FRANCHISE DISCLOSURE DOCUMENT

HomeSmart International, LLC,
an Arizona limited liability company
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Scottsdale, AZ 85255
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www.homesmartinternational.com

HomeSmart International, LLC offers franchises for the operation of a business offering real estate brokerage services to both residential and commercial real property purchasers and sellers (each a "Real Estate Brokerage Business").

The total investment necessary to begin operation of a HomeSmart franchised business is $65,500 - $205,000. This includes $20,000 that must be paid to the franchisor or its Affiliate(s). If you desire to open one or more Branch Offices within your Territory from which to operate your HomeSmart Real Estate Brokerage Business, you must pay us a Branch Office Fee of $10,000 for each additional Branch Office you open.

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 a Franchisor Affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact HomeSmart International Franchise Services at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255, and (602) 889-2100.

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 an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date: March ~~11~~12, ~~2020~~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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only HomeSmart Franchised Business in my area?	Item 12 and the "Territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a HomeSmart Franchised Business franchisee?	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. **<u>Out of State Dispute Resolution</u>**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, or litigation only in Arizona. Out-of state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with franchisor in Arizona than in your own state.
2. **<u>Sales Performance Required</u>**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **<u>Spousal Consent</u>**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **<u>Minimum Required Payments</u>**. You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

TABLE OF CONTENTS

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

To simplify the language in this Franchise Disclosure Document, "**HomeSmart International**" or "**we**" or **"us"** or **"Franchisor"** means HomeSmart International, LLC. "**You**" or **"Franchisee"** means the person, corporation, partnership or other business entity that buys the Franchise. If you are a business entity, "**you**" includes your owners.

The Franchisor, Predecessor and Affiliates

HomeSmart International, LLC is an Arizona limited liability company formed on May 19, 2005. We do not do business under any other name. Our principal business address is 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255. We began offering franchises for HomeSmart Real Estate Brokerage Businesses in August 2005. We have not offered franchises in other lines of business. While we do not operate a Real Estate Brokerage Businesses, our Affiliates (described below) operate eight (8) HomeSmart Real Estate Brokerage Business located in Arizona, California, Colorado, Florida, Maryland, the District of Columbia, Pennsylvania and Virginia.

Our agent and address for service of process in Arizona is Ashley Bowers, 8388 E. Hartford Drive, Suite 100, Scottsdale, AZ 85255 abowers@hsmove.com 602.889.2276. Our other agents for service of process are disclosed on **Exhibit D**.

Our parent is HSI Enterprises, LLC, an Arizona limited liability company formed on August 30, 2019.

We have 14 affiliates ("**Affiliates**"). HomeSmart, LLC ("**HS**"), is an Arizona limited liability company formed on June 4, 1997. HS operates a HomeSmart Real Estate Brokerage Business in Arizona similar to the business you will operate. VirtuSmart LLC ("**VirtuSmart**") is an Arizona limited liability company formed on May 19, 2005. VirtuSmart is a technology company that provides software, computer equipment, and related services to real estate brokerage businesses, including our franchisees. HomeSmart University, LLC ("**HomeSmart University**") is an Arizona limited liability company formed on February 8, 2006. HomeSmart University is a residential real estate sales and brokerage school. Platinum Home Protection LLC ("**Platinum**") is an Arizona limited liability company formed on December 13, 2011. Platinum is a home warranty company. On the Run Printing, LLC ("**On the Run**") is an Arizona limited liability company formed on November 18, 2011. On the Run is a printing company. HSCA, Inc. ("**HSCA**") is a California corporation formed on March 7, 2012. HSCA operates a HomeSmart Real Estate Brokerage Business in California similar to the business you will operate. We share an address with HS, VirtuSmart, Platinum, On the Run, and HomeSmart University. Equitable Escrow, Inc. ("**Equitable Escrow**") is a California corporation formed on May 14, 2013. Its principal business address is 431 S. Palm Canyon Drive, Suite 101, Palm Springs, California 92626. HSDEN, LLC ("**HSDEN**") is a Colorado limited liability company formed on January 5, 2015. Its principal business address is 8300 East Maplewood Avenue, Suite 100 Greenwood Village, Colorado 80111. HSDEN operates a HomeSmart Real Estate Brokerage Business in Colorado similar to the business that you will operate. Equitable Title Agency, LLC ("**Equitable**") is an Arizona limited liability company formed on March 14, 2016 with its principal place of business located at 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255 . Equitable is a title agency. Finco Mortgage, LLC ("**Finco**") dba Minute Mortgage, is an Arizona limited liability company formed on November 16, 2017 with its principal place of business located at 8388 E Hartford Dr., Suite 111, Scottsdale, Arizona 85255. Finco is a mortgage company. ~~,~~ HS, VirtuSmart, Platinum, On the Run, Equitable, Finco, and HomeSmart University do not offer any franchises in the real estate brokerage business or any other line of business. HSFLA, LLC ("**HSFLA**") is a Florida limited liability company formed on February 7, 2019. Its principal business address is 618 E South Street, Suite 500, Orlando, FL 32801. HSFLA operates a HomeSmart Real Estate Brokerage Business similar to the business that you will operate. HSMD, LLC ("**HSMD**") is a Maryland limited liability company formed on September 24, 2019. Its principal place of business is 1600 Elton Road, Silver Spring, Maryland 20903. HSMD operates a HomeSmart Real Estate Brokerage Business similar to the business that you will operate in Maryland, Virginia, Pennsylvania, and the District of Columbia. HSMD is registered as a foreign entity in the District of Columbia, Pennsylvania, and Virginia. HSMD operates HomeSmart Real Estate Brokerage businesses in the District of Columbia and the states of Maryland, Pennsylvania, and Virginia similar to the business that you will operate. HSME, LLC ("HSME") is a Maine limited liability company formed on December 1, 2020. Its principal business address is 1486 Broadway, South Portland, ME 04106. HSME operates a HomeSmart Real Estate Brokerage Business similar to the business that you will operate. We do not have any predecessors. Air Leasing, LLC ("**Air Leasing")** is an Arizona limited liability company formed on August 30, 2012 with its principal place of business located at 8388 E Hartford Dr., Suite 111, Scottsdale, Arizona 85255. Air Assets, LLC ("**Air Assets")** is an Arizona limited liability company formed on August 30, 2010 with its principal place of business located at 8388 E Hartford Dr., Suite 111, Scottsdale, Arizona 85255. Air Leasing and Air Assets own and lease airplanes.

The Business

We offer franchises for the use of our "HOMESMART" trademarks, trade names, service marks and logos ("**Marks**") in the operation of HomeSmart Real Estate Brokerage Businesses. The HomeSmart Real Estate Brokerage Business is operated under a business format with a unique system, including our valuable know-how, information, Trade Secrets, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of HomeSmart Real Estate Brokerage Businesses ("**System**"). We reserve the right to change or otherwise modify the System at any time. Each HomeSmart Real Estate Brokerage Business offers residential and commercial real property purchasers and sellers a variety of services in the real estate industry.

You must operate your HomeSmart Real Estate Brokerage Business according to our standard business operating practices and sign our standard franchise agreement ("**Franchise Agreement**"). We reserve the right to add, modify, or delete any Services that you must offer or sell at your HomeSmart Real Estate Brokerage Business at any time. You must also obtain all necessary permits, licenses, and approvals to operate your HomeSmart Real Estate Brokerage Business, including a license to operate as a real estate broker as required by each state in which your HomeSmart Real Estate Brokerage Business is located.

The franchise that we offer is available to anyone who is not currently operating a HomeSmart Real Estate Brokerage Business. As a franchise operator, you may operate one HomeSmart Real Estate Brokerage Business for each Franchise Agreement you sign with us. However, you will be permitted to open branch offices ("**Branch Offices**") in your Territory as part of your HomeSmart Real Estate Brokerage Business for an additional branch office fee ("**Branch Office Fee**") of $10,000 per Branch Office. Not all franchise purchases require the purchase of Branch Offices. As such, unless stated otherwise, the fees listed below apply to each HomeSmart Real Estate Brokerage Business for which you sign a Franchise Agreement rather than each Branch Office you open under the same Franchise Agreement.

To maintain your Territory, you must retain the agreed upon number of real estate agents in your HomeSmart Real Estate Brokerage Business (the "**Annual Agent Quota**") (See Section 5.4 of the Franchise Agreement) which establishes the number of Agents or annual sales production minimum ("**Annual Production Quota**") that must be met by your HomeSmart Real Estate Brokerage Business during each year of the term of the Franchise Agreement. You must also open the number of Branch Offices in your Territory, as mutually agreed by us, which reflects a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement.

Regulations

There are specific regulations pertaining to operating in the commercial and residential real estate industry and you must comply with all local codes, regulations and licensing requirements. Local and state authorities may require you to obtain a real estate broker's license to operate a HomeSmart Real Estate Brokerage Business. Some states also require franchised real estate brokers to identify themselves as franchised real estate brokers when offering Services to the public. You should consult with local agencies and/or your attorney. You must obtain all required licenses and permits and ensure that your employees, agents, and others providing commercial and residential real estate services to customers on behalf of your HomeSmart Real Estate Brokerage Business have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. You should familiarize yourself with these laws before deciding to purchase a franchise and license to operate a HomeSmart Real Estate Brokerage Business from us.

Market Competition

The System presently focuses on providing real estate services to the public. You will have to compete with other real estate brokerage businesses including franchised operations, national chains, independent real estate brokers and agents, and independently owned real estate companies offering real estate services to residential and commercial customers. You will also face normal business risks that could have an adverse effect on your HomeSmart Real Estate Brokerage Business.

The success of the System is dependent on key personnel, the loss of whom could have an adverse effect on us. Our ability to fulfill our obligations under our Franchise Agreement depends in part on our present and future financial condition. Litigation risks also exist, which may not be foreseeable.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer and Founder- Matt Widdows

Mr. Widdows has been our Chairman and Founder since our formation on May 19, 2005. He also served as our President from our founding until April 2011. Additionally, he has served as the President and CEO of HomeSmart, LLC since its formation on June 4, 1997 in Phoenix, Arizona. Mr. Widdows has also served as the President and CEO of HSM, since its formation on April 20, 2000, in Phoenix, Arizona.

President – Ashley Bowers

Bowers was the President of HomeSmart International LLC between November 2013 and March 2018. In March 2018, Ms. Bowers became the Chief Strategy Officer of TTI Success Insights in Scottsdale, Arizona—a position she still holds today. June of 2018, Ms. Bowers returned to her role as President of HomeSmart International, LLC.

Chief Industry Officer - Todd Sumney

Mr. Sumney has been our Chief Industry officer since October 2017. Mr. Sumney was our Chief Marketing Officer from May 2014 to October 2017. Prior to joining HomeSmart International, Mr. Sumney was the Vice President of Marketing for Realty Executives International from January 2010 to May 2014, and Director of Marketing and the President of their in-house marketing agency– Brand Architects Advertising, Design & Communications from August 2006 to January 2010.

Chief Financial Officer - Lorraine Murrietta

Ms. Murrietta has been our Chief Financial Officer since October 2019. Prior to joining HomeSmart International, Ms. Murrietta was the Vice President, Chief Financial Officer and Human Resources Director at Off Madison Ave in Phoenix, Arizona from September 2012 through October 2019. From August 2005 through September 2012, Ms. Murrietta was the Vice President and Chief Financial Officer of SpinSix Strategic Marketing Design, LLC in Scottsdale, Arizona. From September 2001 through August 2005, Ms. Murrietta was the Chief Financial Officer at Results Media Group, Phoenix, Arizona.

