

# FRANCHISE DISCLOSURE DOCUMENT

## SCA FRANCHISING CORPORATION



## APPRAISAL COMPANY

A California Corporation  
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The franchisee will operate an SCA Appraisal Services business, which provides vehicle property damage appraisal services for insurance companies.

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 9, 2021

## 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 Exhibits F and G.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B 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 Exhibits F and G 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 A.

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

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk 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.

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) - Secured Promissory Note
B.	Financial Statements
C.	State Administrators
D.	Agents for Service of Process
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F.	List of Franchisees
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## **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 or partnership who buys the franchise. 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 29, 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 8 franchises licensing 14 franchised locations.

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, SCA nor WCF have previously offered or sold franchises for SCA Appraisal Services Businesses. Neither we nor SCA nor WCF 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. 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.

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 an 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 - Manager of Franchise Compliance and Support: Bradley Davis is our Manager of Franchise Compliance and Support and has occupied this position since December 2016. Prior to that time, from January 2013 to November 2016, Mr. Davis was our Vice-President of Financial Services. Mr. Davis fulfilled all of his positions with us at our principal office location in Burbank, California.

Nicholas Napier - National Network Director: Nicholas Napier is our National Network Director and has occupied this position since March 2018 serving in Bandon, Oregon. Prior to that time, Mr. Napier served as our Regional Director for the Western Division from August 2010 through February 2018, serving in Bandon, Oregon.

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 serving in Richardson, Texas. From February 2020 through the present, Mr. Gironde has served as the Executive VP and Chief Operating Officer of WCF, operating out of Burbank, California. Prior to that time, Mr. Gironde served as President of TTA Appraisal, Inc. in Murietta, California from December 2015 through October 2017.

Julie Chambers – EA Accounting: Julie Chambers is our EA of Accounting and has occupied this position since February 2020, serving in Burbank, California. Julie Chambers is also the EA of Accounting of WCF and has held this position since September 2019. Prior to that time, Ms.

Chambers was (a) an Accounting Analyst for Farmers Insurance in Woodland Hills, California from May 2019 to July 2019; (b) an Operations Specialist in Woodland Hills, California from October 2016 to May 2019; and (c) a Visitor's Associate at the Ronald Regan Presidential Library in Simi Valley, California from February 2016 to October 2016.

**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.

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 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 ranging from \$5,000 to \$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 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.

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
			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>
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 general manager 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 General Manager 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**

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, services, supplies, materials, equipment and other products, only from us, our affiliates or the suppliers to be 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 “Manual”).

We will disclose to you, in the 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.

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. 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 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, 2021, 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
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Sections 5(b)(iii), 6(a)(i), 6(f), 7(a)(i), 7(b)(iii), and 7(b)(xviii) 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

Obligation	Section in Agreement	Disclosure Document Item
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	Glossy 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 E.

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 3% 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
Loss of Legal Rights upon Default	None	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 is 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

	Accounts Receivable Purchase Agreement	Initial Franchise Fee Financing
		<p>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 Manual. You must strictly comply with the Manual in operating your Appraisal Business. We can change the 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 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. 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 license.

### **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 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 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 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 Manual and approved by us in accordance with our approval process described in the 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 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.

### **Table of Contents Operations Manual**

The following is the Table of Contents of our Manual as of the date of this disclosure document:

Topic	Page Number
Introduction	1
Guidelines	1
Updates to Operations Manual	1
Confidentiality	2
Doing Business as an SCA Franchise	2
Business Overview	2
Equipment/Materials	2
Software and Other Materials	3
Office Space	4
Field Experience Requirement/Franchise Employees	4
Advertising	4
Certification/Training/Licensing/Taxes	5
Insurance Coverage	5
Coverage Hold of Service Area	5
Franchisee’s obligation to attend national or regional seminars, conventions, conferences or meetings	5
Franchisee’s obligation to pay all costs of enforcement for non-compliance with the Franchise Agreement	6

Topic	Page Number
Franchisee's obligation to pay fees for non-compliance with System Standards.	6
Franchisee's obligation to report any complaint they receive to the Company.	6
Franchisee's obligation to strictly comply with the Operations Manual.	6
Company's ability to make changes to the Operations Manual.	6
<b>Ethics/Professionalism</b>	6
Communication	6
Industry Standards Re: Customer Service	7
Appraiser's Personal Appearance and Etiquette	8
Statements	9
Referring Customers	9
<b>Appraisal Process</b>	10
Initial Contact/ Setting Up Assignments	10
Cycle Time Requirements	10
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Additional Items (Cover Car, Color Tint, etc.)	20
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Topic	Page Number
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Revised Business Interruption Insurance for Franchisees	22
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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 twenty (20) 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 depending upon restrictions on gathering or travel or other health and safety concerns during the COVID-19 pandemic. 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 to System	1 - 2 hours	None	See above
Operations and Software	4 - 5 hours	None	See above
Sales, Customer Service, and Marketing	2 - 3 hours	None	See above
Financial Management	1 - 1.5 hours	None	See above
Industry Best Practices	1 - 2 hours	None	See above
Open Forum	1 - 1.5 hours	None	See above

The instructional materials consist of our Manual and videotapes, checklists, demonstrations, practices and quizzes. 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 45 days after the signing of the Franchise Agreement.

