecdotes, worksheets, techniques, rules, ideas, advertising and promotional materials, software, programming, materials, audio, video and written materials developed and designated for use in connection with the System, including the URL websites used by the System or other proprietary information we may hereafter acquire, develop or designate for use in connection with the System.

"Operations Manual" means, collectively, all manuals, policy statements, directives, bulletins and memoranda that contain prescribed or recommended specifications, standards, procedures, policies and advice relating to the performance or marketing of Services, or the operation or management of a Franchised Business provided by the Company, its affiliates or its designees.

“Marks” refers to and includes (i) the service marks, “SCA Appraisal Company” and “SCA” and related logotypes, and (ii) all additional or different trade names, trademarks, service marks, logotypes and slogans that Company adopts to identify the Company Network and Services.

“System” refers to the compilation of unique and distinctive set of operating procedures, marketing concepts, formats, methods, standards, specifications, information, training and business relationships, and management techniques that Company or Affiliate developed to govern the provision of Services and the operation of a business model that provide those Services, all of which Company or Affiliate in our sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time.

**1. Background.** You are a manager of Franchised Business. As a result of this association, you may gain knowledge of our System and Intellectual Property information. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**2. Intellectual Property.** You agree: (i) you will not use our Intellectual Property information in any business or capacity other than at the Franchised Business; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property information; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of our Intellectual Property information; and (v) you will stop using the Intellectual Property immediately if you are no longer a manager of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment.

**3. Unfair Competition During Relationship.** You acknowledge that as a manager of Franchisee, you may gain knowledge of our System and Intellectual Property. You therefore agree that while you are a manager of Franchisee or associated with Franchised Business, neither you nor your spouse will:

(a) have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, creditor representative, or agent for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any actual or potential business or customer of Franchisee to a Competitive Business;

(d) engage in any other activity which might injure the goodwill of the Marks and System; or

(e) employ or seek to employ any person who is employed by us, our affiliate, or by any of our or our affiliate’s other franchisees, developers, or master franchisees, or induce, or attempt to induce, any such person to leave said employment without the prior written consent of such person’s employer.

**4. Unfair Competition After Relationship.**

(a) Upon the termination or expiration of your association with Franchisee, you agree that, for two (2) years beginning on the effective date of the termination or expiration of your association with Franchisee, whichever is applicable, you will not have any direct or indirect interest (e.g., through an immediate family member) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, creditor, representative, or agent in any Competitive Business located or operating:

(i) at the premises of Franchisee;

(ii) within a twenty five (25) mile radius of Franchisee's Location;

(iii) within twenty five (25) miles of any other SCA Franchised Business in operation or under construction on the later of the effective date of the termination or expiration of your association with Franchisee or the date on which you begin to comply with this Section 4.

(b) Upon the termination or expiration of your association with Franchisee, you agree that, for two (2) years beginning on the effective date of the termination or expiration of your association with Franchisee, whichever is applicable, you will not directly or indirectly (whether through affiliates, immediate family members or otherwise) employ, or seek to employ, any person who is employed by us, our affiliate or by any of our or our affiliate's other franchisees, developers, or master franchisees, or induce, or attempt to induce, any such person to leave said employment without the prior written consent of such person's employer. If you make an offer of employment to our or our affiliate's employee, or to an employee of one of our or our affiliate's other franchisees, developers, or master franchisees, such person or entity must first obtain our or our affiliate's prior written approval, which we or our affiliate have the absolute right to withhold.

(c) If any person restricted by this Section 5 refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. The two (2) year period will be tolled, if applicable, for the period during which a restricted person is in breach of this Section and will resume when that person begins or resumes compliance.

**5. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Intellectual Property information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property information to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) fails to comply with the obligations under Sections 4 and 5 or (ii) uses or discloses the Intellectual Property information. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**6. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

**7. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other SCA franchisees for which there is no adequate

remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**8. Miscellaneous.**

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of the State of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the activities prohibited, narrowing the definition of a Competitive Business, shortening the duration of the restrictive covenants, reducing the geographic scope of the restrictive covenants and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date

Signature

Typed or Printed Name

I witnessed the execution of the foregoing document this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

Date

Signature

Typed or Printed Name

## EXHIBIT F

### CONFIDENTIALITY AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of SCA Franchising Corporation, a California corporation, and its successors and assigns ("Company" or "us"), upon the terms and conditions set forth in this Agreement.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

"Copyrights" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Franchised Business, whether now in existence or created in the future.

"Franchisee" means the SCA franchisee for whom you are an employee, officer, director or independent contractor.

"Franchised Business" means (i) the license granted to Franchisee by Company to operate an SCA Claims damage appraisal business providing the Services in accordance with the System and in association with the Marks operated pursuant to the Franchise Agreement, (ii) the assets owned and/or used by Franchisee in the operation of the Franchised Business, and (iii) any and all rights granted to Franchisee by Company under this Agreement.

"Intellectual Property" means the Marks, the Copyrighted Materials and all other intellectual property and other methods and procedures, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, specifications, designations, designs, diagrams, anecdotes, worksheets, techniques, rules, ideas, advertising and promotional materials, software, programming, materials, audio, video and written materials developed and designated for use in connection with the System, including the URL websites used by the System or other proprietary information we may hereafter acquire, develop or designate for use in connection with the System.

"Marks" refers to and includes (i) the service marks, "SCA Appraisal Company" and "SCA" and related logotypes, and (ii) all additional or different trade names, trademarks, service marks, logotypes and slogans that Company adopts to identify the Company Network and Services.

"System" refers to the compilation of unique and distinctive set of operating procedures, marketing concepts, formats, methods, standards, specifications, information, training and business relationships, and management techniques that Company or Affiliate developed to govern the provision of Services and the operation of a business model that provide those Services, all of which Company or Affiliate in our sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time.

2. **Background.** You are an employee, officer, director or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Intellectual Property information. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Intellectual Property.** You agree: (i) you will not use our Intellectual Property information in any business or capacity other than at the Franchised Business; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property information; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of our Intellectual Property information; and (v) you will stop using the Intellectual Property immediately if you are no longer a manager of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment.

4. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Intellectual Property information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property information to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property information. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Intellectual Property information to the family member.

5. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

6. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other SCA franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. **Miscellaneous.**

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of the State of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall

not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date

Signature

Typed or Printed Name

I witnessed the execution of the foregoing document this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

Date

Signature

Typed or Printed Name

**EXHIBIT G**

**SECURED PROMISSORY NOTE**

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

\_\_\_\_\_

Date

Each of the undersigned (hereinafter individually referenced as "Maker"), jointly and severally, promises to pay to the order of SCA Franchising Corporation, a California corporation (hereinafter "Holder"), at 3817 West Magnolia Boulevard, Burbank, CA 91505, or at such other place as Holder may designate in writing from time to time, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), together with interest on the unpaid balance of the principal from time to time outstanding from the date of this Note until paid in full, as all hereinafter set forth (the "Loan"). Interest shall be calculated on the basis of three hundred sixty-five (365) days per year.

The following terms shall apply to this Promissory Note:

1. Interest. Interest on the outstanding principal balance of the Loan shall accrue at the fixed rate of percent (5.0%) per annum beginning to accrue on the date set forth above. Interest shall be calculated on the basis of the actual number of days elapsed from the later of the date of this Note or the date of the last payment received under this Note to the date of the applicable payment and on the unpaid balance of the principal from the later of the date of this Note or the date of the last payment received under this Note to the date of the applicable payment.