Chief Business Officer - Michael Swope

Mr. Swope has been our Chief Revenue Officer since January 2020. From December 2017 through January 2020, Mr. Swope was our Chief Business Officer. From May 2017 through December 2017, Mr. Swope was our Senior Vice President of Operations. From January 2017 through June 2017, Mr. Swope was the Regional Vice President, Enterprise Sales for PowerReviews in Scottsdale, Arizona. From January 2016 through January 2017, Mr. Swope was Enterprises Sales for PowerReviews in Scottsdale, Arizona. From June 2014 through January 2016, Mr. Swope was the Vice President, the Americas for myThings, Inc. in Scottsdale, Arizona. From January 2012 through December 2013, Mr. Swope was Managing Director, North America, for myThings, Inc. in Scottsdale Arizona.

Senior Vice President of Franchise Sales- Bryan Brooks

Mr. Brooks has been our Senior Vice President of Franchise Sales since October 2015. Between May 2014 and October 2015, Mr. Brooks was the Managing Regional Vice President of Realogy Franchise Group in Madison, New Jersey. Between October 2009 and May 2014, Mr. Brooks served in various roles with Realty Executives International in Phoenix, Arizona. Between October 2009 and October 2011, Mr. Brooks was the Executive Director of Franchise Development. Between October 2011 and May 2014, Mr. Brooks was the Senior Vice President of Franchise Development.

Senior Vice President of Franchise Sales- G. Scott Hurlock

Mr. Hurlock has been our Senior Vice President of Franchise Sales since August 31, 2020. Between April 2014 and April 2020, Mr. Hurlock was the Director of Franchise Development for Berkshire Hathaway Home Services Group in Erving, California. Between December 2012 and April 2014, Mr. Hurlock was the Vice President of Franchise Development with Sylvan Learning in Baltimore, Maryland. Between January 2007 and November 2012, Mr. Hurlock was the Vice President of Franchise Development for Realty Executives International in Phoenix, Arizona. Between August 2002 and December 2006, Mr. Hurlock was the Regional Vice President for Cendant Group, LLC.

Vice President of Franchise Operations - Britton Sanchez

Mrs. Sanchez has been our Vice President of Franchise Operations since January 2020. Mrs. Sanchez was our Vice President of National Brokerage Operations from July 2017 to January 2020. Mrs. Sanchez was our Director of Brokerage Operations from August 2015 to July 2017. Between June 2001 and August 2015, Mrs. Sanchez served in various roles with Oakwood Worldwide in Phoenix, Arizona.

ITEM 3 LITIGATION

In Re: Franchise No Poaching Provisions (Homesmart International, LLC). No. 20-2-02174-1 SEA On January 24, 2020, in an effort to avoid protracted and expensive litigation, HomeSmart International, LLC, entered into an Assurance of Discontinuance ("AOD") with the State of Washington. In connection with the AOD, HomeSmart agreed to not include provisions in its franchise agreement that prohibits a franchisee from hiring the employees of a different franchisee ("No-Poaching Provisions") in its franchise agreements and to not enforce the No-Poaching Provisions" in any of its existing franchise agreements. HomeSmart International, LLC also agreed to amend all of its existing franchise agreements as they come up for renewal.

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

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

You must pay us an initial franchise fee ("**Initial Franchise Fee**") of $20,000 for your first HomeSmart International Real Estate Brokerage Office, which is payable when you sign a Franchise Agreement and is not refundable under any circumstances. If you commit to opening one or more Branch Offices in the Territory, you will also be required to pay us a Branch Office Fee of $10,000 per Branch Office immediately prior to the Opening Date (as defined below in Item 6) of each Branch Office. The Branch Office Fee is in lieu of an Initial Franchise Fee for each Branch Office that you open and is not refundable under any circumstances. We will negotiate with you before you sign your Franchise Agreement regarding the size of your Territory and the number of Branch Offices you must open in the Territory. During our last fiscal year, 19 franchised outlets were opened and we collected Initial Franchise Fees that ranged from $0 to $20,000 which includes the Initial Franchise Fee plus Branch Office Fees that were collected at the same time as the Initial Franchise Fee.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fees and Franchise Marketing Accrual Fund Contributions (2)	The Royalty Fee you pay us is calculated as: (A) The greater of the collective total of: (i) $12 per agent per month; plus $120 per completed side; or (ii) $500 per month, and (B) $25 per rental, referral, or lease fee collected by Broker.	Payable monthly on or before the 10th of each month.	Franchise Marketing Accrual Fund Contributions are equal to 4% of the per transaction flat fee but are already incorporated into the Flat Fee Model (See Attachment 1) and therefore no additional Franchise Marketing Accrual Fund Contributions are collected. We account for Franchise Marketing Accrual Fund contributions from the Flat Fees paid.
HSI Wealth Plan Fee (optional)(3)	3/4 of your share of commission split with all participating agents except that you shall always be entitled to retain at least $500.	Immediately upon the closing of each applicable transaction	If you opt into the HSI Wealth Plan, you will employ an 80/20 commission split with participating agents and will deliver 3/4 of your share to HSI and retain the greater of 1/4 of your share of the commission or $500.
Annual Membership	We currently anticipate charging an Annual	Due on or before the 10th day after	We reserve the right to charge your agents an Annual

Type of Fee	Amount	Due Date	Remarks
Fee(~~3~~4) †	Membership Fee to be paid by each of your agents. We will notify you prior to the date that such fee will be first due although we do not expect that fee to be charged in ~~2019~~2021.	each agent commences his or her association with you and on the 10th day of that month each year.	Membership Fee in consideration for their continued right to participate in the System. We reserve the right to increase the Annual Membership Fee annually, but such increase will not exceed $5 per year. If any agent fails to pay an Annual Membership Fee when due, then you will pay such fee on demand from us.
Branch Office Fee(~~4~~5) †	For each Branch Office in your Territory you will pay an additional Branch Office Fee of $10,000.	Due prior to the Opening Date of each Branch Office.	(See Note 12 for definition of Opening Date)
Local Advertising(~~5)~~6)	Will vary under circumstances.	As incurred.	You must agree to spend moneys for local advertising and promotions in the Territory in accordance with local marketing standards and practices.
Cooperative Advertising(6)	As determined by members of the cooperative approve.	As determined by members of the cooperative.	Members of each cooperative can determine the amount that each member contributes for advertising and marketing programs.
Additional Assistance (7)†	$500-$1000 per person per day plus travel expenses, lodging and meals.	Payable 10 days after billing.	We reserve the right to provide opening assistance on site at no additional charge.
Initial Training for Additional Person(s) (8)†	$500 per person.	Payable before the beginning of the Initial Training Program.	Training for two (2) people is included in the Initial Franchise Fee. Additional people may attend the Initial Training and will be charged $500 per person for a full week of attendance and/or $250 per person attending training 3 days or less. For all subsequent trainings during the Initial Term and/or Successor Terms of the Agreement at Franchisor's training facility, each person in attendance will be charged at a rate of $500 per person for 4 days or more and $250 per person for 3 days or less.
Transfer Fee†	20% of the then current	Before acceptance	Payable before you transfer

Type of Fee	Amount	Due Date	Remarks
	Initial Franchise Fee plus 20% of the then current Branch Office Fee per Franchisee Branch Office.	of transfer.	your franchise.
Successor Franchise Fee†	50% of the then current Initial Franchise Fee plus 50% of then current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.	Upon signing the Successor Franchise Agreement.	Based upon Franchise Fee for new franchises offered at the time Successor Franchise Agreement is signed plus the then-current Branch Office Fee.
Audit†	Cost of audit plus late fee of 5% interest per month on understated amount.	30 days after billing.	Payable only if audit shows an under-statement of at least 2% of Gross Commission Income for any month.
Indemnification†	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from your HomeSmart Real Estate Brokerage Business.
Cost of Enforcement or Defense†	All costs including accounting and attorney's fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Late Fee	5% of the amount of any late payments.	As incurred.	Applies after any payments are due and unpaid.
Interest†	1½% per month on the late amount.	As incurred.	Begins to accrue after any payments are due and unpaid.
Late Report Fee†	The higher of 5% of the reported amount or $100 per violation.	As incurred.	Payable only if a required report or financial statement is not delivered when due.
Technology Fee†	Currently $250 per month per System Instance of the "RealSmart Broker™" but we reserve the right to increase this amount by no more than $50 per month each year.	Payable monthly on or before the 10th of each month.	This fee may be increased by us when we add new technology or services.
Optional System License and Support Fee†	$0-$3,000 per month per System Instance of the RealSmart Broker™.	As incurred.	This fee will vary based on volume and the services requested by you.
MLS/RETS Fee†	Estimated at $250 per MLS per month	Payable monthly on or before the 10th of each month.	Payable for each month from and after the Opening Date.
Domain Name Fee	Equal to our expense in securing and maintaining your franchise specific	Payable annually or per domain registration terms.	We will only charge you what we pay to secure and maintain your domain name.

Type of Fee	Amount	Due Date	Remarks
	domain name.		
Additional Computer Training	Will vary based on length and type of course.	Prior to training.	You must take a computer training class at a local computer school (which may be an Affiliate of ours) if we determine that you do not have sufficient skills to operate your computer, understand how to use the software, and access e-mail and the Internet.
Seminars, Conventions or Programs(9)	The estimated range of costs is $500-$1,000 plus materials estimated at $100.	As incurred.	We reserve the right to conduct periodic meetings of all Franchisees.

† Denotes fees that are imposed and payable to us or our Affiliates. All fees paid to us or our Affiliates are non-refundable under any circumstances once paid except as provided. Fees paid to vendors or other suppliers may or may not be refundable depending on your vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to the Franchise Agreement as **Attachment 4** or any other form that we may accept) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure, you will authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owed. You must make the funds available to us for withdrawal by ACH electronic transfer no later than the payment due date. If you have not timely reported your HomeSmart Real Estate Brokerage Business's Gross Commission Income to us for any reporting period, then we will be authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the HomeSmart Real Estate Brokerage Business's Gross Commission Income was provided to us, or (b) the amount due based on information retrieved from the RealSmart Broker™.

Notes:

(1) **Gross Commission Income**. In this Disclosure Document, "Gross Commission Income" means the total of all commissions (including rental commissions) or property management fees, collected or receivable by Franchisee and Franchisee's independent sales associates, agents, representatives, contractors, employees, partners, directors, officers, owners, or Franchisee's Affiliates, regardless of whether or not such individuals or Affiliates are entitled to retain all or part of such Gross Commission Income, directly or indirectly, in connection with the HomeSmart Real Estate Brokerage Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of Services for which a real estate or auctioneer's license (including appraisal, title or escrow services) is required, the sale or provision of Products or Services that we or any of our Affiliates develop or make available to you directly or through a third party, property management services, and/or any transaction, sale and/or service in which the Marks or the System is used in any manner, without deducting any of your multiple listing fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from its Agents and from all other sources (including but not limited to referral fees and finder's fees received from brokers or agents in other brokerage

companies) which are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission and insurance claims for lost profits if a claim is paid by the insurer.

Gross Commission Income does not include: (a) any commissions and referral fees paid to cooperating or referring brokers in other brokerage companies; (b) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (c) monthly fees or additional transaction fees charged to agents by the Franchisee; or (d) fair market rent paid by Franchisee's Agents for the lease of office space at Franchisee's Central Office or Branch Office locations; and

Gross Commission Income will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Commission Income consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

(2) **Annual Membership Fee**. At some point in the future, we anticipate initiating an annual membership fee ("Annual Membership Fee") although we do not anticipate initiating that fee in ~~2019~~2021. We reserve the right to increase the Annual Membership Fee on an annual basis. The Annual Membership Fee will be payable by each of your agents although if your agents do not pay the Annual Membership Fee when due, you will be required to pay this fee on demand from us.