The Initial Training Program is mandatory for the General Manager, which is either (i) you (if the franchisee is an individual) or (ii) an individual who has at least a 50% equity interest in the franchise entity or in the net profits of the Appraisal Business (if the franchisee is an entity). 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.

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 Appraisal 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

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 persons affiliated with you must sign our Confidentiality/Non-Competition Agreement.

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 Manual; records of customers and billings; methods of advertising and promotion; instructional materials; and other matters.

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

You must personally supervise the operation of your Appraisal Business. You must devote the necessary time and your best efforts for the proper and effective operation of the business. If you are an individual, you must serve as General Manager. If the franchisee is a Business Entity, the General Manager must have at least a 50% equity interest in the franchise entity or in the net profits of the Appraisal Business. The General Manager, 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 General Manager must complete the Initial Training Program to our satisfaction. After a General Manager's death or disability, you must immediately notify us, and you must designate a successor or acting General Manager within 10 days.

The following persons must sign our Confidentiality/Non-Competition Agreement and keep our information confidential or proprietary (see Item 14):

- Your General Manager, all your other managerial employees and any other persons to whom you grant access to confidential information.
- If you are a Business Entity, all your officers, directors, equity holders, member and those of any Business Entity directly or indirectly controlling you.

If you are a Business Entity, each of your owners must sign a personal guaranty in the form of Exhibit D to the Franchise 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
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 General Manager 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 account (including an employee or representative of the</p>

Provisions	Section in Franchise Agreement	Summary
		<p>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 if you are 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;</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 Exhibit C 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 entity that performs services for any client of a customer, or having a conflict of interest with any customer; or</p>

Provisions	Section in Franchise Agreement	Summary
		(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.
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 Manual.</p> <p>c. Cancel assumed name registration which contains our Trademarks.</p> <p>d. Deliver to us all confidential information, the 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, subfranchising, 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> <p>(i) we must be paid the Transfer Fee and Transfer Deposit.</p>

Provisions	Section in Franchise Agreement	Summary
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).
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 21(a)	Any modification of the Franchise Agreement must be in writing.
t. Integration/merger clause	Section 21(b)	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(b)	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 of the state where the Franchised Business is located. See the State Addenda located at Exhibit E.

*The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).*

See the state addenda to the Franchise Agreement and Disclosure Document for special state disclosures.

**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.

We do not make any representations about franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting our 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 2018 to 2020**

<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	2018	111	107	-4
	2019	107	101	-6
	2020	101	103	+2
SCA-Owned Outlets	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	111	107	-4
	2019	107	101	-6
	2020	101	103	+2

**Table No. 2**  
**Transfers From Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2018 to 2020**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Arizona	2018	0
	2019	1
	2020	0
California	2018	2
	2019	3
	2020	1
Colorado	2018	0
	2019	1
	2020	2
Florida	2018	0
	2019	0
	2020	0
Georgia	2018	0
	2019	0
	2020	0
Hawaii	2018	0
	2019	0
	2020	0
Illinois	2018	0
	2018	0
	2020	0
Iowa	2018	0
	2019	0
	2020	0
Kansas	2018	0
	2019	0
	2020	0
Louisiana	2018	0
	2019	0
	2020	0
Michigan	2018	0
	2019	0
	2020	0
Missouri	2018	0
	2019	0
	2020	0
Montana	2018	0
	2019	0
	2020	0
Nevada	2018	0
	2019	0
	2020	0

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
New York	2018	0
	2019	0
	2020	0
North Carolina	2018	0
	2019	0
	2020	1
Ohio	2018	1
	2019	0
	2020	0
Oklahoma	2018	0
	2019	1
	2020	0
Oregon	2018	0
	2019	0
	2020	0
Pennsylvania	2018	0
	2019	0
	2020	0
South Carolina	2018	2
	2019	0
	2020	0
Rhode Island	2018	0
	2019	0
	2020	0
Tennessee	2018	0
	2019	0
	2020	0
Texas	2018	0
	2019	0
	2020	1
Utah	2018	0
	2019	0
	2020	0
Virginia	2018	0
	2019	0
	2020	0
Washington	2018	0
	2019	0
	2020	0
Total	2018	5
	2019	6
	2020	5