2. Loan Term. If not sooner paid, the entire outstanding principal balance of the Loan, all accrued and unpaid interest and any other payment due hereunder shall be due and payable in equally monthly installments of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), beginning on the \_\_\_\_\_ day of \_\_\_\_\_, and continuing on the \_\_\_\_\_ day of each \_\_\_\_\_ thereafter \_\_\_\_\_, at which point all principal and interest shall have been fully paid. All amounts paid pursuant to this Note shall be paid in legal tender for the payment of public and private debts in the United States of America. If any portion of the indebtedness evidenced by this Note is not received by Holder when due, Holder may, at Holder's option and without notice to or demand on any Maker, accelerate all or any portion of such unpaid indebtedness due and declare the same payable at one. Time is of the essence on this Note. Each payment will be made in accordance with the terms of payment for ongoing fees as outlined in that certain franchise agreement of even date herewith (the "Franchise Agreement").

3. Payment of Principal and Interest. All payments hereunder, in Holder's sole discretion, may be applied first to the payment of accrued and unpaid interest and the balance to the payment of principal. This Note may be prepaid in full or in part at any time without penalty. Any prepayment shall be applied first to the discharge of accrued interest and then to the reduction of the principal portion of the installment or installments last maturing hereunder.

4. Late Charge and Interest After Default. If any installment or any payment hereunder is past due for five (5) business days or more, Maker shall pay, upon notification, a late charge of three percent (3%) of the amount of the payment that is past due. If Maker fails to make any payment of principal as required hereunder or otherwise upon an Event of Default under this Promissory Note, the balance of this Promissory Note will bear interest at the rate of ten percent (10%) effective as of the date of the occurrence of the Event of Default; provided, however, Maker shall not be required to pay any amount of interest or other fees or charges that is in excess of the maximum permitted by applicable law. Any payment in excess

of such maximum shall be refunded to Maker or credited against the principal, at the option of Holder. The increase in the interest rate upon the occurrence of an Event of Default shall be applicable whether or not Holder has exercised its option to accelerate the maturity of this Promissory Note and declared the entire unpaid principal amount due and payable.

6. Security Interest.

(a) This Note and the due performance by Maker of all of its obligations hereunder are secured by all of Maker's right, title and interest in and to the following property, in each case whether now or hereafter existing, whether now owned or hereafter acquired and whether or not subject to the UCC (the "Security Interest"): all of the tangible and intangible personal property owned by the Maker's SCA franchised business (the "Franchised Business"), including, without limitation, the license to operate the Franchised Business granted by Holder to Maker pursuant to that certain Franchise Agreement (collectively the "Collateral").

(b) Maker represents and warrants that he has full title to the Collateral free from any lien, security interest, encumbrance, or claim, and Maker will, at Maker's cost and expense, defend any action that may affect Holder's Security Interest in, or Maker's title to, the Collateral.

(c) Maker will join in executing all necessary financing statements in forms satisfactory to Holder and will further execute all other necessary instruments deemed necessary by Holder. Maker hereby acknowledges and understands that Holder may file UCC and such other financing statements (collectively, the "Financing Statements") concerning Holder's Security Interest in the Collateral, and Maker hereby gives its permission to Holder, as Maker's attorney-in-fact, to file all such Financing Statements as deemed necessary in the sole discretion of Holder.

(d) Except in the ordinary course of business, Maker will not, without the written consent of Holder, which consent shall not be unreasonably conditioned, delayed or withheld, sell, contract to sell, lease, encumber, or dispose of the Collateral or any interest in it until this Promissory Note and all debts secured by it have been fully satisfied.

(e) Subject to ordinary wear and tear in the course of Maker's ordinary course of business, Maker will keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part of it. Maker will not use the Collateral in violation of any statute or ordinance and Holder will have the right to examine and inspect the Collateral at any reasonable time.

7. Event of Default. The happening of any of the following shall constitute a default hereunder:

(a) Failure of Maker to pay interest or principal under this Note to Holder when due, and such failure remains uncured by Maker five (5) days after the due date;

(b) Maker becomes insolvent, admits in writing its insolvency or its present or prospective inability to pay its debts generally as they become due, does not pay all or any material portion (in number or dollar amount) of its debts as they become due, permit or suffer a judgment to exist against it (unless enforcement thereof is stayed pending appeal), makes or proposes an assignment for the benefit of creditors, convenes or proposes to convene a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts, proposes any such moratorium, extension or composition, or commences or proposes to commence any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of borrowers;

(c) Maker fails to obtain the dismissal, within thirty (30) days after the commencement thereof, of any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any law for the relief of Maker, instituted against it by one or more third parties, fails actively to oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or desire to seek liquidation, reorganization or adjustment of any of its debts;

(d) Any receiver, trustee or custodian is appointed to take possession of all or any substantial portion of the assets of Maker or any committee of Maker's creditors, or any class thereof, is formed for the purpose of monitoring or investigating the financial affairs of Maker or enforcing such creditors' rights; or

(e) The Franchise Agreement is terminated.

8. Acceleration. If an event of default occurs hereunder, Holder may, in Holder's sole discretion and without notice or demand, declare the entire unpaid principal balance plus accrued interest and all other sums due hereunder immediately due and payable. Failure by Holder to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

9. Costs and Expenses; Waiver by Maker. Maker shall pay to Holder and reimburse Holder for any and all costs and expenses, including attorney's fees and court costs, if any, incurred by Holder in connection with the enforcement or collection hereof; both before and after the commencement of any action to enforce or collect this Promissory Note, but whether or not any such action is commenced by Holder. Maker waives presentment, protest and demand, notice of protest, notice of dishonor and nonpayment of this Promissory Note and expressly agrees that this Promissory Note or any payment hereunder may be extended from time to time without in any way affecting the liability of the Maker hereunder.

10. Cumulative Remedies; No Waiver by Holder. The rights and remedies of Holder hereunder shall be cumulative and concurrent and may be pursued singularly, successively or together at the sole discretion of Holder, and may be exercised as often as occasion therefor shall occur, and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release of the same or any other right or remedy.

11. Evidence of Indebtedness. This Promissory Note is given and accepted as evidence of indebtedness only, and not in payment or satisfaction of any indebtedness or obligation.

12. Headings. The headings used in Promissory Note are for convenience only and are not to be interpreted as a part of this Promissory Note.

13. Attorneys' Fees and Costs. In the event that one or more Events of Default shall occur, and in the event that thereafter this Promissory Note is placed in the hands of an attorney for collection, or in the event that this Promissory Note is collected in whole or in part through legal proceedings of any nature, then and in any such case, Holder shall be entitled to collect (in addition to all principal, interest and other amounts due hereon) Holder's reasonable costs, expenses, and attorneys' fees incurred in the collection of this Note.

14. Waivers and Remedies. Each Maker, surety, endorser, and guarantor of this Note (i) waives demand, presentment for acceptance, presentment for payment, notice of dishonor, protest of dishonor, notice of intent to file suit, and diligence in collecting this Note; (ii) agrees to any substitution, exchange, or release of any collateral securing the indebtedness evidenced by this Note for the release of

any person or entity primarily or secondarily liable on this Note; (iii) agrees that the Holder shall not be required first to institute suit or exhaust its remedies against the Maker or others liable or to become liable on this Note or to enforce the Holder's rights against any collateral then securing the payment of this Note in order to enforce payment of this Note against any collateral then securing the payment of this Note or against anyone liable on this Note; (iv) consents to any extension or postponement of time for payment of this Note and to any other indulgence with respect to this Note without notice thereof; and, (v) agrees that neither the failure of the Holder to exercise the Holder's right to accelerate the maturity of the indebtedness nor the Maker being granted indulgence from time to time shall in any event be considered a waiver of the Holder's right of acceleration or estop the Holder from exercising said right.

13. Usury. All agreements between Maker and Holder, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by acceleration of the maturity of this Promissory Note or otherwise, shall the amount paid, or agreed to be paid, to Holder for the use, forbearance or detention of the money to be loaned hereunder or otherwise, exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provision of this Promissory Note or of any other document evidencing, securing or pertaining to the indebtedness evidenced hereby, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances Holder shall ever receive anything of value as interest or deemed interest by applicable law under this Promissory Note or any other document evidencing, securing or pertaining to the indebtedness evidenced hereby or otherwise an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under this Promissory Note or on account of any other indebtedness of Maker to Holder relating to this Promissory Note, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of this Promissory Note and such other indebtedness, such excess shall be refunded to Maker. The terms and provisions of this section shall control and supersede every other conflicting provision of all agreements between Maker and Holder.