(3) **HSI Wealth Plan Fee.** You may, but are not obligated to, opt into the HSI Wealth Plan. If you opt into the HSI Wealth Plan, you will employ an 80/20 commission split with participating agents and will deliver 3/4 of your share to HSI and retain the greater of 1/4 of your share of the commission or $500. We will deposit 2/3 of the amount you pay to us into the HSI Wealth Plan account and retain 1/3 in our operating account. The HSI Wealth Plan will make payments to account owneds by Franchisee but controlled by HSI for payment of bonuses, referral fees, and other payouts to participating agents. The policies and procedures of the Wealth Plan are part of our Operations Manual. The W Plan is currently uniformly imposed on all participating franchisees in the manner described in this Disclosure Document. The actual amount of the contribution will vary from franchisee to franchisee. If we do not receive the W Plan payment on time, we may charge you a late payment fee of. This fee is reasonably related to our costs, is not a penalty, and is in addition to any other remedy we may have under the Franchise Agreement for your failure to timely pay your Profit Sharing Contribution to us.

(4) ~~(3)~~ **Branch Office Fee**. You may, in a manner consistent with your Franchise Agreement, open Branch Offices in your Territory. If you open a Branch Office in your Territory, you must pay us a Branch Office Fee equal to $10,000.

(5) ~~(4)~~ **Local Advertising**. We will provide guidelines for Local Advertising. Local Advertising expense does not include the costs of advertising homes or commercial property for sale by your HomeSmart Real Estate Brokerage Business, costs for recruiting agents or other advertising expenses related directly to the sale of residential or commercial property.

(6) ~~(5)~~ **Cooperatives**. Cooperatives will be composed of all franchised and company-operated HomeSmart Real Estate Brokerage Businesses located in a designated market area. If a Cooperative is established, contributions to the Cooperative will be determined by a vote of the members of the Cooperative. We anticipate that each franchisee will have one vote for each one vote for each Central Office and Branch Office of the HomeSmart Real Estate Brokerage Business operated by the member in

the designated market. No Cooperatives have been established as of the date of this Franchise Disclosure Document.

(7) ~~(6)~~ **Additional Assistance**. The Initial Franchise Fee includes between three (3) and five (5) business days of initial training for you or, if you are a legal or business entity and one additional person such as a Designated Business Manager. You will be responsible for all wages, benefits, and travel expenses for all participants attending the initial training program including airfare, lodging, meals, ground transportation and personal expenses. The training will be at our Arizona headquarters or another location designated by us. After completion of the initial training, we will provide additional telephone assistance to you at no cost. If you require or request additional on-site assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of the visit. The cost of additional assistance will depend on your needs and the amount of assistance you desire. We may also require you to receive additional assistance if you are not meeting our requirements or if we determine pre-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. This additional assistance will be at your expense as described above. Our current published rate in our Operations Manual for additional assistance is $500-$1000 per person per day plus the cost of travel and room and board, but we reserve the right to adjust that rate periodically in our Operations Manual.

(8) ~~(7)~~ **Initial Training for Additional Persons**. We provide initial training for two people for between three (3) and five (5) business days with no additional training fee. If you want additional people to attend the initial training program, we will charge a training fee of $500 per person for a full week of training or $250 per person for three (3) days or less of training. Training fees can be increased or decreased by us at any time. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each person attending the initial and recurring training program.

(9) ~~(8)~~ **Seminars, Conventions or Programs**. This figure is an estimate of the conference fees that you will pay to us (estimated to be between $250-$500 per person) per event to attend seminars, conventions or programs that we put on. This does not include the travel and living expenses that you and your representatives incur in attending these seminars, conventions or programs.

(10) ~~(9)~~ "**Opening Date**" means the first of the following to occur on or after the date on which we sign the Franchise Agreement: you begin to offer any Services, you collect any Gross Commission Income, you use any Mark, you open any Office, 120 days after the date on which we sign the Franchise Agreement; or, you otherwise engage in a HomeSmart Real Estate Brokerage Business.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
STANDARD FRANCHISE – CENTRAL OFFICE

Type of Expenditure[(1)]	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[(2)]	$20,000	$20,000	Lump sum	Upon signing the Franchise Agreement	HomeSmart International
Travel and living expenses while training[(3)]	$1,500	$5,000	As incurred	As incurred during training	Airlines, hotels, restaurants

Type of Expenditure(1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer hardware and software(4)	$5,000	$30,000	Lump sum	At delivery	Suppliers, vendors
Supplies(5)	$1,500	$5,000	Before opening and as needed	At delivery	Suppliers
Opening promotional expense (6)	$3,500	$25,000	As incurred	Varies times	Vendors
Office Lease(7)	$1,000	$10,000	As incurred	As negotiated	Landlord
Leasehold Improvements/ Construction(8)	$0	$20,000	Negotiable	Negotiable	Landlord and Contractors
Furniture, Fixtures, and Equipment(9)	$5,000	$20,000	Lump Sum Negotiable	As Invoiced	Vendors
Insurance, Security and Utilities Deposits, Dues, Licenses(10)	$2,500	$10,000	Lump Sum Negotiable	As Incurred	Landlord/ Utilities
Exterior Office Signage	$500	$10,000	As incurred	At delivery	Vendors
Additional Funds– (11)	$25,000	$50,000	As incurred	Varied times	Suppliers, Utilities
TOTAL(12)	**$65,500**	**$205,000**			

Notes:

(1) **Estimated Expenses**. The high and low ranges in the table are based on an average for a one office HomeSmart Real Estate Brokerage Business for the first three months of operations. If you open Branch Offices, your costs for opening each Branch Office will be similar to these costs, other than a Branch Office Fee will be paid instead of an Initial Franchise Fee. Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.

(2) **Initial Franchise Fee & Branch Office Fees**. The Initial Franchisee Fee is $20,000 for a standard franchise, plus $10,000 for each Branch Office in your Territory. The Initial Franchise Fee is due when you sign the Franchise Agreement. The Branch Office Fee is due immediately prior to the opening of each Branch Office. These fees are non-refundable once paid except as provided in Item 5.

(3) **Travel and Living Expenses While Training**. We provide training for two (2) people for between three (3) to five (5) business days at our corporate office located in Scottsdale, Arizona or at another location designated by us. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. You will be required to pay a training fee (See Item 5) to Us if you request that we provide training to more than two (2) people.

(4) **Computer Hardware and Software**. The estimated initial investment includes costs related to the purchase of specified computer Hardware and Software. If we require, you must provide us with electronic access to certain daily information.

(5) **Supplies**. Your initial supplies will typically include form contracts, signs, and marketing materials. We have the right to change the supplies at any time.

(6) **Opening Promotional Expenses**. These figures represent an estimate of the costs associated with opening and promoting your HomeSmart Real Estate Brokerage Business and include business cards, stationary, nametags, pre-event kick-off dinner, promotional event, promotional materials, catering, entertainment, etc.

(7) **Office Lease**. You must lease space in a commercial office building from which to operate your HomeSmart Real Estate Brokerage Business. We do not provide you with any site selection assistance in this process. We must approve your proposed Central Office and Branch Office locations.

(8) **Leasehold Improvements/Construction**. Your office space must satisfy appearance and size standards that we have established and meet the requirements necessary to conduct a HomeSmart Real Estate Brokerage Business. You must open the Central Office within 120 calendar days from the date you sign the Franchise Agreement, unless we otherwise approve additional time in writing. The actual cost of the office space and improvements will depend on whether you lease or purchase the space, the size, condition and location of the Central Office premises, the demand for the premises among prospective lessees and the type of tenant finish or improvement you choose.

(9) **Furnishings, Fixtures and Equipment**. You will have to purchase or lease furnishings, fixtures and equipment for your office location. We do not provide you with any assistance in this process, and we do not have any relationships with vendors that may be of use to you in this process.

(10) **Insurance, Security and Utilities Deposits, Dues, Licenses**. These amounts include the cost of insurance, estimated security deposit for your office (equal to one months' rent) and utility deposits. The actual amount of your insurance and these deposits will vary depending on local landlord practices and other factors. These amounts also include the estimated cost of obtaining a license from a state agency to act as a real estate broker and dues to local, state and national real estate organizations.

(11) **Start-Up Expenses and Working Capital**. This is for budgeting purposes only to account for unanticipated expenses. This amount includes estimated operating expenses you should expect to incur during the first three months of operations, not including any revenue generated by your HomeSmart Real Estate Brokerage Business. It includes Office lease expenses, royalties, advertising, payroll costs, deposits, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, and other operational expenses. These figures do not include any taxes that you may pay. You should check with your local and state governmental agencies for any taxes that may be assessed.

(12) **Total Estimated Initial Investment**. These figures are estimates only and reflect only the first three months of operations. You should review these figures carefully with a business advisor before making any decision to purchase the HomeSmart Real Estate Brokerage Business. You may incur additional expenses starting your HomeSmart Real Estate Brokerage Business. Your costs depend on several factors, including how well you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our Services; the prevailing wage rate; competition; and sales levels reached by your HomeSmart Real Estate Brokerage Business during the initial period.

The figures above are estimates of your initial investment and are based on our estimate of nationwide costs and market conditions prevailing as of the date of this Franchise Disclosure Document. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. Many factors that are unique to your location can make a dramatic difference in the estimates provided. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have standards and specifications for your Office, equipment, dress code, supplies, forms, Services, advertising and marketing materials, signage, and most other services and Products used in, sold or provided through your HomeSmart Real Estate Brokerage Business. To maintain our standards of consistent, high quality Services, customer recognition, advertising support, value and uniformity in HomeSmart Real Estate Brokerage Businesses, you must purchase or lease all of your required equipment, Software, Hardware, supplies, fixtures, Services and Products used in or sold through your HomeSmart Real Estate Brokerage Business, per our specifications and standards, only from us or our Approved Suppliers and distributors. None of our Affiliates are the only approved supplier in any category of Products or Services. With the exception of the arts graphics package that we will provide you, we are not an approved supplier, but we reserve the right to become an approved supplier at any time. One of our officers owns an economic interest in VirtuSmart, LLC, an approved supplier of Hardware, Software, and printing, HomeSmart University, LLC, an approved supplier of real estate education services, Platinum Home Protection LLC, an approved provider of home warranty services, Equitable Title Agency, LLC, is an Approved Suppliers of title agency services, and On the Run Printing, LLC, an approved supplier of printing services. We may derive revenue from your purchases or leases of computer related Hardware, Software, goods, services, supplies, fixtures, equipment, inventory and Products from our Approved Suppliers and distributors; however, we do not currently anticipate having any such agreements in place with any Approved Suppliers. You must buy computers, Software, Hardware, computer related services, Products, equipment, supplies, fixtures, inventory, goods and services ("Required Products and Services") that meet our requirements as detailed in the Operations Manual. In some instances, you will be required to purchase certain Required Products and Services from Us or from specific suppliers previously approved by Us ("Approved Suppliers") and/or specific providers designated by Us, including Us and our Affiliates ("Designated Suppliers"). Approved Suppliers and Designated Suppliers will be identified in the Operations Manual. If we have appointed Approved Suppliers or Designated Suppliers with respect to Required Products or Services, you may not purchase such Product or Service from anyone other than an Approved Supplier or Designated Supplier without prior written approval. We will respond to requests for approval to do so within 30 days from the date the request is received. You must submit all information, specifications, and samples that we may request regarding a supplier, service, or Product proposed by you. The general criteria we apply in approving a proposed supplier involve the ability of the supplier to provide sufficient quantity of Product at a competitive price and the proposed supplier's dependability and general reputation. We may revoke approval of an Approved Supplier if that supplier no longer meets these general criteria.