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2018 to 2020**

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	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Arkansas	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
California	2018	30	1	0	0	0	2	29
	2019	29	0	1	0	0	0	28
	2020	28	1	1	0	0	0	28
Colorado	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Connecticut	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Delaware	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
District of Columbia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Florida	2018	10	0	0	0	0	0	10
	2019	10	0	0	0	0	0	10
	2020	10	0	0	0	0	0	10
Georgia	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Hawaii	2018	1	0	0	0	0	0	1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Illinois	2018	5	0	0	0	1	0	4
	2019	4	0	0	0	0	1	3
	2020	3	0	0	0	0	0	3
Indiana	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Iowa	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Kansas	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Kentucky	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	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
Louisiana	2018	1	0	0	0	0	0	1
	2019	1	1	1	0	0	0	1
	2020	1	1	0	0	0	0	2
Michigan	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Minnesota	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Mississippi	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Missouri	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Montana	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
Nebraska	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Nevada	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
New Hampshire	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
New Jersey	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
New Mexico	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
New York	2018	9	0	0	0	0	0	9
	2019	9	0	0	0	0	0	9
	2020	9	1	0	0	0	0	10
North Carolina	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	1	2
Ohio	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Oklahoma	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2

<b>Column 1 State</b>	<b>Col. 2 Year</b>	<b>Col. 3 Outlets at Start of Year</b>	<b>Col. 4 Outlets Opened</b>	<b>Col. 5 Terminations</b>	<b>Col. 6 Non- Renewals</b>	<b>Col. 7 Reacquired by Franchisor</b>	<b>Col. 8 Ceased operations – Other Reasons</b>	<b>Col. 9 Outlets at the end of Year</b>
Oregon	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Pennsylvania	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	1	0	0	0	0	2
Rhode Island	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
South Carolina	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Tennessee	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
Texas	2018	12	0	0	0	0	0	12
	2019	12	1	0	0	0	2	11
	2020	11	0	1	0	0	2	8
Utah	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Virginia	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Washington	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
West Virginia	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Wisconsin	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Total	2018	111	1	0	0	1	4	107
	2019	107	3	3	0	0	6	101
	2020	101	7	2	0	0	3	103

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2018 to 2020**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at Start of Year</b>	<b>Column 4 Outlets Opened</b>	<b>Column 5 Outlets reacquired from Franchisees</b>	<b>Column 6 Outlets Closed</b>	<b>Column 7 Outlets sold to Franchisees</b>	<b>Column 8 Outlets at End of the Year</b>
Arizona	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
California	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Florida	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Georgia	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Hawaii	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Illinois	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Kansas	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Michigan	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Missouri	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Montana	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Nevada	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
New York	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at Start of Year</b>	<b>Column 4 Outlets Opened</b>	<b>Column 5 Outlets reacquired from Franchisees</b>	<b>Column 6 Outlets Closed</b>	<b>Column 7 Outlets sold to Franchisees</b>	<b>Column 8 Outlets at End of the Year</b>
Ohio	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Oklahoma	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Oregon	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
PA	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
South Carolina	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Tennessee	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Texas	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Utah	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Virginia	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Washington	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Total	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

**Table No. 5  
Projected Openings as of March 31, 2021**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets In the Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Alabama			
Alaska			
Arizona			
Arkansas			
California		1	
Colorado			
Connecticut			
Delaware			
Florida			
Georgia		1	
Hawaii			
Idaho			
Illinois		1	
Indiana			
Iowa			
Kansas			
Kentucky			
Louisiana			
Maine		1	
Maryland			
Massachusetts			
Michigan			
Minnesota		1	
Mississippi			
Missouri			
Montana			
Nebraska			
Nevada			
New Hampshire			
New Jersey			
New Mexico			
New York			
North Carolina		1	
North Dakota			
Ohio		1	
Oklahoma			
Oregon			
Pennsylvania		1	

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
Rhode Island			
South Carolina			
South Dakota			
Tennessee		1	
Texas		1	
Utah			
Vermont			
Virginia			
Washington			
West Virginia			
Wisconsin			
Wyoming			
Total		10	

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, 2021.

**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 2020/2021 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 for the fiscal year ended (a) March 31, 2021, dated as of June 8, 2021; and (b) March 31, 2020, dated as of June 1, 2020; and March 31, 2019.

**Item 22: Contracts**

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

**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) - Secured Promissory Note

**SCA FRANCHISING CORPORATION**  
**FRANCHISE AGREEMENT**

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THIS FRANCHISE AGREEMENT (together with all exhibits, schedules, appendices and addenda, 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 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).

## 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 General Manager; (3) additional marketing requirements; and (4) 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.**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.

(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 Franchise. 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 E. 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 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) 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; and

(iv) 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").

(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 General Manager 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;

(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 General Manager 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. 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, 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 General Manager and another of Franchisee's employees or owners, if desired, will attend and Satisfactorily complete initial training program described in Section 6(a)(i). The General Manager 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 within 45 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 General Manager 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 General Manager and another of Franchisee's employees have Satisfactorily completed the initial training program.