14. Assignment. This Note may be assigned by the Holder. Each Maker, surety, endorser, and guarantor of this Note expressly agrees that the rights of any such assignee shall be those of a holder in due course.

15. Governing Law and Dispute Resolution. All claims, causes of action, liabilities, controversies, and disputes relating to the negotiation, formation, construction, interpretation, performance, or enforcement of this Note shall be governed by and construed in accordance with California law. At the option of Holder, jurisdiction and venue for any and all claims, causes of action, liabilities, controversies, and disputes between any Holder, Maker, surety, endorser, and guarantor of this Note shall be proper only in a court of general jurisdiction in Los Angeles, California or the United States District Court for the Central District of California. Each Maker, surety, endorser, and guarantor of this Note hereby consent to the exercise of in personam jurisdiction in a court of general jurisdiction in Los Angeles, California or the United States District Court for the Central District of California.

IN WITNESS WHEREOF, Maker has executed this Promissory Note specifically intending this Promissory Note to constitute an instrument under seal and Holder has acknowledged same.

**[SIGNATURES CONTINUED ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, each Maker has signed this Note under seal effective as of the \_\_\_\_\_ day of \_\_\_\_\_.

MAKER(S):

\_\_\_\_\_  
\_\_\_\_\_

Print Name

Address:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Print Name

Address:

\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT H**

**STATE ADDENDA TO FRANCHISE AGREEMENT**

**CALIFORNIA AMENDMENT  
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_, will be amended as follows:

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the SCA Franchising Corporation will be located or operated in the State of California.
2. Section 23 of the Franchise Agreement is hereby deleted in its entirety.
3. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**ILLINOIS AMENDMENT  
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_, will be amended as follows:

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. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**INDIANA AMENDMENT TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_, 20\_\_, will be amended as follows:

1. The laws of the State of Indiana supersede any provision of the Franchise Agreement or Delaware Law if such provisions are in conflict with Indiana law. The Franchise Agreement will be governed by Indiana law.
2. The following language is added to Section 12(b)(x) of the Franchise Agreement:  

“, except that the general release provisions shall not apply to any liability under the Indiana Deceptive Franchise Practices Law.”
3. Choice of forum for litigation will not be limited to the State of California.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

## MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_, 20\_\_, will be amended as follows:

1. The following language is added to Section 12(b)(x) of the Franchise Agreement:

“The Franchisee and its owners sign and deliver to Company general releases, in form and substance prescribed by Company, releasing Company and Affiliate and their respective officers, directors, employees, agents and representatives from any known or unknown claim, except for the payment of uncollected amounts due Franchisee for Services prior to the effective date of transfer, except that the general release required as a condition of renewal, sale and assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. 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. The following language is added to Section 20 of the Franchise Agreement:

“Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law. All claims arising under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg., Sections 14-201 through 14-233) shall be commenced within three (3) years after the grant of the franchise.”

3. The following language is added to Section 22 of the Franchise Agreement:

“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.”

4. Section 23 of the Franchise Agreement is hereby deleted in its entirety.

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.

[Signature Page to Follow]

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**MINNESOTA AMENDMENT  
TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_, will be amended as follows:

1. Section 11 of the Franchise Agreement is amended to add the following language:

“The Minnesota Department of Commerce requires Company to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the tradename infringes trademark rights of the third party. Company will protect the Franchisee’s right granted hereby to use the Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks. Specifically, Company indemnifies Franchisee against the consequences of Franchisee’s use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Company of any such claims within ten (10) days and tender the defense of the claim to Company. If Company accepts the tender of defense, Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

2. Section 5(b) of the Franchise Agreement is amended to add the following:

“With respect to franchises governed by Minnesota law, Company 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 180 days’ notice for non-renewal of the Franchise Agreement.”

3. Section 5(b)(iv) of the Franchise Agreement is hereby deleted and replaced with the following:

“signing a general release, in the form prescribed by the Company and hereto attached as Exhibit B, releasing Company and Affiliate and their subsidiaries (if any) and their respective officers, directors, employees, attorneys, contractors, agents, and representatives from any claim that Franchisee may have against them prior to the expiration of the initial term of this Agreement; provided, however, any release shall not release Company of any liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22 (the “General Release”).”

4. Section 12(a) of the Franchise Agreement is amended to add the following:

“With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require (except in certain specified cases) that Company’s consent to the transfer of the franchise not to be unreasonably withheld.”

5. Section 12(b)(x) of the Franchise Agreement is hereby deleted and replaced with the following:

The Franchisee and its owners sign and deliver to Company general releases, in form and substance prescribed by Company, releasing Company and Affiliate and their respective officers, directors, employees, agents and representatives from any known or unknown claim, except for the payment of uncollected amounts due Franchisee for Services prior to the effective date of transfer; provided, however, any release shall not release Company of any liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22.

6. Section 14 of the Franchise Agreement is amended to add the following:

“With respect to franchises governed by Minnesota law, 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).”

7. Section 20 of the Franchise Agreement is amended as follows:

“Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Company from requiring litigation to be conducted outside Minnesota. Nothing contained herein shall limit Franchisee’s right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J. In addition, nothing in the disclosure document or this Agreement can abrogate or reduce (1) any of 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.”

8. Section 15(c) is amended to read as follows:

“Company may seek injunctive relief, without bond if determined by the court of competent jurisdiction that a bond is not required, against Franchisee restraining the unauthorized use of any Mark or Copyrighted Materials, or the unauthorized use or disclosure of Company’s confidential information.”

9. Section 20(f) is hereby deleted in its entirety and replaced with the following:

“Nothing contained in this Agreement shall prevent Company from seeking from any court having competent jurisdiction, a writ of attachment, injunctive relief, including without limitation a temporary injunction or preliminary injunction, and/or other emergency relief available to safeguard and protect Company’s interests. Company is entitled to seek this relief without the posting of any bond or security if determined by the court of competent jurisdiction that a bond is not required.”

10. Section 20(k) of the Franchise Agreement is hereby amended by adding the following at the end of the Section: “; provided, however, any action under Chapter 80C of the Minnesota Statutes must be submitted within three years after the cause of action accrues.”

11. Section 20(l) of the Franchise Agreement is hereby deleted in its entirety and replaced with “**Intentionally omitted.**”
12. 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.
13. Exhibit B to the Franchise Agreement shall be amended with the addition of the following language: “Notwithstanding anything in this Agreement to the contrary, any release shall not release SCA of any liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22.”

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**NEW YORK AMENDMENT  
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

Section 15 of the Franchise Agreement is amended by adding a subsection (e) stating:

“Franchisee may terminate this Agreement upon any grounds available at law.”

The following is added to Section 20(a) of the Franchise Agreement:

“This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder.”

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

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**NORTH DAKOTA AMENDMENT  
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. Section 16(b) of the Franchise Agreement is amended to add the following:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”
2. Any provision in the Franchise Agreement which requires the Franchisee to sign a general release upon renewal of the Franchise Agreement is hereby deleted from any Franchise Agreement issued in the State of North Dakota.
3. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or California law if such provisions are in conflict with North Dakota law. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement issued in the State of North Dakota, provided that the Franchise Agreement may provide for arbitration in a forum outside of North Dakota.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**OHIO AMENDMENT  
TO FRANCHISE AGREEMENT**

Ohio Notice of Cancellation

(FOR OHIO FRANCHISEES ONLY)

\_\_\_\_\_ (Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to SCA Franchising Corporation, at 3817 West Magnolia Boulevard, Burbank, CA 91505, not later than midnight of (enter date).