We estimate that the purchase of these computers, Software, Hardware, computer related services, supplies, equipment, inventory, fixtures, goods, services and Products from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 25% to 50% of your total cost to establish a HomeSmart Real Estate Brokerage Business and 25% to 50% of your total cost of operating a HomeSmart Real Estate Brokerage Business (not including amortization, depreciation, or replacement of worn or obsolete improvements, equipment or fixtures). In our last fiscal year that ended December 31, ~~2019~~2020, ~~13~~9 new franchised outlets were opened.

We did not derive any revenues from sales of goods and services to franchisees during ~~2019~~2020.

Franchisees must license from us or our Affiliates, Approved Suppliers, or Designated Suppliers certain proprietary computer programs and related materials developed for use in the operation of HomeSmart Real Estate Brokerage Business ("**Software**"). We may require you to pay a separate license fee for the Software, as set forth in Item 11. We also charge you a Technology Fee with respect to the Software and other technology employed at your HomeSmart Real Estate Brokerage Business.

You may use the Software only on computer equipment and Hardware purchased through our Affiliates, Designated Suppliers, Approved Suppliers, or obtain our written approval to purchase other equipment. We will respond to requests for approval to purchase equipment other than the Computer System within 30 days from the date the request is received.

We do not have any purchasing or distribution co-operatives as of the date of this Franchise Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved Products for the benefit of our franchisees and we reserve the right to receive rebates and other payments or volume discounts based on your purchases from these suppliers and distributors and from our purchase of Products that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of our Affiliates, Designated Suppliers, or Approved Suppliers.

Insurance

General Liability and Business Insurance

You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability, errors and omissions, business interruption, personal injury, death, property damage, or expense resulting from the operation of your HomeSmart Real Estate Brokerage Business and all services you provide in connection with the operation of your HomeSmart Real Estate Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Cyber and Privacy Insurance

You shall use your best efforts to protect your customers against a cyber-event including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "Cyber Event"). Specifically, you shall comply with, among other laws and regulations: (i) state and federal laws and regulations relating to data privacy, data security and security breaches; and (ii) our security policies and guidelines, as may be amended from time to time (collectively, "Data Safeguards"). In addition to the general liability and business insurance, you must also procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability or expense related in any way to a Cyber Event or failure to comply with any Data Safeguard resulting from the operation of your Real Estate Brokerage Business and all services you provide in connection with the operation of your Real Estate Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Insurance Coverage Amounts and Other Requirements

You must carry, at all times, broad form comprehensive general liability coverage against claims for employment practices coverage, bodily and personal injury, death, property damage, cyber event or crime, and privacy or identity theft caused by or occurring in conjunction with the conduct of business by you pursuant to this Agreement and broad form contractual liability coverage, including errors and omissions coverage, under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than $1,000,000 per occurrence/$2,000,000 aggregate. You must carry, at all times, no less than $1,000,000 per occurrence/$2,000,000 aggregate in Commercial General Liability ("CGL") insurance coverage and a $1,000,000 Cyber Policy protecting you and us against a Cyber Event arising from your operation of your HomeSmart Real Estate Brokerage Business. You must add Franchisor, its officers, directors, employees, agents, and contractors as additional insureds to each of those policies. You must also procure and maintain all other insurance required by state or federal law. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. The policies must also stipulate that we receive a 30-day prior written notice of cancellation or non-renewal and must contain endorsements by the insurance companies waiving all rights of subrogation against us. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us including original endorsements affecting the coverage required by us will be furnished to us together with proof of payment within 10 days of issuance. You will also furnish us with certificates and endorsements evidencing this insurance coverage within 10 days after each of the following events: at all policy renewal periods, no less often than annually, and at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by us. If you fail to procure and maintain the required insurance coverage, we have the right and authority to procure the insurance coverage on your behalf and charge you, which charges, together with a reasonable fee for our expenses incurred in this procurement, you will pay immediately upon notice.

The insurance policies required herein shall: (a) name us, as well as our officers, directors, employees, agents and contractors, as an additional named insureds and contain a waiver of all subrogation rights against the foregoing insureds, our affiliates, and our and their successors and assigns; (b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy; (c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured; (d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement; (e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement; (f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement.

You shall provide us with evidence of the insurance required hereunder not later than ten (10) days before you begin operating as a Franchisee and with a complete copy of each insurance policy no more than thirty (30) days after delivery of the original proof of insurance. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to you, which charges shall be payable by you immediately upon notice together with a fifteen percent (15%) administrative fee. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

The maintenance of sufficient insurance coverage shall be your responsibility. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

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 Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 1 and Section 9	ITEM 11
b. Pre-opening purchases/leases	Sections 9 and 10	ITEM 8 & ITEM 11
c. Site development and other pre-opening requirements	Section 9	ITEM 6, ITEM 7 & ITEM 11
d. Initial and ongoing training	Sections 8 and 9	ITEM 11
e. Opening	Section 9	None
f. Fees	Sections 6, 7 and 12	ITEM 5 & ITEM 6
g. Compliance with standards and policies/Operations Manual	Section 9	ITEM 11
h. Trademarks and proprietary information	Section 11	ITEM 13 & ITEM 14
i. Restrictions on services offered	Sections 9 and 10	ITEM 8 & ITEM 16
j. Warranty and customer service requirements	None	None
k. Territorial development and agent quotas	Section 5	ITEM 11 & ITEM 12
l. Ongoing purchases	Section 9 and 10	ITEM 16
m. Maintenance, appearance and remodeling requirements	Sections 4 and 9	ITEM 7
n. Insurance	Section 13	ITEM 8
o. Advertising	Section 12	ITEM 11
p. Indemnification	Sections 11 and 13	None
q. Owners participation/Management/ staffing	Section 9	ITEM 15
r. Records/reports	Section 7	ITEM 6 & ITEM 17
s. Inspection/audits	Sections 7, 8 and 9	ITEM 6
t. Transfer	Section 16	ITEM 17
u. Renewal	Section 4	ITEM 17
v. Post-termination obligations	Sections 11 and 18	ITEM 17
w. Non-competition covenants	Section 15	ITEM 17
x. Dispute resolution	Section 20	ITEM 17

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

Except as listed below, HomeSmart is not required to provide you with any assistance.

Pre-opening Obligations

Before you open your HomeSmart Real Estate Brokerage Business, we (or our designee) will provide the following assistance and services to you.

Designate your Territory. (Section 8.3(a) of the Franchise Agreement and **Attachment 1** to the Franchise Agreement).

Furnish you with (or provide you with the ability to acquire from approved vendors or suppliers) specific items for the design and physical appearance of your Office and the supplies required for the operation of the business. (Section 8.3(c) of the Franchise Agreement).

Within 90 days of your signing the Franchise Agreement and your receipt of all required licenses and permits, we will conduct a three (3) to five (5) business days training course for you and one additional person in Scottsdale, Arizona or at ~~your Office~~another location of our selection. The training program may or may not be conducted on consecutive days. If you are not an individual, we will conduct a three (3) to five (5) day business training course for your Designated Business Manager in Scottsdale, Arizona or at another location designated by us. (Section 8.3(d) of the Franchise Agreement).

Approve the renovations to your Office necessary to comply with our standards and specifications and your compliance with the opening procedures for your Office, as described in the Operations Manual. (Section 9.2(b) of the Franchise Agreement).

Continuing Obligations

During the term of the Franchise Agreement, we (or our designee) will provide the following assistance and services to you:

Make a representative available to speak with you on the telephone during regular business hours to discuss your operational experiences and support needs. Provided, however, that questions regarding technological support will be referred to third parties (including but not limited to our Affiliates) who may charge a fee for providing you with these technological support services (Section 8.4(a) of the Franchise Agreement).

Inform you of mandatory specifications, standards and procedures for the operations of your HomeSmart Real Estate Brokerage Business. (Section 8.4(d) of the Franchise Agreement).

Research new services and methods of doing business and provide you with information concerning developments of this research. (Section 8.4(e) of the Franchise Agreement).

Maintain the FMAF and use these funds to develop promotional and advertising programs and public relations support for HomeSmart Real Estate Brokerage Businesses. (Sections 8.4(f) and 12.1 of the Franchise Agreement).

Maintain the W Plan in accordance with Section 6.8 of the Franchise Agreement, under which contributions from participating franchisees to compensate franchisees and their Agents for the sponsoring of producing Agents into Office Locations, as described in the Franchise Agreement.

Provide advertising materials to you in the form of an arts graphics package, which is included in your Operations Manual. (Section 8.4(g) of the Franchise Agreement).

Our representatives will have the right but not the obligation to provide additional assistance. (Section 8.4(h) of the Franchise Agreement). There may be additional charges for these services. If we provide additional assistance, we must agree in advance on the charges you will pay and the length of the visit.

We may choose to provide you with continuing national, regional or local workshops and seminars. You must pay the conference fee, if any, and all travel and living expenses. We require that you or your Designated Business Manager attend these conferences. These conferences will be held at our Scottsdale, Arizona headquarters, your Office, or at a location chosen by us. (Section 8.4(b) of the Franchise Agreement).

We may provide you with a monthly newsletter. (Section 8.4(i) of the Franchise Agreement).

Operations Manual

You must establish and operate your HomeSmart Real Estate Brokerage Business in compliance with your Franchise Agreement and the standards and specifications contained in the HomeSmart confidential operations manual ("**Operations Manual**") loaned to you by us. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or in an electronic format. We reserve the right to require you to use an electronic version of the Operations Manual. We also reserve the right to require you to access the document using the Internet or an intranet created and supported by us. You will have the opportunity to view the Operations Manual at our headquarters before purchasing a franchise, provided you agree in writing to keep its content confidential. The Operations Manual contains approximately 300 pages. The Table of Contents for the Operations Manual is attached to this Franchise Disclosure Document as **Exhibit F**.

Training

We provide an initial training program lasting between three (3) and five (5) business days. The initial training program is usually conducted at our corporate headquarters located in Scottsdale, Arizona, but the training course may be held elsewhere in the future.

Under the Franchise Agreement, before you begin operating your HomeSmart Real Estate Brokerage Business, you or, if you are not an individual, a "**Designated Business Manager**," must attend and successfully complete to our satisfaction our initial training program. If the Designated Business Manager's employment with you is terminated, you must designate a new Designated Business Manager who must successfully complete our initial training program within 90 days after the termination of the initial Designated Business Manager. If we do not hold an initial training program during that 90-day period, the replacement Designated Business Manager must attend and successfully complete the first available initial training program held by us. You may be charged a training fee for a replacement Designated Business Manager. You must also pay the costs for airfare, ground transportation, lodging, meals, personal expenses, and the Designated Business Manager's salary and benefits.

There is no tuition or fee for the initial training program for you and one additional representative such as a Designated Business Manager or business partner, etc. If you desire to have additional people attend the initial training program, there will be a $500 per person training fee. We do not pay any travel expenses, lodging, meals, ground transportation or other personal expenses.

Our training program consists of between three (3) and five (5) business days, which may or may not be consecutive days, of training as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History and Overview of the Systems; Office Tour	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Technology Training	12	0	Scottsdale, Arizona or your Central Office (in our discretion)
Fiscal Management and Office Management	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Recruiting and Retention; Standards and Quality Control; Risk Management	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Business Plan Strategy Session	4	0	Scottsdale, Arizona or your Central Office (in our discretion)
TOTAL	**40**	**0**	

The initial training program and other on-going training will be conducted by training personnel under the direction of our Senior Director of Franchise Services, Corie Rockafellow who has been with HomeSmart since February 2016 and has been involved in the real estate industry since 1983. We may change or substitute training personnel as necessary. We may delegate our duties and share our responsibilities with regard to training. Training classes are generally held every other month or as needed. The hours of classroom training and hours of on-the-job training are estimates and may, in certain circumstances, be slightly shorter or slightly longer than the actual classroom or on-the-job training.