(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, (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.

(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. 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.

(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.

## **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 reserve 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 shall execute and deliver to Company the Guaranty in the form of Exhibit D hereto.

(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)), 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 Copyrighted 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. 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/Noncompetition 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.

(c) Internet Domain Name. Franchisee acknowledges that Company or Affiliate owns and operates a website with the domain name, [www.sca-apraisal.com](http://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 General Manager 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 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 delivers to Company a signed Guaranty under which the transferee agrees 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 General Manager 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, 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) During the Term. During the term of this Agreement Franchisee will not own or operate, directly or indirectly, or accept employment by or hold any interest in any Competitive Business anywhere in the United States. Franchisee's covenant contained in this Subsection is an exclusive dealing arrangement and is intended to protect Company's confidential information and trade secrets.

(b) After the Term. For the 2-year period after this Agreement expires or is terminated, Franchisee will not own or operate, directly or indirectly or accept employment by or hold any interest in any Competitive Business in the Service Area and in each territory outside the Service Area in which Company, Affiliate or a franchisee is then operating.

(c) 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 General Manager (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) 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 General Manager (if Franchisee is a Business Entity) agree that they will immediately comply with the covenant, as modified.

(iii) Franchisee or Franchisee's General Manager (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.

(d). 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).

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 or demands required or permitted under this Agreement will be in writing and will be deemed delivered when deposited with the United States Postal Service, first class postage prepaid, certified or registered mail, return receipt requested, 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.

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. 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.

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:

## 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 authored 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.

“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.

“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 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, the assets owned and/or used by Franchisee in the operation of the Franchised Business, and any and all rights granted to Franchisee by Company under this Agreement.

“General Manager” means the Franchisee if the Franchisee is an individual or, if the Franchisee is a Business Entity, General Manager means an individual appointed as General Manager who must at all times that he or she serves as General Manager maintain an ownership or net profits interest in the Franchised Business of at least 50%. Franchisee’s first General Manager is identified in Exhibit A.

“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 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.

“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.

“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.

“Services” means the provision of property damage appraisal 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 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.
4. Entire Agreement. This Guaranty sets forth the entire understanding between the Guarantor and us relative to the subject matter hereof and this Guaranty supersedes all prior agreements and understandings relating to the subject matter hereof.
5. Applicable Law. THE VALIDITY AND INTERPRETATION OF THIS GUARANTY, AND THE TERMS AND CONDITIONS SET FORTH HEREIN SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WHOLLY THEREIN, WITHOUT GIVING EFFECT TO ANY PROVISIONS THEREOF RELATING TO CONFLICTS OF LAW. THIS GUARANTY SHALL BE



**EXHIBIT E**

**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 B**  
**Financial Statements**



# **SCA Franchising Corporation**

Financial Statements with Supplementary Information

March 31, 2021, 2020, and 2019

## INDEX TO FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of SCA Franchising Corporation

We have audited the accompanying financial statements of SCA Franchising Corporation (a California C corporation), which comprise the balance sheets as of March 31, 2021, 2020, and 2019, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCA Franchising Corporation as of March 31, 2021, 2020, and 2019, 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.



**Report on 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 14 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**

*Baker Tilly US, LLP*

Woodland Hills, California

June 8, 2021

**SCA FRANCHISING CORPORATION**  
**BALANCE SHEETS**  
**March 31, 2021, 2020, and 2019**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 1,200,881	\$ 713,539	\$ 668,058
Loans receivable	29,681	9,000	-
Related party receivable	16,617	21,240	29,666
Prepaid expense	14,783	13,498	13,012
Total current assets	1,261,962	757,277	710,736
<b>Deferred income taxes</b>	8,600	-	2,600
Total assets	\$ 1,270,562	\$ 757,277	\$ 713,336
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 180,702	\$ 32,333	\$ 2,620
Due to related party	-	4,212	-
Income taxes payable	106,834	8,294	13,894
Deferred revenue	11,000	-	-
Total current liabilities	298,536	44,839	16,514
<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	722,026	462,438	446,822
Total stockholders' equity	972,026	712,438	696,822
Total liabilities and stockholders' equity	\$ 1,270,562	\$ 757,277	\$ 713,336

**SCA FRANCHISING CORPORATION**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended March 31, 2021, 2020, and 2019**