I hereby cancel this transaction.

\_\_\_\_\_  
(Date) (Purchaser's signature)

**RHODE ISLAND AMENDMENT  
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The laws of the State of Rhode Island supersede any provisions of the Franchise Agreement, the other agreements or California law if such provisions are in conflict with law.
2. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of Rhode Island, is deleted from any Franchise Agreement issued in the State of Rhode Island.
3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**COMMONWEALTH OF VIRGINIA AMENDMENT  
TO FRANCHISE AGREEMENT**

In recognition of the requirements of Virginia Retail Franchising Act, Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_, will be amended as follows:

1. Bankruptcy. Section 14(c)(x), which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq).
2. Termination. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
3. Undue Influence. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

In all other respects, the Franchise Agreement will be construed and enforced with its terms.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

## **WASHINGTON AMENDMENT TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_, will be amended as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with the Company, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.
2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
4. Transfer fees are collectable to the extent that they reflect Company's reasonable estimated or actual costs in effecting a transfer.
5. 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, 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.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of 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 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 provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits Company from restricting, restraining, or prohibiting 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.
8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (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. Exhibit B to the Franchise Agreement shall be amended with the addition of the following language: "Notwithstanding anything in this Agreement to the contrary, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder."

10. The undersigned hereby acknowledges receipt of this amendment.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

Its: \_\_\_\_\_  
(title)

Its: \_\_\_\_\_  
(title)

**EXHIBIT B**  
**Financial Statements**

# **SCA Franchising Corporation**

Financial Statements and  
Supplementary Information

March 31, 2024, 2023 and 2022

# SCA Franchising Corporation

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March 31, 2024, 2023 and 2022

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## Independent Auditors' Report

To the Board of Directors and Stockholders of  
SCA Franchising Corporation

### Opinion

We have audited the financial statements of SCA Franchising Corporation (the Company), which comprise the balance sheets as of March 31, 2024, 2023 and 2022, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly US, LLP*

Los Angeles, California  
May 31, 2024

## SCA Franchising Corporation

Balance Sheets

March 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 2,328,396	\$ 1,786,327	\$ 1,821,084
Related party receivable	-	-	28,861
Taxes receivable	20,119	69,994	-
Prepaid expense	19,471	39,414	24,475
Total current assets	<u>2,367,986</u>	<u>1,895,735</u>	<u>1,874,420</u>
Notes Receivable, Related Parties	19,901	36,473	43,057
Deferred Income Taxes	<u>9,716</u>	<u>7,319</u>	<u>7,689</u>
Total assets	<u>\$ 2,397,603</u>	<u>\$ 1,939,527</u>	<u>\$ 1,925,166</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ -	\$ 10,572	\$ 180,774
Income taxes payable	-	-	240,637
Deferred revenue	<u>5,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>5,000</u>	<u>10,572</u>	<u>421,411</u>
<b>Commitments and Contingencies (Note 2)</b>			
<b>Stockholders' Equity</b>			
Common stock, \$2.50 par value; 100,000 shares authorized, issued and outstanding	250,000	250,000	250,000
Retained earnings	<u>2,142,603</u>	<u>1,678,955</u>	<u>1,253,755</u>
Total stockholders' equity	<u>2,392,603</u>	<u>1,928,955</u>	<u>1,503,755</u>
Total liabilities and stockholders' equity	<u>\$ 2,397,603</u>	<u>\$ 1,939,527</u>	<u>\$ 1,925,166</u>

See notes to financial statements

## SCA Franchising Corporation

### Statements of Income and Retained Earnings

For the Years Ended March 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Revenues</b>			
Royalties	\$ 7,179,381	\$ 8,025,913	\$ 8,732,117
E&O insurance fees	110,187	117,575	130,440
Franchise fees	36,000	27,500	62,500
Other income	360	-	-
	<u>7,325,928</u>	<u>8,170,988</u>	<u>8,925,057</u>
<b>Operating Expenses</b>	<u>6,758,182</u>	<u>7,743,515</u>	<u>8,077,008</u>
	<u>567,746</u>	<u>427,473</u>	<u>848,049</u>
<b>Other Income (Expense)</b>			
Interest income	57,668	2,244	2,419
Other expense	-	-	(6,704)
	<u>57,668</u>	<u>2,244</u>	<u>(4,285)</u>
	625,414	429,717	843,764
<b>Income Tax Provision</b>	<u>161,768</u>	<u>4,517</u>	<u>312,035</u>
	463,646	425,200	531,729
<b>Retained Earnings, Beginning</b>	<u>1,678,955</u>	<u>1,253,755</u>	<u>722,026</u>
<b>Retained Earnings, Ending</b>	<u>\$ 2,142,603</u>	<u>\$ 1,678,955</u>	<u>\$ 1,253,755</u>

See notes to financial statements

## SCA Franchising Corporation

### Statements of Cash Flows

For the Years Ended March 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>			
Net income	\$ 463,646	\$ 425,200	\$ 531,729
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in deferred taxes	(2,397)	370	911
Financed franchise fees	-	-	(37,500)
Changes in operating assets and liabilities:			
Related-party receivable	-	28,861	(12,244)
Taxes receivable	49,875	(69,994)	-
Prepaid expense	19,943	(14,939)	(9,692)
Accounts payable and accrued expenses	(10,572)	(170,202)	72
Deferred revenue	5,000	-	(11,000)
Income taxes payable	-	(240,637)	133,803
	<u>525,495</u>	<u>(41,341)</u>	<u>596,079</u>
Cash provided by (used in) operating activities			
	<u>525,495</u>	<u>(41,341)</u>	<u>596,079</u>
<b>Cash Flows From Investing Activities</b>			
Principal payments received on notes receivable from related parties	16,572	6,584	24,124
	<u>16,572</u>	<u>6,584</u>	<u>24,124</u>
Cash provided by investing activities			
	<u>16,572</u>	<u>6,584</u>	<u>24,124</u>
Net change in cash	542,067	(34,757)	620,203
<b>Cash, Beginning of Year</b>	<u>1,786,327</u>	<u>1,821,084</u>	<u>1,200,881</u>
<b>Cash, End of Year</b>	<u>\$ 2,328,396</u>	<u>\$ 1,786,327</u>	<u>\$ 1,821,084</u>
<b>Supplemental Disclosures of Cash Flow Information</b>			
Financed franchise fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,500</u>
Cash paid for income taxes	<u>\$ 164,165</u>	<u>\$ 244,784</u>	<u>\$ 94,164</u>

See notes to financial statements

# SCA Franchising Corporation

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Notes to Financial Statements  
March 31, 2024, 2023 and 2022

## 1. Business Activity and Summary of Significant Accounting Policies

### Business Activity

SCA Franchising Corporation (the Company) is a California C-corporation located in Burbank, California. The Company was incorporated on March 14, 2007. The Company offers and sells SCA Appraisal Services franchises nationwide. SCA Appraisal Services engages in providing automobile damage insurance appraisal services for various insurance carriers. The Company handles the initial sale of the franchise and holds the related franchise agreement. The Company receives an initial franchise fee upon the commencement of the franchise agreement and recognizes the related royalties once the franchise is operating. The initial term of each franchise agreement is five years and can be renewed for additional five-year terms.

The Company offers its franchisees assistance with invoicing and collection of the franchisees' accounts receivable. Receivables that result from services to customers outside the Company's customer base can also be handled by the Company. This service is provided in exchange for a service fee. A franchisee may also sell its receivables to the Company at a discount rate in accordance with the terms and conditions of the Company's factoring agreement.

### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented on the accrual basis of accounting.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Revenue Recognition

#### Royalties and Franchise Fees

The Company records revenue under ASC No. Topic 606, Revenue From Contracts With Customers (Topic 606), which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The Company has selected the private company alternative under ASU No. 2021-02 for pre-opening services as a single performance obligation. Based on this guidance, the Company recognizes initial franchise fees at the opening of the store location.