Our Operations Manual and workbook serve as the primary instructional materials during the training program. We may present seminars, conventions or continuing development programs for the benefit of Franchisees. Your attendance is mandatory. You must pay for any conference fee and your travel and living expenses incurred in attending any seminar.

ADVERTISING PROGRAMS

Franchise Marketing Accrual Fund ("FMAF")

All HomeSmart Real Estate Brokerage Businesses are required to pay to us a Franchise Marketing Accrual Fund ("**FMAF Contribution**"). The FMAF Contribution is four percent (4%) incorporated into the monthly Royalty Fee that you pay.

The FMAF will be accounted for separately by us but we are not required to maintain the FMAF funds in a separate or segregated account at a bank or other financial institution. The FMAF is administered by us. Any unused funds in any fiscal year will be applied to the following fiscal year's funds. We reserve the right to contribute or loan additional funds to the FMAF on any terms we deem reasonable. Each company-owned or Affiliate-owned outlet offering Products and services similar to the HomeSmart Real Estate Brokerage Business you will operate will make contributions to the FMAF equal to the contributions required of HomeSmart Real Estate Brokerage Businesses within the System. This fund is unaudited and we will make available to you once a year, upon request by telephone or written correspondence, an unaudited annual accounting for the FMAF that shows how the FMAF proceeds have been spent for the previous year within 120 days after our fiscal year end. We do not provide a periodic accounting of how Marketing Fees are spent.

We may use the Marketing Fees we collect from franchisees to create marketing materials relating to the System and the services sold by our Franchisees; to pay for public relations projects intended to enhance the goodwill and public image of the System; to assist Franchisees in developing local marketing programs; to pay for the cost of placing marketing materials in various print, broadcast and Internet media; to undertake any other marketing efforts we deem necessary or beneficial to the System; and to reimburse us or our Affiliates for salaries and overhead expenses related to the marketing services provided to Franchisees and to cover part of the cost of maintaining the website. No advertising expenditures from the FMAF are devoted principally to the sale of new franchises. We will attempt to spend monies contributed to the FMAF in such a way as to provide advertising benefits to all participating HomeSmart Real Estate Brokerage Businesses, but we make no guarantees that you will benefit pro rata or at all from your contributions to the FMAF. We reserve the right to allocate Marketing Fees to various permitted uses as we see fit and we do not guarantee that you will receive equal benefits or identical coverage. Neither we nor our Affiliates receive payment for providing goods or services to the FMAF, except for reimbursement of expenses as described above.

During the ~~2019~~2020 fiscal year, we spent the Marketing Fees as follows: 70.3%-Marketing and Advertising; 0.3%-Promotional Materials; 29.4%-Creative Development; 0%-Reserved for Ongoing Marketing and Advertising Programs.

Local Advertising

You must agree to spend money for local advertising and promotions in your Territory ("**Local Advertising**") in accordance with local real estate brokerage marketing standards and practices. All Local Advertising by you must be conducted in a dignified manner and will conform to the standards and requirements set forth in the Franchise Agreement and Operations Manual or otherwise for use of the Marks. You must promptly discontinue use of any advertising or promotion plans or materials that do not meet the requirements of the Franchise Agreement or Operations Manual, whether or not previously approved, upon notice from us. You may, at your sole expense, plan and carry out a grand opening promotion relating to the opening of your HomeSmart Real Estate Brokerage Business. Within 30 days after written request from us, you must submit a report showing the amount you spent for Local Advertising during the preceding year and documents substantiating that you incurred and paid particular expenditures during the year. None of the Local Advertising payments made by you will be used by us in the advertising or promotion of individual franchise sales.

Cooperatives

We also may designate any geographic area in which two or more HomeSmart Real Estate Brokerage Businesses are located as a region for establishing an advertising cooperative ("**Cooperative**"). The members of a Cooperative will consist of all HomeSmart Real Estate Brokerage Businesses, whether franchised or operated by us, or other Affiliates that operate in an area determined by us. We will determine in advance how each Cooperative will be organized and governed, who will administer it, when it must start operation. Each Cooperative will be organized for the sole purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where your

HomeSmart Real Estate Brokerage Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative and abide by the rules of the Cooperative. We reserve the right to form, change, dissolve or merge any Cooperative.

If we have established a Cooperative for your area, you must contribute to the Cooperative the amounts required by its written governing documents. All contributions to the Cooperative will be maintained and administered in accordance with the written documents governing the Cooperative. If there are Company-owned and Affiliate-owned outlets in your area offering Products and Services similar to the HomeSmart Real Estate Brokerage Business, they will make contributions to the Cooperative equal to the contributions required of the HomeSmart Real Estate Brokerage Businesses within that area. The Cooperative will be operated solely as a conduit for collecting and spending Cooperative fees for the purposes outlined above. The Cooperative may not use any advertising or promotional plans or materials without our prior approval.

The amount of contribution, and whether other franchisees must contribute the same amount or at the same rate, will be determined by the members of the Cooperative, subject to our approval. We anticipate that each member will have one vote for each Central Office and Branch Office of the HomeSmart Real Estate Brokerage Business operated by the member within the geographic area subject to the Cooperative. You will be obligated by the Franchise Agreement to pay any increased contributions even if you vote against the increase. Each Cooperative will have to prepare an annual financial statement reporting its expenditures for the previous year to its members. If a Cooperative is established, we will provide you with a copy of the governing documents and its financial statements.

We have not created any Cooperatives as of the date of this Franchise Disclosure Document.

Franchise Owners Advisory Council

The Franchise Owners Advisory Council ("**Council**") will have up to three (3) representatives who are appointed by the Franchisor. The Council is tasked with creating a program for electing new Council representatives on a regular basis. The Council will serve in a purely advisory capacity on many matters, including advertising. We will have the power to change or dissolve the Council at any time.

Office Location

You must operate the HomeSmart Real Estate Brokerage Business from a conventional office located outside of any personal residence. The office must be located within your Territory and must exist solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business. These requirements apply to both your Central Office and any Branch Office. If we approve any office location, such approval indicates only that we believe the office falls within the acceptable criteria we have established as of the approval date.

Based on the requirements of the Franchise Agreement, the factors we consider for such approval are: whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. We do not select your Office Location, assist you in conforming it to local ordinances and building codes, assist you with constructing or decorating it, or provide for any necessary equipment, signs or fixture. It is your obligation to locate a site for your Central Office and any Branch Office(s) and to provide us with all necessary information in accordance with the timing requirements established in the Franchise Agreement so that we may approve such office in time for you to open your HomeSmart Real Estate Brokerage Business in accordance with the requirements established in the Franchise Agreement. Specifically, if you fail to open your Central Office within 4 months of executing the Franchise Agreement, we may terminate the Franchise Agreement. Branch Offices must be opened according to the cumulative number established for each year of the Term as set forth in **Attachment 1** to the Franchise Agreement. If at any time you do not open the requisite number of Branch Offices by the end of the year, you may lose your rights to the Territory and/or we may authorize other franchisees to open Branch Offices in your Territory.

You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must apply for all required real estate or brokerage licenses and permits within 10 business days after signing the Franchise Agreement. If you do not receive all required licenses and permits within 6 months of executing the Franchise Agreement, we may terminate the Franchise Agreement.

You may not operate out of a virtual, temporary, or short term office location (a "Short Term Location") (defined as any location where you have secured the location for less than one (1) year) unless you receive prior written permission from the Franchisor. Franchisor may, in its sole discretion, approve or disapprove of such an arrangement provided that, under no circumstances, shall such arrangement be approved for a period of time exceeding six months.

You must secure an Office Location for at least one (1) year in order to establish a Territory (See Item 12). The opening of a Short Term Location will not establish a Territory.

Schedule for Opening and Site Selection Requirements

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your HomeSmart Real Estate Brokerage Business will be 1 to 4 months. However, we may grant you an extension up to a total of 180 days. Some factors which may affect this timing are: your ability to acquire an office location through lease negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools and inventory; and the time to convert, renovate or build your office. You must open your Central Office within 4 months after signing the Franchise Agreement unless we otherwise consent in writing (Section 9.12, Franchise Agreement).

You may not open your Central Office or any Branch Office until: we notify you in writing that all of your pre-opening obligations have been fulfilled; initial training is completed to our satisfaction; all amounts due to us have been paid; we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; you have received all required permits and licenses; you have ordered, received and installed your equipment, supplies, inventory and Computer System; and you have provided evidence that your agents are licensed to sell real estate in your state. However, you are not required to immediately associate with or hire licensed real estate agents upon the establishment and opening of your HomeSmart Real Estate Brokerage Business. You must be prepared to begin operating your HomeSmart Real Estate Brokerage Business immediately after we state that your HomeSmart Real Estate Brokerage Business is ready for opening.

You must open the number of Branch Offices in the Territory according to the schedule outlined in **Attachment 1** to the Franchise Agreement, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that you have the resources and capability of opening during the Initial Term. For each Branch Office that you desire to open, you will propose a location for the Office, which we must approve. Your failure to open the requisite number of Branch Offices by the end of each year in the schedule outlined in **Attachment 1** to the Franchise Agreement may result in the reduction or elimination of your Territory or the termination of the Franchise Agreement, as we determine.

Software and Computer Equipment

You must purchase and use computer Hardware and Software required by us in conjunction with the RealSmart Broker™. Currently, you must purchase at least one desktop computer (or a similar machine with similar specifications) for your administrative computers and at least one additional computer for your general Agent computers ("**Hardware**"), each of which must run an operating system capable of running the RealSmart Broker™ and any related Software and connecting to the Internet. The Hardware, RealSmart Broker™ and the Software associated with these systems are referred to collectively as the "**Computer System**." The estimated total cost of purchasing the Computer System is $5,000 to $30,000. The Computer System will store basic industry-required information including but not limited to housing addresses, transactional details, and other information required by multiple listing services and the state in which you operate your Real Estate Brokerage Business. Your agents will be responsible for obtaining their own Hardware and Software.

Currently, you must pay a license fee for the use of the RealSmart Broker™ and other technology that we provide to you ("**Technology Fee**") equal to $250 per month (for a total of $3,000 per year) per System instance of the RealSmart Broker™. We reserve the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by us, but not to exceed $50 per Office each month. You may purchase additional Software and support as they become available. We will require you to upgrade your Computer System or incur costs related to the maintenance of your Computer System as prescribed in the Operations Manual and as modified periodically by us. Such upgrades, in some cases, may only be available through our suppliers or Affiliates. We may change the Designated Suppliers or Affiliates periodically on written notice to you.

We provide you with a technological service that incorporates the data generated by your multiple listing service ("**MLS**") into your RealSmart Broker™. You must also pay to us a fee for this service ("**MLS/RETS Fee**"), which is currently $250 per MLS per month for your HomeSmart Real Estate Brokerage Business. You are also responsible for any initial, testing or ongoing connection fees charged by your local MLS for the provisioning of data outside the scope of the purpose of the MLS/RETS Fee.

You must have sufficient computer skills to be able to operate your Computer System and to access e-mail and the Internet. You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. You must check your email account several times every business day. If we determine that you require additional computer training, you must take and pay for, at your own expense, a computer training course at a local computer training school (which may be our Affiliate). You must complete this training within 90 days of the day we advise you of this requirement, and you must present us with a certificate acceptable to us to show that you passed the course.

We have the right to independently access your electronic information and data through our proprietary RealSmart Broker™. We also have the right to collect and use your electronic information and data in any manner we choose in order to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by these communications and computer-related problems.

ITEM 12 TERRITORY

You will be granted a territory ("**Territory**") in which to locate your Central Office(s) and Branch Office Locations. We will negotiate the size of your Territory and the number of Branch Offices you must open in your Territory, if any, before executing the Franchise Agreement. Your Territory may be based on geographic or political boundaries (including but not limited to city, zip code, county or state boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban and rural areas. We have the exclusive right to determine the boundaries of your Territory.