	2021		2020		2019	
	Amount	Percent of net revenues	Amount	Percent of net revenues	Amount	Percent of net revenues
<b>Revenues</b>						
Royalties	\$ 5,250,369	96.3	\$ 6,473,215	94.7	\$ 5,561,205	88.0
Software subscriptions	-	-	184,572	2.7	587,859	9.3
E&O insurance fees	128,719	2.4	136,071	2.0	151,145	2.4
Franchise fees	<u>72,500</u>	<u>1.3</u>	<u>39,000</u>	<u>0.6</u>	<u>17,500</u>	<u>0.3</u>
Total revenues	5,451,588	100.0	6,832,858	100.0	6,317,709	100.0
<b>Operating expenses</b>	<u>5,094,646</u>	<u>93.5</u>	<u>6,813,319</u>	<u>99.7</u>	<u>6,277,718</u>	<u>99.4</u>
<b>Income from operations</b>	<u>356,942</u>	<u>6.5</u>	<u>19,539</u>	<u>0.3</u>	<u>39,991</u>	<u>0.6</u>
<b>Other income (expense)</b>						
Interest, net	270	-	14	-	14	-
Other	<u>(81)</u>	<u>-</u>	<u>12,476</u>	<u>0.2</u>	<u>12,977</u>	<u>0.2</u>
Total other income (expense)	<u>189</u>	<u>-</u>	<u>12,490</u>	<u>0.2</u>	<u>12,991</u>	<u>0.2</u>
<b>Income before income tax expense</b>	357,131	6.5	32,029	0.5	52,982	0.8
<b>Income tax expense</b>	<u>97,543</u>	<u>1.8</u>	<u>16,413</u>	<u>0.2</u>	<u>11,156</u>	<u>0.2</u>
<b>Net income</b>	259,588	<u>4.7</u> %	15,616	<u>0.3</u> %	41,826	<u>0.6</u> %
<b>Retained earnings, beginning of year</b>	<u>462,438</u>		<u>446,822</u>		<u>404,996</u>	
<b>Retained earnings, end of year</b>	<u>\$ 722,026</u>		<u>\$ 462,438</u>		<u>\$ 446,822</u>	

**SCA FRANCHISING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended March 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>			
Net income	\$ 259,588	\$ 15,616	\$ 41,826
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in deferred taxes	(8,600)	2,600	-
Changes in operating assets and liabilities:			
Loans receivable	(20,681)	(9,000)	-
Related party receivable	4,623	8,426	(10,163)
Prepaid expense	(1,285)	(486)	1,017
Accounts payable and accrued expenses	148,369	29,713	(51,078)
Deferred revenue	11,000	-	-
Due to related party - accrued expenses	(4,212)	4,212	-
Income taxes payable	98,540	(5,600)	-
Net cash provided by (used in) operating activities	<u>487,342</u>	<u>45,481</u>	<u>(18,398)</u>
<b>Cash, beginning of year</b>	<u>713,539</u>	<u>668,058</u>	<u>686,456</u>
<b>Cash, end of year</b>	<u>\$ 1,200,881</u>	<u>\$ 713,539</u>	<u>\$ 668,058</u>
<b>Supplemental disclosure of cash flow information</b>			
Cash paid during the year for:			
Income taxes	<u>\$ 7,603</u>	<u>\$ 21,989</u>	<u>\$ 11,156</u>

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended March 31, 2021, 2020, and 2019**

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**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. For the years ended March 31, 2021, 2020, and 2019, franchise fee revenues amounted to \$72,500, \$39,000, and \$17,500, respectively. The initial term of each franchise agreement is five years and can be renewed for an additional five-year term.

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.

Up until the year ended March 31, 2020, the Company was a reseller of appraisal estimating software subscriptions. The Company sold the software subscriptions exclusively to its own franchisees as well as SCA Enterprises ("SCAE"), an entity under common ownership, who is an independent appraiser network. As of September 30, 2019, the Company terminated its agreement with the software provider and, therefore, there were no active software subscribers as of March 31, 2020 and beyond.

***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 generally accepted accounting principles 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.

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended March 31, 2021, 2020, and 2019

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**1. BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue Recognition***

*Royalties and franchise fees*

The Company recognizes initial franchise fees as income when the franchisee signs the Franchise Agreement, at which time the Company has substantially performed its obligations related to such fees. These fees are non-refundable. Franchise royalties are earned at a rate of fifty percent (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 jobs. For the years ended March 31, 2021, 2020, and 2019, franchise royalties averaged approximately 46%, 46%, and 45%, respectively, of overall franchisee gross revenues.

Revenues earned from billing and collection of franchisees' receivables are recognized when billed to the franchisees. Revenue earned from purchasing discounted accounts receivable from franchisees is recognized when the purchased receivables are collected in full, if any. There were no purchased receivables for the years ended March 31, 2021, 2020, and 2019.

The Company also recognizes additional income when a franchisee has transferred or cancelled its franchise.

*Software Subscriptions*

The Company recognizes software subscription fees as income upon user activation, at which time the user may begin using the software. Subscriptions are sold on a monthly basis, and automatically renewed until the subscription has been terminated by the Company or the subscriber. As of September 30, 2020, the Company terminated its subscription agreements.