Revenue related to the Company's franchise royalties is recorded when earned based upon the franchisee's sales. Franchise royalties are earned at a rate of 50% of each franchisee's gross revenues and recognized as income in the period of such revenues. Franchise royalties and administration fees are in accordance with the Franchise Agreement provision and are subject to change based on geographical and other conditions. As a result, from time to time, lower franchise royalties are negotiated for certain contracts. For the years ended March 31, 2024, 2023 and 2022, franchise royalties averaged approximately 48%, 47%, and 47%, respectively, of overall franchisee gross revenues.

Revenues earned from billing and collection of franchisees' receivables are recognized when billed to the franchisees. The Company also recognizes additional income when a franchisee has transferred or cancelled its franchise.

# SCA Franchising Corporation

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Notes to Financial Statements  
March 31, 2024, 2023 and 2022

## E&O Insurance Fees

The Company recognizes errors and omissions (E&O) insurance fee revenue when billed to the franchisee. A franchisee must maintain E&O insurance in the minimum amount of \$2,000,000. The Company has made available to the franchisees, as a convenience, an insurance program in which they may participate. The insurance policies are sold on a monthly basis and automatically renew until the franchisee has been terminated by the Company or has decided not to purchase its E&O insurance through the Company.

## Notes Receivable, Related Parties

The Company has loan agreements with four franchisees. The Company allowed franchisees to finance the remaining franchise fee balance over four years at an interest rate of 5% per annum, after a minimum deposit of \$1,000. As of March 31, 2024, 2023 and 2022, the notes receivable balances were \$19,901, \$36,473 and \$43,057, respectively.

## Related Party Receivable

The related party receivable primarily consists of a portion of insurance premiums that were prepaid on behalf of SCA Enterprises (SCAE).

## Income Taxes

Income taxes are recognized for the amount of taxes payable or refundable for the current year. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings. The Company recognizes the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company's financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and city jurisdictions. The Company recognizes tax benefits from uncertain tax positions when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigations processes, based on the technical merits of the tax position.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax provision. As of March 31, 2024, 2023 and 2022, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefit.

## Fair Value of Financial Instruments

The carrying amount of the Company's receivables and accounts payable and accrued expenses approximate their estimated fair values due to the short-term maturities of those financial instruments.

## Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize both capital and operating leases as assets and liabilities on the balance sheet for lease terms greater than one year. The guidance is effective for reporting periods beginning after December 15, 2021. The Company does not currently have any leases; therefore, this ASU does not have an impact on these financial statements.

# SCA Franchising Corporation

Notes to Financial Statements  
March 31, 2024, 2023 and 2022

In January 2021, the FASB issued ASU No. 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. The amendments in ASU No. 2021-02 provide a practical expedient related to FASB Accounting Standards Codification (FASB ASC) Topic 606, *Revenue from Contracts with Customers*, that permits franchisors that are not public business entities (PBEs) to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU.

On April 30, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade accounts receivable. The Company adopted ASC 326 using the modified retrospective method for its trade accounts receivable. Accordingly, this adoption did not have a material impact to the financial statements.

## 2. Commitments and Contingencies

### Commitments

#### Guarantees

The Company is a guarantor on a 20-year commercial real estate loan for a related party. At March 31, 2024, 2023 and 2022, borrowings on the loan were \$781,713, \$814,888 and \$852,362, respectively. The guarantee is a guarantee of payment and not of collection. The lender can require the Company to pay immediately and is not required to attempt to collect from the borrower (related party). The loan bears interest at a rate of 4.05% per annum, requires monthly payments of \$5,982, and matures on July 26, 2033. At March 31, 2024, 2023 and 2022, the Company has not recorded a liability in connection with the guarantee, as the related party is expected to make all payments on the loan.

#### Contingencies

The Company is subject to legal proceedings, claims and litigation arising in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

## 3. Franchise Outlets

As of March 31, 2024, 2023 and 2022, franchise outlets consisted of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Franchise locations:			
In operation, beginning of year	87	93	103
Franchise locations opened during the year	3	2	6
Franchise locations terminated during the year	(2)	(7)	(15)
Franchise locations ceased operations for other reasons during the year	(1)	(1)	(1)
	<u>87</u>	<u>87</u>	<u>93</u>
In operation, end of year	<u>87</u>	<u>87</u>	<u>93</u>

# SCA Franchising Corporation

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Notes to Financial Statements  
March 31, 2024, 2023 and 2022

## 4. Franchise Fees

The Company earned initial franchise fees from three franchises totaling \$30,000 for the year ended March 31, 2024, two franchises totaling \$20,000 for the year ended March 31, 2023, and six franchises totaling \$55,000 for the year ended March 31, 2022. Four of the initial franchise fees are being financed (Note 1).

## 5. Related Party Transactions

### Related Party Receivable

As of March 31, 2022, the Company was due \$28,861 for the prepaid insurance and other miscellaneous items collected by SCAE. There were no amounts outstanding at March 31, 2024 and 2023.

### Support Fees

The Company has an agreement with a company wholly owned by a family member of the stockholders to pay a service fee for sales and computer support services provided. Prior to April 1, 2022, the agreement called for support fees of \$15,000 per month. As of April 1, 2022, the service fee was increased to \$30,000 per month. Therefore, for each of the years ended March 31, 2024, 2023 and 2022, the Company paid support fees of \$360,000, \$360,000 and \$180,000, respectively, to this related party. The support fees are included in the operating expenses in the accompanying statements of income and retained earnings.

### License Fees

The Company has an agreement with a company wholly-owned by the stockholders to pay an annual license fee of 25% of the franchisee's gross billings. For the years ended March 31, 2024, 2023 and 2022, the Company paid license fees of \$3,795,923, \$4,362,648 and \$4,657,277, respectively, to this related party. The license fees are included in the operating expenses in the accompanying statements of income and retained earnings.

### Shared Administrative Expenses

The Company has an agreement with a company wholly owned by the stockholders to pay shared administrative expenses of 16% of the franchisee's gross billings. For the years ended March 31, 2024, 2023 and 2022, the Company paid shared administrative expenses of \$2,429,390, \$2,792,095 and \$2,980,657, respectively, to this related party. The shared administrative expenses are included in the operating expenses in the accompanying statements of income and retained earnings.

## SCA Franchising Corporation

Notes to Financial Statements  
March 31, 2024, 2023 and 2022

### 6. Income Taxes

The Company is taxed as a C-corporation and files in multiple states. For the years ended March 31, 2024, 2023 and 2022, income tax expense consisted of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current:			
Federal	\$ 113,976	\$ 2,904	\$ 231,467
State	50,189	1,243	79,657
	<u>164,165</u>	<u>4,147</u>	<u>311,124</u>
Deferred:			
Federal	-	370	911
State	(2,397)	-	-
	<u>(2,397)</u>	<u>370</u>	<u>911</u>
Total	<u>\$ 161,768</u>	<u>\$ 4,517</u>	<u>\$ 312,035</u>

The Company's effective tax rate differs from the statutory rate in 2024 primarily due to state income taxes and the estimated 2023 taxes being overstated and adjusted in 2024. At March 31, 2024, 2023 and 2022, deferred taxes consisted of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Deferred tax assets:			
State taxes	\$ 9,716	\$ 7,319	\$ 7,689

Deferred income taxes are provided for the tax effects of temporary differences in the reporting of income for financial statement and income tax reporting purposes and arise principally from the timing of when state income taxes are deductible.

### 7. Business Concentrations

#### Cash in Financial Institution

The Company's cash balances at its financial institution at times may exceed federally insured limits. The Company places its cash balance in high quality institutions. The Company has not experienced losses in such accounts and believes it is not exposed to significant credit risk on its cash management.