During the Initial Term of the Franchise Agreement, once you have identified a Central Office for your HomeSmart Real Estate Brokerage Business and secured that location for no less than one (1) year so long as you comply with all of your obligations under the Franchise Agreement, and subject to our reservation of rights and the Annual Agent Quota or Annual Production Quota requirements (both discussed below), neither we nor any Affiliate will open or allow any others to open a competing HomeSmart Real Estate Brokerage Business within your Territory.

The number of Branch Offices that you commit to opening in your Territory, as mutually agreed by us, will be based on subjective factors of your Territory. These subjective factors may include the geography, population and demographics, and the level of residential real estate transaction activity or home ownership that exists or may exist within your Territory. These factors do not lend themselves to a set formula for determining the number of Branch Offices that should be opened in a Territory, and that is why we will agree upon a number of Branch Offices prior to signing your Franchise Agreement. For each Branch Office that you desire to open, you will propose a location for the Branch Office to us, and we have the right to approve or deny the location you propose to use. You may relocate a Branch Office within your Territory after we approve the location you propose to use.

We have the right to approve or deny the relocation of that Branch Office based on the following factors: whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. If applicable, we will use the most recent data available from the National Association of Realtors to determine the number of licensed Agents within a Territory.

The grant of the license to you does not in any way prohibit other franchisees or us and our agents and Affiliates from listing and selling real property in your Territory (at no compensation to you). Also, the grant of the license does not prohibit you from listing or selling real property in a Territory granted to another franchisee or anywhere else outside of your Territory. You may use other channels of distribution to market outside of your Territory, as long as the rights to those channels are not currently reserved by us, as described below. For soliciting or selling Products or Services to customers outside of your Territory via the Internet or e-commerce, you may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, or otherwise establish any presence on the Internet without our prior written approval.

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. Customers from your Territory may purchase or obtain Services from other franchisees and from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution, at no compensation to you. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Under your Franchise Agreement, you do not receive any options for additional franchises, any rights of first refusal to acquire additional franchises, or any similar rights to buy additional franchises.

To maintain your Territory, you must meet the Annual Agent Quota or Annual Production Quota requirements (Section 5.4 of the Franchise Agreement) which establishes the number of Agents that must be employed by or associated with your HomeSmart Real Estate Brokerage Business or establishes the annual gross sales production volume conducted by your HomeSmart Real Estate Brokerage Business during each year of the term of the Franchise Agreement. The Annual Agent Quota or the Annual Production Quota will be negotiated at the time that you execute the Franchise Agreement and will be based upon the size of your Territory and other factors including population, activity, and local and national economic conditions. During ~~2019~~2020, the agreed upon Annual Agent Quota with new franchisees ranged from approximately 25 to 125 agents per year and the Annual Production Quota ranged from $125,000 to $500,000 in gross sales commission income per year.

You must also open the negotiated number of Branch Offices in your Territory, which will reflect, as mutually agreed by us, a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement. For each Branch Office you want to open, you must propose a location, which is subject to our approval. Your failure to satisfy the Annual Agent Quota, Annual Production Quota or open the number of agreed upon Branch Offices may result in the reduction or elimination of your Territory or the termination of your Franchise Agreement.

We reserve the right, among others: (i) to own, franchise, or operate HomeSmart Real Estate Brokerage Businesses at any location outside of the Territory, regardless of the proximity to your HomeSmart Real Estate Brokerage Business; (ii) to use the Marks and the System to sell any Products or services, similar to those, which you will sell, through any alternate channels of distribution within or outside of the Territory at no compensation to you. This includes, but is not limited to other channels of distribution such as television, mail order, catalog sales, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce; (iii) to use and license the use of other proprietary and non-proprietary Marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a real estate brokerage business, at any location, including within the Territory, which may be the same as, similar to or different from the HomeSmart Real Estate Brokerage Business operated by you; (iv) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your HomeSmart Real Estate Brokerage Business, wherever located; (v) to acquire and convert to the System operated by us any businesses offering real estate brokerage services including those businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and (vi) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere at no compensation to you. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the service mark "HOMESMART®", and various designs and logo marks associated with our services. You may also use our other current or future Marks as we may designate to operate your HomeSmart Real Estate Brokerage Business.

We have the following registered trademarks and pending trademark applications before the United States Patent and Trademark Office ("USPTO"):

Mark	Filing or Registration Date	Serial No. or Registration No.	Status
HomeSmart	**May 30, 2006**	**3,097,434**	**U.S. Federal Registration**

			on Principal Register
HomeSmart	**March 30, 2010**	**3,767,481**	**U.S. Federal Registration on Principal Register**
	June 1, 2010	**3,797,647**	**U.S. Federal Registration on Principal Register**
	February 9, 2010	**3,746,858**	**U.S. Federal Registration on Principal Register**
HomeSmart	**January 5, 2010**	**3,734,317**	**U.S. Federal Registration on Principal Register**

We may also use a number of unregistered, common law trademarks. You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLS, domain names, e-mail addresses, locators, links, metatags or search techniques. You must get our prior written approval of your company name before you file any registration documents. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent real estate broker. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

All required affidavits have been filed and accepted by the USPTO.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks that are relevant to the use of these Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We may take the action necessary to protect the unauthorized use of our Marks. We are not obligated to defend you against a claim involving your use of or right to use the Marks, nor to take affirmative action against any infringement. We have the sole right to control any administrative or legal proceedings concerning the Marks.

The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

You must modify or discontinue the use of a trademark if we modify or discontinue the Mark. You must not directly or indirectly contest our right to our Marks, Trade Secrets or business techniques that are part of our business. The Franchise Agreement does not provide you with any specific rights if we require you to modify or discontinue the use of any Marks.

From time to time in the ordinary course of business, we encounter third parties that are using and/or promoting confusingly similar brands. You should understand that there could be businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your HomeSmart Real Estate Brokerage Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your HomeSmart Real Estate Brokerage Business name.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in this Disclosure Document and the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, the content and format of any other writings or copyright and other laws also protect recordings in print or electronic form. Although we have not filed an application for copyright registration for the Operations Manual, the advertising materials, the content and format of any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("Copyrighted Works") in connection with your operation of your HomeSmart Real Estate Brokerage Business, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, certain Software used in the HomeSmart Real Estate Brokerage Business, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of HomeSmart Real Estate Brokerage Businesses and Services sold at HomeSmart Real Estate Brokerage Businesses, information concerning Service sales, operating results, financial performance and other financial data of HomeSmart Real Estate Brokerage Businesses and other related materials are proprietary and confidential ("Confidential Information") and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets ("Trade Secrets"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your HomeSmart Real Estate Brokerage Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of your HomeSmart Real Estate Brokerage Business during the term of the Franchise Agreement.

You must notify us within 3 days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to any of our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge, or claim. We will have the right to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets.

No patents are material to us at this time.

We have the right to inspect, copy and use all records with respect to the customers, suppliers, and other services providers of, and related in any way to, your HomeSmart Real Estate Brokerage Business. This includes all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and any other purposes, as we deem appropriate.

You must disclose to us all ideas, techniques and products concerning the development and operation of the HomeSmart Real Estate Brokerage Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of HomeSmart Real Estate Brokerage Business that you or your employees conceive or develop during the term of the Franchise Agreement in all real estate sales-related product and service businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

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

If you are an individual, you must directly supervise the HomeSmart Real Estate Brokerage Business at your initial and primary franchised location ("**Central Office**"). If you are a business entity, the direct, on-site supervision of your Central Office must be done by a Designated Business Manager. Each Branch Office must also be managed by a Designated Business Manager.

If we believe you lack sufficient business experience, you must designate a Designated Business Manager to act as the operating manager for your HomeSmart Real Estate Brokerage Business. We must approve the selection of the Designated Business Manager before signing the Franchise Agreement. The Designated Business Manager must attend and successfully complete the initial training program, and must abide by the obligations in the Franchise Agreement and the Operations Manual. The Designated Business Manager must agree to assume and guarantee performance of all of your obligations, including, among others, confidentiality and non-competition.

If you are a legal or business entity, each individual who owns, directly or indirectly, a 5% or greater interest in you (and, if you are an individual, your immediate family defined as your spouse and adult children) must sign the Guaranty and Assumption of Franchisee's Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement and our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as Exhibit G.

Your spouse must sign a Guaranty Agreement and Consent of Spouse Agreement making your spouse individually liable for your financial obligations under the agreement. The guaranty and consent will place your spouse's marital and personal assets at risk if your franchise fails.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide specified services. The services include offering residential and commercial real estate brokerage services to real property purchasers and sellers ("**Services**"). We reserve the right to require that you sell additional Services in your HomeSmart Real Estate Brokerage Business on 30 days' prior written notice to you. You must provide the Services per our specifications and standards. We reserve the right to change standards and specifications on 30 days' prior written notice to you.

You must refrain from using or permitting the use of your HomeSmart Real Estate Brokerage Business for any other purpose or activity at any time without first obtaining our written consent.

You must sell or offer for sale only those Services which are authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods of doing business, and techniques. We may change or add to our required Services with prior notice to you. You must discontinue selling and offering for sale any Services, which we may disapprove in writing at any time.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary**
a. Length of the franchise term	Section 4	10 years
b. Renewal or extension of the term	Section 4	If you are in good standing you can add additional terms of 10 years each.
c. Requirements for you to renew or extend	Section 4	You may renew the Franchise Agreement if you: are not in default of any terms of the Franchise Agreement; you have given notice of renewal to us; sign a new Franchise Agreement (which may contain materially different terms and conditions than your original Franchise Agreement); are current in payments due and owing to us and your trade creditors; sign a release; and pay to us a Successor Franchise Fee. "Renew" or "renewal" means the continuation of your franchise relationship.
d. Termination by you	Not Applicable	Franchisee may terminate the franchise agreement under any grounds permitted by law
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 18	We can terminate upon certain violations of the Franchise Agreement by you subject to applicable state law
g. "Cause" defined - defaults which can be cured	Section 18	You have 30 days to cure the defaults listed in Section 18.2

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary**
h. "Cause" defined - defaults which cannot be cured	Section 18	Non-curable defaults: the defaults listed in Section 18.1
i. Your obligations on termination/non-renewal	Sections 11, 13, 15 & 18	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets, and records
j. Assignment of contract by us	Section 16.1	No restriction on our right to assign
k. "Transfer" by you – definition	Section 16	Includes transfer of contract or assets or ownership change
l. Our approval of transfer by franchisee	Section 16	We have the right to approve all transfers
m. Conditions for our approval of transfer	Section 16	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee
n. Our right of first refusal to acquire your business	Section 17	We can match any offer for your business
o. Our option to purchase your business	Section 17	We may, but are not required to, purchase your inventory and equipment at fair market value if your franchise is terminated for any reason
p. Your death or disability	Section 16.10	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 days
q. Non-competition covenants during the term of franchise	Section 15	No involvement in competing business anywhere in US subject to applicable state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of Franchise Agreement	Sections 3.3, 4.5 & 21.11	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. Modifications permitted on renewal
t. Integration/merger clause	Section 21.5	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement including addenda or exhibits may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims and subject to applicable state law, all disputes must be arbitrated in Arizona
v. Choice of forum	Sections 20.1 & 21.1	Arbitration or litigation must be conducted in Arizona, subject to applicable state law
w. Choice of law	Sections 20.1 & 21.1	Arizona law applies, subject to applicable state law

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, Franchise Services, at 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255, and (602) 889-2100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide HomeSmart Real Estate Brokerage Business Summary
For Years ~~2017~~2018 to ~~2019~~2020

Business Type	Year	Businesses at Start of the Year	Businesses at End of the Year	Net Change
Franchised HomeSmart Real Estate Brokerage Businesses	~~2017~~ 2018	~~79~~ ~~96~~90	~~96~~ 114	~~+17~~ ~~+18~~+24
	2019	114	~~128~~126	~~+14~~+12
	2020	126	145	+19
Company Owned* HomeSmart Real Estate Brokerage Businesses	~~2017~~ 2018	~~22~~ 40	~~40~~ 38	~~+18~~ -2
	2019	~~38~~36	~~36~~46	~~-2~~+10
	2020	46	38	-8
Total Outlets	~~2017~~ 2018	~~101~~ ~~136~~130	~~136~~ 152	~~+35~~ ~~+16~~+22
	2019	~~152~~150	~~164~~172	~~+12~~+22
	2020	172	183	+11

* The company-owned locations disclosed in this ITEM 20 are owned and operated by our Affiliates.