*E&O Insurance Fees*

The Company recognizes E&O insurance fee revenue when billed to the franchisee. A franchisee must maintain errors and omissions insurance in the minimum amount of two million dollars. 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 renewed until the franchisee has been terminated by the Company or has decided not to purchase its E&O insurance through the Company.

***Loans Receivable***

The Company has loan agreements with four franchisees. The Company allowed franchisees to finance the remaining franchise fee balance over 4 years at an interest rate of 5% per annum, after a minimum deposit of \$1,000. As of March 31, 2021, 2020, and 2019, the loans receivable balances were \$29,681, \$9,000, and \$0, respectively.

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended March 31, 2021, 2020, and 2019**

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**1. BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Related Party Receivable***

Due from related party receivable, primarily consists of a portion of insurance premiums that were prepaid on behalf of SCAE. As of March 31, 2021, 2020, and 2019, management determined no allowance for uncollectible amounts was deemed necessary.

***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 expense. As of March 31, 2021, 2020, and 2019, 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 and the Company is currently evaluating this pronouncement and its financial reporting implications.

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended March 31, 2021, 2020, and 2019

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**1. BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Recent Accounting Pronouncements (continued)*

In January 2021, the FASB issued ASU 2021-02, Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient. The amendments in ASU 2021-02 provide a practical expedient related to FASB Accounting Standards Codification (“FASB ASC”) 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.

Additionally, amendments in ASU 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The amendments in ASU 2021-02 are effective in interim and annual periods beginning after December 15, 2020. Early application is permitted. For those entities, this guidance should be applied retrospectively to the date FASB ASC 606 was adopted. The Company elected to use the practical expedient and early adopted this ASU during the year ended December 31, 2020 using a retrospective method starting from January 1, 2019 when Topic 606 was adopted. The adoption of this ASU did not have a significant impact on the Company’s financial statements.

**2. COMMITMENTS AND CONTINGENCIES**

*Commitments*

*Sub-License Agreement*

In October 2009, the Company entered into a sublicense agreement (the “agreement”) with Audatex North America, Inc. to become a reseller of the Audatex estimating software. Licenses are non-transferable and may not be used by more than one user.

In July 2015, the agreement was amended for a five-year term. Under the terms of the agreement, the Company was obligated to pay a monthly fee of \$33,250 for the first two years and \$38,000 per month for the remaining three years, and a monthly maintenance fee of \$2,500. The Company may issue up to 350 user subscriptions for the first two years, and up to 450 user subscriptions for the remaining three years under this pricing arrangement.

In September 2019, the agreement was terminated in exchange for consideration of \$270,000. Commencing on October 1, 2019, Audatex ceased acceptance and processing of SCA claims through their software, and all access and underlying services were terminated.

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended March 31, 2021, 2020, and 2019**

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**2. COMMITMENTS AND CONTINGENCIES (continued)**

*Commitments (continued)*

Guarantees

The Company is a guarantor on a 20-year commercial real estate loan for a related party. At March 31, 2021, 2020, and 2019, borrowings on the loan were \$888,335, \$922,858 and \$955,895, respectively. The guarantee is a guarantee of payment and not of collection. The lender can insist the Company 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. The loan contains certain restrictions and financial covenants. At March 31, 2021, 2020, and 2019, the related party was in compliance with all of its bank covenant requirements and 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.

***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to impact the United States. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while the Company does not expect this matter to significantly impact the Company's business, financial position, and results of operations, the related financial impact cannot be reasonably estimated at this time. The Company will continue to closely monitor the development and the effect to the Company's operations.

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended March 31, 2021, 2020, and 2019

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**3. FRANCHISE OUTLETS**

As of March 31, 2021, 2020, and 2019, franchise outlets consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Franchise locations</b>			
In operation, beginning of year	101	107	111
Franchise locations opened during the year	7	3	-
Franchise locations reacquired during the year	-	-	1
Franchise locations sold during the year	-	-	(1)
Franchise locations terminated during the year	(2)	(3)	(4)
Franchise locations ceased operations for other reasons during the year	(3)	(6)	-
	<u>103</u>	<u>101</u>	<u>107</u>

**4. FRANCHISE FEES**

The Company received initial franchise fees from seven franchises totaling \$65,000 for the year ended March 31, 2021, three franchises totaling \$30,000 for the year ended March 31, 2020 and one franchise totaling \$10,000 for the year ended March 31, 2019. Four of the initial franchise fees are being financed (Note 1).

Deferred franchise fee revenue as of March 31, 2021 represents the portion of total revenue from initial franchise fees attributable for services required to be provided to the Company that have not yet been performed. As of March 31, 2021, 2020, and 2019, deferred franchise fees were \$11,000, \$0, and \$0, respectively. The Company also received \$7,500, \$0, and \$7,500 in transfer fees for the years ended March 31, 2021, 2020, and 2019, respectively.