### 8. Subsequent Events

Management has evaluated subsequent events through May 31, 2024, the date which the financial statements were available to be issued.

## SCA Franchising Corporation

### Schedules of Operating Expenses

March 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounting	\$ 30,145	\$ 54,371	\$ 35,893
Computer support fees	360,000	360,000	180,000
Insurance	68,241	112,021	153,535
License and permits	3,740	6,728	5,822
License fees	3,795,923	4,362,648	4,657,277
Other operating expenses	234	837	563
Retainer fees	57,168	48,267	50,363
Shared administrative expenses	2,429,390	2,792,095	2,980,657
Software	2,144	6,548	12,898
Professional fees	10,920	-	-
Bank service charges	2	-	-
Penalties	255	-	-
Interest expense	20	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 6,758,182</u>	<u>\$ 7,743,515</u>	<u>\$ 8,077,008</u>

**EXHIBIT C**  
**State Administrators**  
**FRANCHISE REGISTRATION STATES AUTHORITIES**

<p>California Department of Financial Protection and Innovation  320 West 4th St., Suite 750  Los Angeles, CA 90013-2344  (213) 736-2741  Toll Free: 1-866-275-2677</p>	<p>Michigan  Consumer Protection Division  Michigan Department of Attorney General  525 W. Ottawa Street  G. Mennen Williams Building, 1<sup>st</sup> Floor  Lansing, MI 48933  (517) 373-7117</p>	<p>Division of Insurance Securities Regulation  124 S. Euclid Avenue, Suite 104  Pierre, SD 57501  (605) 773-3563</p>
<p>Connecticut  Department of Banking, Securities and Business Investment Division  260 Constitution Plaza  Hartford, CT 06103</p>	<p>Minnesota  Minnesota Dept. of Commerce  85 7th Place East, Suite 280  St. Paul, MN 55101-3165  (651) 296-4026</p>	<p>Texas  Secretary of State  Statutory Documents Section  P.O. Box 12887  Austin, TX 78711-2887</p>
<p>Florida  Florida Department of Agriculture and Consumer Services  P.O. Box 6700  Tallahassee, FL 32399-6700</p>	<p>New York  Office of the New York State Attorney General  Investor Protection Bureau  Franchise Section  120 Broadway, 23rd Floor  New York, NY 10271-0332  (212) 416-8236 Phone  (212) 416-6042 Fax</p>	<p>Utah  Department of Commerce  160 East 300 South  SM Box 146704  Salt Lake City, UT 84114-6704</p>
<p>Hawaii  Business Registration Div. Dept. of Commerce &amp; Consumer Affairs  335 Merchant Street, Room 205  Honolulu, HI 96813  (808) 586-2722</p>	<p>Nebraska  Department of Banking and Finance  1230 "O" Street  Suite 400  P.O. Box 95006  Lincoln, NE 68509-5009</p>	<p>Virginia  State Corporation Commission  Division of Securities and Retail Franchising  1300 E. Main Street,  Richmond, VA 23219  (804) 371-9051</p>
<p>Illinois  Chief, Franchise Division  Office of Attorney General  500 South Second Street  Springfield, IL 62707  (217) 782-4465</p>	<p>North Dakota Securities Department  600 East Boulevard Avenue  5th Floor, Dept 414  Bismarck, ND 58505-0510  (701) 328-4712</p>	<p>Washington  Department of Financial Institutions  Securities Division  150 Israel Road, SW  Tumwater, Washington 98501  (206) 753-6928</p>
<p>Indiana  Deputy Commissioner, Franchise Division  Indiana Securities Commission  Secretary of State  302 W. Washington St, Room E-111  Indianapolis, IN 46204  (317) 232-6681</p>	<p>Oregon  Department of Insurance &amp; Finance  Corporate Securities Section  Labor and Industries Building  Salem, OR 97310  (503) 378-4387</p>	<p>Wisconsin  Securities and Franchise Registration  Wisconsin Securities Commission  201 W. Washington Avenue, 4<sup>th</sup> Floor  Madison, WI 53703  (608) 266-8559</p>
<p>Maryland  Office of the Attorney General, Securities Division,  200 St. Paul Place,  Baltimore, MD 21202-2020  (410) 576-6360</p>	<p>Rhode Island  Department of Business Regulation  Securities Division  Franchise Section  1511 Pontiac Avenue  John O. Pastore Complex, Building 69-1  Cranston, RI 02920  (401) 462-9500</p>	

## EXHIBIT D

### Agent for Service of Process

We will designate the following state offices or officials as our agents for service of process:

<p><b>CALIFORNIA</b> California Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 (213) 576-7500</p>	<p><b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>
<p><b>CONNECTICUT</b> Connecticut Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103</p>	<p><b>MICHIGAN</b> Dept. of Commerce, Corp'ns &amp; Securities Bur. 525 W. Ottawa Street G. Mennen Williams Building, 1<sup>st</sup> Floor Lansing, MI 48933 (517) 373-7117</p>
<p><b>HAWAII</b> Comm'r Securities of the State of Hawaii Department of Commerce &amp; Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><b>MINNESOTA</b> Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (612) 296-4026</p>
<p><b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><b>NEW YORK</b> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8222</p>
<p><b>INDIANA</b> Indiana Secretary of State 302 West Washington Street Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p><b>VIRGINIA</b> Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733</p>
<p><b>NORTH DAKOTA</b> North Dakota Securities Commissioner 600 Boulevard Avenue, State Capital Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p><b>WASHINGTON</b> Director of Depart. of Financial Institutions General Administration Building Securities Division – 3rd Floor 150 Israel Road, S. W. Tumwater, Washington 98501 (360) 902-8760</p>
<p><b>RHODE ISLAND</b> Director of Depart. of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9500</p>	<p><b>WISCONSIN</b> Commissioner of Securities 201 West Washington Avenue Fourth Floor Madison, Wisconsin 53703 (608) 261-9555</p>
<p><b>SOUTH DAKOTA</b> Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-3563</p>	

## EXHIBIT E

### State Addenda to Franchise Disclosure Document

#### ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE CALIFORNIA FRANCHISE INVESTMENT LAW

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
2. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
3. Item 3 of the Disclosure Document is amended to provide that:

“neither the franchisor, nor any person in Item 2 of the Disclosure Document, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. § 78(a) et seq., suspending or expelling such persons from membership in that association or exchange.”
4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
5. 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.
6. The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles, California with the costs of the arbitrators' fees and the fees payable to the American Arbitration Association being borne jointly by you and us but you must pay your own legal fees, legal expenses, transportation, and travel accommodations.
7. Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.
8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
10. 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).
11. 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.
12. The highest rate of interest allowed in California is ten percent (10%) per annum.
13. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.
14. Spousal liability: Your spouse will be liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your

and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

15. 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.
16. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.
17. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE CONNECTICUT BUSINESS OPPORTUNITY INVESTMENT ACT**

### **DISCLOSURES REQUIREMENT BY CONNECTICUT LAW**

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Notwithstanding anything to the contrary in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Connecticut:

1. If the seller fails to deliver the products or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.
2. Item 2 of the Disclosure Document is amended to provide that each seller's current address is the address of SCA Franchising Corporation, which is 3817 West Magnolia Boulevard, Burbank, CA 91505.
3. Item 3 of the Disclosure Document is amended to read as follows:

Kevin Lukasik v. SCA Franchising Corporation, Case No. 01-15-0004-0362 (Filed June 30, 2015)

Our franchisee, Kevin Lukasik filed a demand for arbitration raising allegations of breach of franchise agreements, common law fraud and statutory fraud. We responded with a counterclaim alleging a breach of contract by the franchisee. The matter was amicably resolved via settlement on December 17, 2015.

Other than what disclosed above, neither we nor any person identified in Items 1 or 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.

Neither we nor any other person identified in Items 1 or 2 has during the ten (10) year period immediately preceding the date of this disclosure document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.