Table No. 2
Transfers of HomeSmart Real Estate Brokerage Businesses
from Franchisees to New Owners
(Other than to HomeSmart or its Affiliates)
For Years ~~2017~~2018 to ~~2019~~2020[1]

State	Year	Number of Transfers(2)
California	~~2017~~ 2018	~~0~~ 2
	2019	0
	2020	0
Colorado	~~2017~~ 2018	~~2~~ 0
	2019	1
	2020	0
Total	~~2017~~ 2018	~~2~~ 2
	2019	1
	2020	0

Table No. 3
Status of Franchised Outlets
For years ~~2017~~2018 to ~~2019~~2020

Outlet Type	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
~~Arizona~~	~~2017~~	~~13~~	~~5~~	~~0~~	~~2~~	~~0~~	~~1~~	~~15~~
Arizona	2018	15	1	0	1	0	2	13
	2019 2020	13 13	0 0	0 0	0 0	0 0	0 0	13 13
California	~~2017~~ 2018	~~32~~ 34	~~3~~ 11	~~1~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 7	~~34~~ 37
	2019	37	1	1	2	0	0	35
	2020	35	2	0	0	0	0	37
Colorado	~~2017~~ 2018	~~0~~ 2	~~2~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~2~~ 2
	2019	2	1	0	0	0	0	3
	2020	3	1	1	0	0	0	3
Florida	~~2017~~ 2018	~~1~~ 0	~~0~~ 2	~~0~~ 2	~~0~~ 0	~~0~~ 0	~~1~~ 0	~~0~~ 0
	2019	0	2	0	0	0	0	2
	2020	2	2	0	0	0	0	4

Outlet Type	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Georgia	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	~~0~~1	1	0	0	0	0	~~1~~2
	2020	2	0	0	0	0	0	2
Hawaii	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Idaho	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Illinois	~~2017~~ 2018	~~4~~ 6	~~2~~ 5	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~6~~ 11
	2019	11	0	0	1	0	0	10
	2020	10	1	0	0	0	0	11
Indiana	~~2017~~ 2018	~~2~~ 2	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~2~~ 2
	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Kansas	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Kentucky	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Louisiana	~~2017~~ 2018	~~1~~ 1	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~1~~ 2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Maine	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Massachusetts	~~2017~~ 2018	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0

Outlet Type	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2019	0	2	0	0	0	0	2
	2020	2	3	0	0	0	0	5
Michigan	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Minnesota	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Missouri	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	1	0	0	0	0	0	1
Nevada	~~2017~~ 2018	~~1~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~1~~ 1
	2019	1	~~0~~1	0	0	0	0	~~1~~2
	2020	2	1	0	0	0	0	3
New Mexico	~~2017~~ 2018	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2019	0	1	0	0	0	0	1
	2020	1	1	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	3	0	0	0	0	3
New Jersey	~~2017~~ 2018	~~1~~ 3	~~2~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~3~~ 4
	2019	4	0	0	0	0	0	4
	2020	4	3	0	0	0	0	7
New York	~~2017~~ 2018	~~3~~ 6	~~3~~ 2	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~6~~ 8
	2019	8	4	0	0	0	0	12
	2020	12	0	1	0	0	0	11
North Carolina	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	~~1~~0	0	0	0	0	~~2~~1
~~Ohio~~	~~2017~~2020	1	0	0	0	0	0	1
Ohio	2018	1	2	0	0	0	0	3

Outlet Type	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2019	3	0	0	0	0	0	3
	2020	3	2	0	0	0	0	5
Oklahoma	~~2017~~ 2018	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Oregon	~~2017~~ 2018	4 ~~5~~	~~1~~ 0	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~5~~ ~~4~~3
	2019	~~4~~3	0	0	0	0	0	~~4~~3
	2020	3	0	0	0	0	0	3
Pennsylvania	~~2017~~ 2018	~~2~~ 3	~~1~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~3~~ 4
	2019	4	~~1~~0	0	0	0	0	~~5~~4
	2020	4	0	0	0	0	0	4
Rhode Island	~~2017~~ 2018	~~1~~ 2	~~1~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~2~~ 2
	2019	2	1	0	0	0	0	3
~~Texas~~	~~2017~~2020	3	0	~~42~~ ~~3~~0	0	0	0	3
Texas	2018	3	1	0	1	0	0	3
	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
~~Utah~~	~~2017~~	~~4~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~5~~
	~~2018~~	~~5~~	~~0~~	~~0~~	~~5~~	~~0~~	~~0~~	~~0~~
	~~2019~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
Washington	~~2017~~ 2018	~~5~~ 6	~~1~~ ~~3~~2	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~6~~ ~~8~~7
	2019	~~8~~7	0	0	0	0	0	~~8~~7
	2020	7	1	0	0	0	0	8
Wisconsin	~~2017~~ 2018	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Wyoming	~~2017~~ 2018	~~0~~ 1	~~1~~ 1	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~1~~ 2
	2019	2	0	0	0	0	0	2

Outlet Type	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
~~TOTAL~~	~~2017~~2020	~~7925~~2	0	~~4~~0	~~2~~0	0	~~2~~0	~~96~~2
TOTAL	**2018**	**~~96~~90**	**~~39~~40**	**3**	**~~9~~4**	**0**	**9**	**114**
	2019	**114**	**~~19~~18**	**3**	**~~2~~3**	**0**	**0**	**~~128~~126**
	2020	**126**	**21**	**2**	**0**	**0**	**0**	**145**

Table No. 4
Status of Company-Owned* Outlets
For years ~~2017~~2018 to ~~2019~~2020

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
~~Arizona~~	~~2017~~	~~15~~	~~3~~	~~0~~	~~1~~	~~0~~	~~17~~
Arizona	2018	17	6	0	1	0	22
	2019	22	0	0	0	0	22
	2020	22	1	0	4	0	19
California	~~2017~~ 2018	~~4~~ 5	~~1~~ 0	~~0~~ 0	~~0~~ 1	~~0~~ 0	~~5~~ ~~5~~4
	2019	5	0	0	1	0	4
	2020	4	0	0	0	0	4
Colorado	~~2017~~ 2018	~~3~~ 18	~~17~~ 4	~~0~~ 0	~~0~~ 6	~~2~~ 4	~~18~~ ~~9~~12
	2019	9	2	0	0	0	11
	2020	11	0	0	1	0	10
Florida	~~2017~~ 2018	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2019	0	5	0	0	0	5
	2020	5	0	0	4	0	1
Maryland	~~2017~~ 2018	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2019	0	4	0	0	0	4
	2020	4	0	0	0	0	4
~~**Total**~~	~~**2017**~~	~~**22**~~	~~**21**~~	~~**0**~~	~~**1**~~	~~**2**~~	~~**40**~~
Total	2018	**40**	**10**	**0**	**8**	**4**	**38**
	2019	**~~38~~36**	**11**	**0**	**1**	**0**	**~~48~~46**
	2020	**46**	**1**	**0**	**9**	**0**	**38**

* The company-owned location disclosed in this ITEM 20 is the HomeSmart Real Estate Brokerage Business owned and operated by HomeSmart, LLC.

Table No. 5
Projected Openings as of December 31, ~~2019~~2020

Outlet Type	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year	~~Franchise Outlet~~	
Alabama	0	1	0	~~0~~	
Alaska	0	0	1		
Arizona	0	0	1	~~0~~	~~0~~
Arkansas	0	1	0		
California	~~0~~1	~~2~~4	0	~~0~~	
Colorado	~~0~~2	~~0~~2	1	~~0~~	
Connecticut	~~0~~3	~~1~~0	0	~~0~~	
Delaware	0	~~0~~	1	0	
District of Columbia	0	0	1	~~0~~	
Florida	0	4	~~0~~	2	
Georgia	0	3	~~0~~10	~~0~~	
Hawaii	0	0	0		
Idaho	2	1	0		
Illinois	0	2	0		
Indiana	0	~~0~~	~~0~~	1	0
Iowa	0	1	0		
Kansas	0	1	0		
Kentucky	0	1	0		
Louisiana	0	1	0	~~0~~	
Maine	0	0	1		
Maryland	0	~~1~~2	1	~~0~~	
Massachusetts	~~0~~	2	40	~~2~~	
Michigan	0	1	0	~~0~~	
Minnesota	0	~~1~~2	0	~~0~~	
Mississippi	0	1	0		
Missouri	0	2	1	~~0~~	~~0~~
Montana	0	1	0		
Nebraska	0	1	0		
Nevada	0	1	0	~~0~~	
New Hampshire	0	1	~~0~~	0	
New Jersey	~~7~~0	~~0~~3	0		
New Mexico	0	~~0~~1	0		
New York	0	~~0~~	~~0~~	1	
North Carolina	1	2	~~0~~		
North Dakota	0	1			
Ohio	0	~~1~~3	0		
Oklahoma	0	2	0		
Oregon	0	0	0		

Outlet Type	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year	~~Franchise Outlet~~
Pennsylvania	0	1	~~1~~0	~~0~~
Rhode Island	0	0	0	
South Carolina	0	~~2~~1	0	~~0~~
South Dakota	0	1	0	
Tennessee	0	1	1	
Texas	0	~~3~~4	0	~~1~~
Utah	~~0~~1	~~2~~1	0	~~0~~
Vermont	0	0	0	
Virginia	0	0	1	~~0~~
Washington	1	~~0~~1	~~0~~	0	~~1~~
West Virginia	0	0	0	
Wyoming	0	0	0	
Wisconsin	0	1	0	~~0~~
TOTAL	**13**	~~9~~**64**	~~32~~	~~6~~**22**	~~13~~

The names, addresses, and telephone numbers of all current franchisees are listed in Exhibit C, representing ~~48~~58 franchisees operating ~~128~~145 Central Offices and Branch Offices as of December 31, ~~2019~~2020.

Exhibit C also lists the names, city and state and business (or, if unknown, home) telephone numbers of every franchisee who ceased to do business under the franchise agreement or had an outlet terminated, canceled, not renewed, transferred within the last fiscal year, or who has not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document.

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

Certain HomeSmart International franchisees have signed confidentiality clauses with the Franchisor during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware not all such franchisees will be able to communicate with you.

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 to this Franchise Disclosure Document as Exhibit A are our audited financial statements for the year ending December 31, ~~2019~~2018, December 31, ~~2018~~2019, and December 31, ~~2017~~2020.

ITEM 22CONTRACTS

Attached are the following agreements proposed for use in connection with our offering of franchises:

Exhibits:
B. Franchise Agreement
E. State-Specific Addenda
G. Non-Disclosure and Non-Competition Agreement

H. Statement of Franchisee
I. General Release

ITEM 23 RECEIPTS

The last two pages of the Franchise Disclosure Document (following the exhibits and attachments) are receipt pages acknowledging your receipt of the Franchise Disclosure Document. One copy is for your records, and one copy must be signed and dated by you and returned to us.