**5. RELATED PARTY TRANSACTIONS**

***Related Party Receivable***

As of March 31, 2021, 2020, and 2019, the Company is due \$16,617, \$21,240, and \$29,666, respectively, for the prepaid insurance and other miscellaneous items collected by SCAE. The receivables were paid in the subsequent year.

**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended March 31, 2021, 2020, and 2019

**5. RELATED PARTY TRANSACTIONS (continued)**

***Computer 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 computer support services provided. For the years ended March 31, 2021, 2020, and 2019, the Company paid computer support fees of \$180,000, \$180,000, and \$669,687, respectively, to this related party. The annual service fee was 10% of net royalty, franchise, and subscription revenues from April 2018 through December 2018, 12% from January 2019 through March 2019, and \$15,000 per month from April 2019 through March 2021.

***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, 2021, 2020, and 2019, the Company paid license fees of \$2,860,759, \$3,570,482, and \$2,958,537, respectively, to this related party. The annual license fee was 23.75% from April 2018 through December 2018, 26% from January 2019 through March 2019, and 25% from April 2019 through March 2021.

***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, 2021, 2020, and 2019, the Company paid shared administrative expenses of \$1,830,884, \$2,285,109, and \$1,916,221, respectively, to this related party. The shared administrative expenses fee was 15% from April 2018 through December 2018, 18% from January 2019 through March 2019, and 16% from April 2019 through March 2021.

**6. INCOME TAXES**

The Company is taxed as a C corporation and files in multiple states. For the years ended March 31, 2021, 2020, and 2019, income tax expense consist of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current			
Federal	\$ 70,433	\$ 6,064	\$ 3,434
State	<u>35,710</u>	<u>7,749</u>	<u>7,722</u>
	<u>106,143</u>	<u>13,813</u>	<u>11,156</u>
Deferred			
Federal	-	-	-
State	<u>(8,600)</u>	<u>2,600</u>	<u>-</u>
	<u>(8,600)</u>	<u>2,600</u>	<u>-</u>
	<u>\$ 97,543</u>	<u>\$ 16,413</u>	<u>\$ 11,156</u>

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**SCA FRANCHISING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended March 31, 2021, 2020, and 2019

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**6. INCOME TAXES (continued)**

The Company's effective tax rate differs from the statutory rate primarily due to the impact of state income taxes.

At March 31, 2021, 2020, and 2019, deferred taxes consist of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred tax assets			
Accumulated amortization	\$ -	\$ -	\$ 2,600
State taxes	8,600	-	-
	<u>\$ 8,600</u>	<u>\$ -</u>	<u>\$ 2,600</u>

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 accumulated amortization resulting from organization and start-up costs capitalized for income tax reporting purposes and expensed for financial statement purposes.

**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 June 8, 2021 the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**SCA FRANCHISING CORPORATION**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the Years Ended March 31, 2021, 2020, and 2019**

	2021		2020		2019	
	Amount	Percent of net revenues	Amount	Percent of net revenues	Amount	Percent of net revenues
Computer support fees	\$ 180,000	3.3 %	\$ 180,000	2.6 %	\$ 669,687	10.6 %
Credit screening charges	778	-	272	-	70	-
Insurance	142,496	2.6	143,744	2.1	140,475	2.2
License and permits	7,423	0.1	9,048	0.1	9,491	0.2
License fees	2,860,759	52.5	3,570,482	52.3	2,958,537	46.8
Marketing	-	-	196	-	-	-
Professional fees	63,906	1.2	107,273	1.6	86,567	1.4
Sales tax processing fees	-	-	695	-	10,670	0.2
Shared administrative expenses	1,830,884	33.6	2,285,109	33.4	1,916,221	30.3
Software	8,400	0.2	516,500	7.6	486,000	7.7
	<u>\$5,094,646</u>	<u>93.5 %</u>	<u>\$6,813,319</u>	<u>99.7 %</u>	<u>\$6,277,718</u>	<u>99.4 %</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>  Pam Davis  SCA Franchising Corporation  3817 West Magnolia Boulevard  Burbank, CA 91505</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 BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dbo.ca.gov](http://www.dbo.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.

## **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.

## **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.”

## **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.

**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.

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)

## **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.

## 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.

COMPANY:

Franchisee:

SCA Franchising Corporation

\_\_\_\_\_

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

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

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

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

## **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 of 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.

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.

## **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.

## 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. 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)

## 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. 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.
2. 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.

3. 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."

4. 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."

5. 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"

**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.”

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)

## 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. 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.
4. 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.