Neither we nor any person identified in Items 1 or 2 is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or

unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

Neither we nor any person identified in Item 2 above 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) suspending or expelling these persons from membership in the association or exchange.

## ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE HAWAII FRANCHISE INVESTMENT LAW

1. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. 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 FOURTEEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST FOURTEEN 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.
3. 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.
4. Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
Department of Commerce & Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii, 96813  
(808) 586-2722

5. Item 3 of the Disclosure Document is amended to provide that:  
  
“neither the franchisor, nor any person in Item 2 of the Disclosure Document, has within the last 10 years, been 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. § 78(a) et seq., suspending or expelling such persons from membership in that association or exchange or is subject to any currently effective order or ruling of the Federal Trade Commission or is subject to any currently effective order relating to business activity as a result of an action brought by any public agency or department.”
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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

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. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. 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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE INDIANA FRANCHISE DECEPTIVE FRANCHISE PRACTICES ACT**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the Franchise Agreement, the other agreements or California law if such provision are in conflict with Indiana law.
2. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, shall supersede the provisions of Section 13 or Section 14 of the Franchise Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. Item 12 and Section 3(c) of the Franchise Agreement are subject to Indiana Code § 23-2-2.7-1(2) and § 23-2-2.7-2(4) which prohibit us from competing unfairly with you within a reasonable area.
4. No release language set forth in the Disclosure Document or Franchise Agreement, including but not limited to Item 17 or Section thereof, respectively, shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
5. Section 17 of the Franchise Agreement is amended to provide that such agreement will be construed in accordance with the laws of the State of Indiana.
6. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires you to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement issued in the State of Indiana.
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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Maryland:

The following sentence is added to the end of the “Summary” section of Item 17(c) and Item 17(m):

“However, any general release required as a condition for our approval of a transfer, renewal, or assignment of your Franchise Agreement will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.”

1. Item 17(v) is supplemented with the following: “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”
2. Item 17 is amended by adding the following at the end of the section: “Despite any provision in the Franchise Agreement to the contrary, any claim arising under the Maryland Franchise Registration and Disclosure Law must be commenced within 3 years from the grant of the franchise.”
3. Item 17 is amended by adding the following at the end of the section: “The 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. 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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MICHIGAN FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Michigan:

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

1. A prohibition on your right to join an association of franchisees.
2. A requirement that you assent to a release, assignment, novation, waiver or estoppel which deprives you of rights and protections provided in this Act. This shall not preclude you, after entering into a license agreement, from settling any and all claims.
3. A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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.
4. A provision that permits us 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 license of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if (i) the term of the franchise is less than 5 years and (ii) you are prohibited by the license or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.
5. A provision that permits us 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.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - a. The failure of the proposed transferee to meet our then current reasonable qualifications or standards.
  - b. The fact that the proposed transferee is a competitor of us or sub-franchisor.
  - c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

- d. The failure of you or the proposed transferee to pay any sums we are owed or to cure any default in the license agreement existing at the time of the proposed transfer.
8. A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us 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 you have breached the lawful provisions of the license agreement and has failed to cure the breach in the manner provided in subdivision (c).
9. A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provisions has been made for providing the required contractual service.
10. 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.

THE FACT THAT THERE IS A NOTICE OF THIS DISCLOSURE DOCUMENT 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 THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE DEPARTMENT, 525 W. OTTAWA STREET, 670 G. MENNAN WILLIAMS BLDG., LANSING, MICHIGAN 48933 (517) 272-7117.

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

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MINNESOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. The following language is added to Item 13 of the Disclosure Document:

“Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. As such, the Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee’s use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

2. Item 17 of the Disclosure Document:

“With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require (except in certain specified cases) (1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.

“Pursuant to Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860-4400J, this Section shall not in any way 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.

“Minnesota Statutes, Section 80C.21 and Minnesota Rules 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.

“The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief and a court will determine if a bond is required. See Minn. Rules 2860.4400J.

“You may not bring any action under Chapter 80C of the Minnesota Statutes more than three years after the cause of action accrues.”

3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

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

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE NEW YORK FRANCHISE LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of New York:

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

2. Item 3 "Litigation" is amended by adding the following:

Neither we nor any predecessor, any person identified in Item 2, or any affiliate offering franchises under our principal trademark:

- A. 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. Has any 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. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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. 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. Item 4 “Bankruptcy” is amended by adding the following:

Neither we nor any of our affiliates, predecessors, officers, or general partner during the 10-year period immediately before the date of this Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. Item 14 “Requirements for franchisee to renew or extend” is amended to add the following:

No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.

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

5. Item 17 “Termination” Section (d) is amended by adding the following at the end of the Summary section:

“You may terminate the Franchise Agreement on any grounds available by law.”

6. Item 17 “Assignment of Contract by Us” Section (j) is amended by adding the following at the end of the Summary section:

“However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

7. Item 17 “Choice of Law” Section (w) is amended by adding the following at the end of the Summary section:

“The California 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”

8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE NORTH DAKOTA FRANCHISE LAW

Notwithstanding anything to the contrary in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Item 17(v) is deleted and is replaced by the following:

(v) Choice of Forum	Section 20(b)	North Dakota
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2. Item 17(w) is amended by adding the following sentence in the Summary Section:

“The laws of the state of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or California law if such provisions are in conflict with North Dakota law.”

3. Item 17(u) of the Disclosure Document is amended to add the following:

In case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys’ fees.

4. North Dakota has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee signing a general release upon renewal of the Franchise Agreement are deleted.

5. Summary column (r) in Item 17 of the Disclosure Document and Section 16(b) of the Franchise Agreement prohibit you from owning or being involved with a company or other business within the Service Area that offers services competitive with those offered, franchised or licensed by us for 2 years after termination or expiration of the Franchise Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE RHODE ISLAND FRANCHISE DISCLOSURE ACT**

1. Item 17(v) Summary section is amended to read:

“We must litigate in the state and judicial district where we maintain our principal place of business except that to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.”

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

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE VIRGINIA RETAIL FRANCHISING ACT**

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the Commonwealth of Virginia:

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h.

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

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.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE WASHINGTON FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. If any of the provisions in the disclosure document or Franchise Agreement are inconsistent with the provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent provisions of the disclosure document and Franchise Agreement with regard to any franchises sold in Washington.

2. Item 17 is amended to add the following:

"RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

"In 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.

"Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

"A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

"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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

“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.

“A provision in the Franchise Agreement which terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.”

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.

## EXHIBIT F

### List of Franchisees As of March 31, 2024

#### **ARIZONA:**

Erhard, Pat  
8425 E. Via De Viva  
Scottsdale, AZ 85298  
Office Ph: 480-318-7092

Hutsell, Kim  
P.O. Box 12768  
Tucson, AZ 85732  
Office Ph: 520-319-1773

#### **CALIFORNIA:**

Abraham Andreasyan  
6401 Olcott St  
Tujunga, CA. 91042  
Office Ph: 818-919-0265

Adzemian, Greg (1)  
11811 Balboa Blvd  
Granada Hills, CA 91344  
Office Ph: 818-404-1741

Adzemian, Greg (2)  
11811 Balboa Blvd  
Granada Hills, CA 91344  
Office Ph: 818-404-1741

Akopian, Jack (1)  
1546 Winona Blvd. #1  
Los Angeles, CA 90027  
Office Ph: 323-855-4475

Akopian, Jack (2)  
1546 Winona Blvd. #1  
Los Angeles, CA 90027  
Office Ph: 323-855-4475

Eden, Lionel  
606 Susana Ave.  
Redondo Beach, CA 90277  
Office Ph: 310-892-9931

Fengler, Horst  
1290 Vera Cruz  
Oceanside, CA 92056  
Office Ph: 310-709-8926

Kuhlmey, Chris (1)  
5644 Kearny Mesa Road  
STE# J

San Diego, CA 92111  
Cell Ph: 619-886-0545

Kuhlmey, Chris (2)  
5644 Kearny Mesa Road  
STE# J  
San Diego, CA 92111  
Cell Ph: 619-886-0545