**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.

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)

**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.”

**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.

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)

## **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.”

## **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. 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 F

### List of Franchisees As of March 31, 2021

#### **ARIZONA:**

Prather, Roy (1)  
6682 S. Crestview Drive  
Gilbert, AZ 85298  
Office Ph: 480-519-4606

Prather, Roy (2)  
6682 S. Crestview Drive  
Gilbert, AZ 85298  
Office Ph: 480-519-4606

Hutsell, Kim  
P.O. Box 12768  
Tucson, AZ 85732  
Office Ph: 520-319-1773

#### **CALIFORNIA:**

Adzemian, Greg (1)  
11811 Balboa Blvd  
Granada Hills, CA 91344  
Office Ph: 818-404-1741

Adzemian, Greg (2)  
11811 Balboa Blvd  
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Baroyan, Vartan  
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Fengler, Horst  
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Foster, Katie  
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STE# J  
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Kuhlmey, Chris (2)  
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STE# J  
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Cell Ph: 619-886-0545

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Muradyan, Elizabeth (7)  
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Wessel, Jimmy  
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 10837 SW Glenbrook Court  
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1417 Loma Linda Terrace  
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Clayton, Erik (3)  
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Mathers, James  
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Munoz, Mario (1)  
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Munoz, Mario (2)  
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Office Ph: 915-261-2425

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Piggott, Wendy  
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Salt Lake City, UT 84103  
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Tippetts, Ryan  
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**WASHINGTON DC:**

Waterfield, Jim (3)  
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Williamsburg, VA 23188  
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.

#### **ARIZONA:**

Sutter, Tyrone  
Contact Phone Number: 520-548-5484

#### **CALIFORNIA:**

Anaya, Patrick  
Contact Phone Number: 559-391-0101

Ho, Albert  
Contact Phone Number: 415-963-2825

Krashenny, Alex  
Contact Phone Number: 818-402-4455

Lopez, Miguel  
Contact Phone Number: 510-701-6139

Schiel, David  
Contact Phone Number: 760-455-7614

Seither, Bill  
Contact Phone Number: 562-305-5875

#### **COLORADO:**

Gregory, Kevin  
Contact Phone Number: 303-406-8286

Kayim, Andrea  
Contact Phone Number: 719-428-9894

#### **HAWAII:**

Amend, Bob  
Contact Phone Number: 503-816-8423

#### **LOUISIANA:**

Fontenot, Lucas  
Contact Phone Number: 337-322-0591

#### **MONTANA:**

Candau, Justin  
Contact Phone Number: 406-871-0862

#### **NORTH CAROLINA**

Price, James  
Contact Phone Number: 704-577-4928

#### **OKLAHOMA**

Savage, Travis  
Contact Phone Number: 405-795-0656

#### **TENNESSEE:**

Wells, Sheena  
Contact Phone Number: 865-803-1183

#### **TEXAS**

Alvarez, Alfredo  
Contact Phone Number: 956-563-0847

Chan, Timothy  
Contact Phone Number: 713-478-8688

Hardwick, Jason  
Contact Phone Number:

Rutherford, Drew  
Contact Phone Number: 409-350-5851

#### **WASHINGTON**

Kim, Pilseon  
Contact Phone Number: 818-282-0200

## **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 have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

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

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

State	Effective Date
California	
Florida	
Hawaii	
Illinois	
Indiana	
Kentucky	July 15, 2008
Maryland	- DIFFERENT VERSION OF THE FDD
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Texas	June 27, 2008
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 9, 2021.

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, Jon Gironda, Mark Bewley, Brian Starkweather and Jo Ann Brancato 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 9, 2021, that included the following Exhibits:

A	Franchise Agreement and Related Materials	D	Agent for Service of Process
	Exhibits to Franchise Agreement	E	State Addenda to Disclosure Document and Riders to Franchise Agreement
	Exhibit A - Franchise Description	F	List of Franchisees
	Exhibit B - General Release	G	List of Former Franchisees
	Exhibit C – Approved Accounts Receivable Purchase Agreement	H1	Franchisee Organizations We Have Created, Sponsored or Endorsed
	Exhibit D – Personal Guaranty	H2	Independent Franchisee Associations
	Exhibit E – Secured Promissory Note	I	State Effective Date Page
B	Financial Statements	J	Receipt
C	State Administrators		

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 9, 2021.

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, Jon Gironda, Mark Bewley, Brian Starkweather and Jo Ann Brancato, 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 9, 2021, that included the following Exhibits:

A	Franchise Agreement and Related Materials	D	Agent for Service of Process
	Exhibits to Franchise Agreement:	E	State Addenda to Disclosure Document and
	Exhibit A - Franchise Description		Riders to Franchise Agreement
	Exhibit B - General Release	F	List of Franchisees
	Exhibit C – Approved Accounts Receivable	G	List of Former Franchisees
	Purchase Agreement	H1	Franchisee Organizations We Have Created,
	Exhibit D – Personal Guaranty		Sponsored or Endorsed
	Exhibit E – Secured Promissory Note	H2	Independent Franchisee Associations
B	Financial Statements	I	State Effective Date Page
C	State Administrators	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).