Miller, Greg  
1458 Rutherford Lane  
Oakley, CA 94561  
Office Ph: 707-720-5632

Mosteller, Jeremy (1)  
10015 Adams Street  
Yucaipa, CA 92399  
Office Ph: 909-560-4527

Mosteller, Jeremy (2)  
10015 Adams Street  
Yucaipa, CA 92399  
Office Ph: 909-560-4527

Muradyan, Elizabeth (1)  
3412 Classic Bay Ln  
Las Vegas, NV 89117  
Office Ph: 818-422-5528

Muradyan, Elizabeth (2)  
3412 Classic Bay Ln  
Las Vegas, NV 89117  
Office Ph: 818-422-5528

Muradyan, Elizabeth (3)  
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Office Ph: 818-422-5528

Muradyan, Elizabeth (4)  
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Muradyan, Elizabeth (5)  
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Office Ph: 818-422-5528

Muradyan, Elizabeth (6)

3412 Classic Bay Ln  
Las Vegas, NV 89117  
Office Ph: 818-422-5528

Muradyan, Elizabeth (7)  
3412 Classic Bay Ln  
Las Vegas, NV 89117  
Office Ph: 818-422-5528

Ohanyan, Edvin (1)  
601 S Belmont Street  
Glendale, CA 91205  
Office Ph: 818-468-4445

Ohanyan, Edvin (2)  
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Watters, Kirk (3)  
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Watters, Kirk (4)  
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Watters, Kirk (5)  
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Stout, David (3)  
10837 SW Glenbrook Court  
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Menichetti, Vince (1)  
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**SOUTH CAROLINA:**

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Flowers, Cassandra (3)  
936 Bryden Lane  
Boiling Springs, SC 29316  
Office Ph: 864-606-9555

Flowers, Cassandra (4)  
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**TEXAS:**

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Clayton, Erik (2)  
1417 Loma Linda Terrace  
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Office Ph: 757-777-6572

**WASHINGTON DC:**

Waterfield, Jim (3)  
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Office Ph: 757-777-6572

## EXHIBIT G

### List of Former Franchisees

Below is the name and contact information of every franchisee who has had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with the franchisor within ten weeks of this disclosure document issuance date.

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

#### **CALIFORNIA:**

Ohanyan, Edvin  
601 S Belmont Street  
Glendale, CA 91205  
Office Ph: 818-468-4445

Muradyan, Elizabeth  
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Office Ph: 818-422-5528

#### **COLORADO:**

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#### **NEW JERSEY:**

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#### **TEXAS:**

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#### **OHIO:**

Shetterly, Elizabeth  
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Waynesville, OH 45068  
Office Ph: 512-383-3062

## **EXHIBIT H1**

**Franchisee Organizations We Have Created, Sponsored or Endorsed - None.**

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## **EXHIBIT H2**

**Independent Franchisee Associations – None.**

## Exhibit I

### State Effective Dates

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

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

State	Effective Date
California	
Florida	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Utah	
Virginia	
Washington	
Wisconsin	

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

# EXHIBIT J

## 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 SCA Franchising Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York 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 SCA Franchising Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 C.

The franchisor is SCA Franchising Corporation, located at 3817 West Magnolia Boulevard, Burbank, California, 91505. Its telephone number is (800) 572-8010.

Issuance Date: June 3, 2024.

The Issuance Date is not the Effective Date. See Page 5 of this disclosure document to determine if your state's Effective Date varies from the Issuance Date.

The franchise sellers for this offering are Timothy W. P. Davis, Bradley Davis, and Jon Gironda of SCA Franchising Corporation, 3817 West Magnolia Boulevard, Burbank, California, 91505, (800) 572-8010.

SCA Franchising Corporation authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated June 3, 2024, that included the following Exhibits:

- |   |  |    |  |
|---|--|----|--|
| A | Franchise Agreement and Related Materials                                  | B  | Financial Statements   |
|   | Exhibits to Franchise Agreement:   | C  | State Administrators   |
|   | Exhibit A - Franchise Description  | D  | Agent for Service of Process                                       |
|   | Exhibit B - General Release  | E  | State Addenda to Disclosure Document                               |
|   | Exhibit C – Approved Accounts Receivable                                   | F  | List of Franchisees  |
|   | Purchase Agreement   | G  | List of Former Franchisees   |
|   | Exhibit D – Personal Guaranty  | H1 | Franchisee Organizations We Have Created,<br>Sponsored or Endorsed |
|   | Exhibit E – Non-Compete, Confidentiality and<br>Non-Solicitation Agreement | H2 | Independent Franchisee Associations                                |
|   | Exhibit F – Confidentiality and Non-Solicitation<br>Agreement              | I  | State Effective Date Page  |
|   | Exhibit G – Secured Promissory Note  | J  | Receipt  |
|   | Exhibit H - State Addenda to Franchise<br>Agreement                        |    |  |

Dated: \_\_\_\_\_

Prospective Franchisee

\_\_\_\_\_  
(Name of Business Entity if Business Entity)

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

(Signature)

\_\_\_\_\_  
(Name and Title)

Please sign this copy of the receipt, date your signature, and return to SCA Franchising Corporation, 3817 West Magnolia Boulevard, Burbank, CA 91505. This disclosure document is also available in pdf format on our website, [www.sca-appraisal.com](http://www.sca-appraisal.com)

# EXHIBIT J

## 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 SCA Franchising Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York 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 SCA Franchising Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 C.

The franchisor is SCA Franchising Corporation, located at 3817 West Magnolia Boulevard, Burbank, California, 91505. Its telephone number is (800) 572-8010.

Issuance Date: June 3, 2024.

The Issuance Date is not the Effective Date. See Page 5 of this disclosure document to determine if your state's Effective Date varies from the Issuance Date.

The franchise sellers for this offering are Timothy W. P. Davis, Bradley Davis, and Jon Gironde of SCA Franchising Corporation, 3817 West Magnolia Boulevard, Burbank, California, 91505, (800) 572-8010.

SCA Franchising Corporation authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated June 3, 2024, that included the following Exhibits:

- |   |   |    |  |
|---|---|----|--|
| A | Franchise Agreement and Related Materials<br>Exhibits to Franchise Agreement:<br>Exhibit A - Franchise Description<br>Exhibit B - General Release<br>Exhibit C – Approved Accounts Receivable<br>Purchase Agreement<br>Exhibit D – Personal Guaranty<br>Exhibit E – Non-Compete, Confidentiality and<br>Non-Solicitation Agreement<br>Exhibit F – Confidentiality and Non-Solicitation<br>Agreement<br>Exhibit G – Secured Promissory Note<br>Exhibit H - State Addenda to Franchise<br>Agreement | B  | Financial Statements   |
|   |   | C  | State Administrators   |
|   |   | D  | Agent for Service of Process                                       |
|   |   | E  | State Addenda to Disclosure Document                               |
|   |   | F  | List of Franchisees  |
|   |   | G  | List of Former Franchisees   |
|   |   | H1 | Franchisee Organizations We Have Created,<br>Sponsored or Endorsed |
|   |   | H2 | Independent Franchisee Associations                                |
|   |   | I  | State Effective Date Page  |
|   |   | J  | Receipt  |

Dated: \_\_\_\_\_

Prospective Franchisee

\_\_\_\_\_  
(Name of Business Entity if Business Entity)

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

(Signature)

\_\_\_\_\_  
(Name and Title)

Please sign this copy of the receipt, date your signature, and return to SCA Franchising Corporation, 3817 West Magnolia Boulevard, Burbank, CA 91505. This disclosure document is also available in pdf format on our website, [www.sca-appraisal.com](http://www.sca-appraisal.com).