Exhibit A to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FINANCIAL STATEMENTS

Robert Baldwin
Lori Moffitt Gleason
Stanley M. Moffitt
Pamela Mullins

BALDWIN MOFFITT PLLC

David Baldwin
Larry Moffitt
Susan Caldwell

Acknowledgement of Independent Auditors

We agree to the inclusion in the Franchise Disclosure Document issued by HomeSmart International, LLC ("Franchisor") on March 12, 2021 of our report dated March 12, 2021, relating to the financial statement of the Franchisor as of December 31, 2020, 2019 and 2018, and for the years then ended, and the related notes to the financial statement.

Baldwin Moffitt PLLC

Baldwin Moffitt PLLC

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020, 2019, AND 2018

CONTENTS

Robert Baldwin
Lori Moffitt Gleason
Stanley M. Moffitt
Pamela Mullins

BALDWIN MOFFITT PLLC

David Baldwin
Larry Moffitt
Susan Caldwell

INDEPENDENT AUDITORS' REPORT

To The Members
HomeSmart International, LLC
and Subsidiary Companies
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of HomeSmart International, LLC and Subsidiary Companies which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statement of income (operations), changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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

8399 East Indian School Road Suite 201 • Scottsdale, Arizona 85251

estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HomeSmart International, LLC and Subsidiary Companies as of December 31, 2020, and the result of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of HomeSmart International, LLC and Subsidiary Companies as of December 31, 2019 and 2018 were audited by other auditors whose reports dated February 26, 2020 and February 27, 2019,except for notes 17 and 21 as to which the date was March 27, 2019, expressed an unmodified opinion on those statements.

Baldwin Moffitt PLLC

Baldwin Moffitt PLLC
Scottsdale, Arizona

March 12, 2021

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020, 2019 AND 2018

ASSETS

	2020	2019	2018
CURRENT ASSETS			
Cash	$ 3,289,131	$ 1,006,339	$ 333,646
Accounts receivable,			
net of allowance for doubtful accounts			
Related entities	557,932	302,462	220,172
Non-related entities	632,090	413,098	287,248
Miscellaneous receivable	-	3,167	-
Due from related entities	615,368	222,086	117,328
Prepaid expenses			
Related entities - rent	56,951	56,951	4,882
Non-related entities	191,712	690,662	51,323
Security deposit	4,500	4,500	5,853
TOTAL CURRENT ASSETS	5,347,684	2,699,265	1,020,452
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	1,302,739	1,463,849	2,380,811
OTHER ASSETS			
Intangible assets, net of accumulated amortization	31,327	6,898	7,154
TOTAL ASSETS	$ 6,681,750	$ 4,170,012	$ 3,408,417

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	2020	2019	2018
CURRENT LIABILITIES			
Accounts payable	$ 2,980	$ 5,700	$ 4,503
Due to related entities	764,092	322,192	122,565
Accrued expenses, other	23,993	16,841	20,200
Accrued interest			
Member	119,215	65,379	22,388
Non-related party	-	-	6,687
Deferred revenue			
Rent, related entity	-	18,594	-
2020 Summit	-	190,772	-
Contract liability	-	36,000	-
Note payable, member	-	-	1,178,275
Note payable, airplane, current portion	-	-	146,023
TOTAL CURRENT LIABILITIES	910,280	655,478	1,500,641
LONG-TERM DEBT			
Note payable, airplane, net of current portion	-	-	1,991,064
Loan payable, member	1,490,247	1,490,247	-
TOTAL LONG-TERM DEBT	1,490,247	1,490,247	1,991,064
MEMBERS' EQUITY (DEFICIT)	4,281,223	2,024,287	(83,288)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 6,681,750	$ 4,170,012	$ 3,408,417

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME (OPERATIONS)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
TOTAL REVENUE	$ 12,969,121	$ 10,991,228	$ 9,597,528
OPERATING EXPENSES			
Advertising and marketing	1,437,820	766,277	1,162,318
Aircraft operating expenses	81,532	167,128	88,478
Amortization	253	256	254
Bad debts	25,063	11,286	-
Contracted services	2,858,471	3,080,092	2,862,140
Contributions	-	708	3,310
Corporate burden, related entities	-	42,763	146,709
Depreciation	161,110	167,172	350,014
Dues and subscriptions	203,987	191,605	146,422
Insurance	59,470	55,493	7,126
Interest expense	82,208	87,321	108,145
Leased employee expenses, related entity	4,798,287	4,166,930	3,919,577
Legal fees	28,871	39,900	16,775
License fees	3,495	2,970	5,715
Management fees, related entity	-	-	45,000
Meals and entertainment	5,468	15,224	12,400
Miscellaneous	66,802	54,056	8,783
Office expenses	15,421	53,816	27,022
Postage and delivery	5,812	16,147	9,392
Rent	726,067	711,705	733,912
Travel	152,048	50,406	61,630
TOTAL OPERATING EXPENSES	10,712,185	9,681,255	9,715,122
NET INCOME (LOSS) FROM OPERATIONS	2,256,936	1,309,973	(117,594)
GAIN ON SALE OF AIRCRAFT	-	1,018,325	-
NET INCOME (LOSS)	$ 2,256,936	$ 2,328,298	$ (117,594)

The accompanying notes are an integral part of these statements.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

BALANCE, JANUARY 1, 2018	$ 110,224
Member distributions	(75,918)
Net (loss) for the year	(117,594)
BALANCE, DECEMBER 31, 2018	(83,288)
Impact of change in accounting policy	(66,000)
BALANCE, JANUARY 1, 2019, AS ADJUSTED	(149,288)
Member contribution	38,125
Member distributions	(192,848)
Net income for the year	2,328,298
BALANCE, DECEMBER 31, 2019	2,024,287
Net income for the year	2,256,936
BALANCE, DECEMBER 31, 2020	$ 4,281,223

The accompanying notes are an integral part of these statements.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 2,256,936	$ 2,328,298	$ (117,594)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	161,110	167,172	350,014
Amortization	253	256	254
(Gain) on asset disposal	-	(1,018,325)	-
Amortized loan fees	-	7,880	3,940
Changes in allowance for doubtful accounts	11,135	(800)	-
Changes in operating assets and liabilities:			
Accounts receivable	(482,430)	(211,307)	(7,553)
Due from related parties	(393,282)	(104,758)	(117,328)
Prepaid expenses	498,950	(691,407)	60,234
Security deposit	-	1,353	(5,853)
Accounts payable	(2,720)	1,197	1,129
Due to related entities	417,218	199,627	122,565
Accrued expenses, other	7,152	(3,359)	(71,661)
Accrued interest	53,836	36,304	21,361
Deferred revenue	(209,366)	143,366	-
Contract liability	(36,000)	36,000	-
NET CASH PROVIDED BY OPERATIONS	2,282,792	891,497	239,508
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-	(34,807)	-
Proceeds from sale of assets	-	1,182,837	-
NET CASH PROVIDED BY INVESTING	-	1,148,030	-

The accompanying notes are an integral part of these statements.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:			
Member contributions	$ -	$ 38,125	$ -
Member distributions	-	(192,848)	(75,919)
Proceeds from note payable	-	-	502
Repayments of note payable	-	(33,836)	(139,198)
Repayments of note payable, related party	-	(1,178,275)	-
NET CASH (USED) BY FINANCING	-	(1,366,834)	(214,615)
NET INCREASE IN CASH	2,282,792	672,693	24,893
CASH, BEGINNING OF YEAR	1,006,339	333,646	308,753
CASH, END OF YEAR	$ 3,289,131	$ 1,006,339	$ 333,646
SUPPLEMENTRAY DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest paid	$ 28,372	$ 21,941	$ 82,367
Taxes paid	$ 6,800	$ -	$ -
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING ACTIVITIES			
Purchase of software	$ (24,682)	$ -	$ -
Purchase of aircraft	-	(1,490,247)	-
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING ACTIVITIES	$ (24,682)	$ (1,490,247)	$ -
SUPPLEMENTARY DISCLOSURE OF NON-CASH FINANCING ACTIVITIES			
Repayments on note payable	$ -	$ (2,110,332)	$ -
Proceeds from note payable, related party	-	1,490,247	-
SUPPLEMENTARY DISCLOSURE OF NON-CASH FINANCING ACTIVITIES	$ -	$ (620,085)	$ -

The accompanying notes are an integral part of these statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

HomeSmart International, LLC (the Company) was organized under the laws of the State of Arizona on May 19, 2005. The Company offers franchises for the use of "HomeSmart" trademarks, trade names, service marks and logos in the operation of HomeSmart Real Estate Brokerage Businesses. Franchises have been sold throughout the United States.

Basis of Consolidated Financial Statements

The financial statements include the following companies:

Air Assets, LLC, an Arizona Limited Liability Company, is in the business of operating an aircraft. In 2017, Air Assets, LLC set up a 100% owned subsidiary called FSOA Assets, LLC, a Delaware Limited Liability Company. For legal purposes, the aircraft is titled in the name of FSOA Assets, LLC. For accounting purposes, since FSOA Assets, LLC is a 100% owned subsidiary of Air Assets, LLC, the companies are consolidated and all assets are recorded on Air Assets, LLC accounting records.

Air Leasing, LLC, an Arizona Limited Liability Company, is in the business of managing an aircraft owned by FSAO Assets, LLC.

Basis of Presentation

The consolidated financial statements are presented on the accrual basis of accounting.

Limited Liability Companies

The companies are limited liability companies; therefore, the members are not personally liable for the debts, obligations, or liabilities of the companies.

The Articles of Organizations state the following:

HomeSmart International, LLC's operating agreement will expire on May 19, 2035.

Air Assets, LLC's operating agreement will expire June, 2099.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Limited Liability Companies (Continued)

Air Leasing, LLC's operating agreement shall continue in perpetuity.

FSOA Assets, LLC's operating agreement shall continue in perpetuity.

Accounting Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, "Revenue from Contracts with Customers." These changes created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, we will apply the following steps: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contracts, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts, and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes are effective for fiscal years beginning after December 15, 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Companies have also elected to apply the practical expedient allowed under the new guidance whereby it can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Companies expect the period between delivery of the service and customer payment to be one year or less. In addition, the Companies have elected to apply the practical expedient whereby it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Companies otherwise would have recognized is one year or less.

The guidance may be adopted either by restating December 31, 2018 to reflect the impact of the new guidance (full retrospective method) or by recording the impact of adoption as an adjustment to retained earnings at the beginning of fiscal 2019 (modified retrospective method). The Companies adopted the standard in the first quarter of fiscal 2019 using the modified retrospective method.

HomeSmart International, LLC

Initial franchise fees are collected in advance by the Company and are non-refundable. The initial franchise fee includes the right to use the license and trademark, and pre-opening activities. The pre-opening activity represents a performance obligation to which a portion of the transaction price should be allocated. The Company has determined that the standalone selling price of the pre-opening services exceed the costs of the initial franchise fee, therefore, the Company recognizes revenue as the performance obligations are satisfied.

Significant Judgments

Management uses their professional judgment to determine the progress toward completion of their performance obligation for initial franchise fees by comparing the percentage of costs incurred to date to estimated total costs required to open each franchise. This method is used because management considers total cost to be the best available measure of progress on contracts.

For those services where the Company's performance obligation is satisfied at a point in time and for which there is no ongoing obligation, revenue is recognized as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HomeSmart International, LLC

Royalties, technology, Multiple Listing Services and marketing fees are recognized monthly based upon the time the franchisee closes on the sale of property, which is when the performance obligation is satisfied.

Annual membership fees are recognized monthly, as the performance obligation is satisfied.

Rental income is recognized on a monthly basis.

Air Asset, LLC

The Company recognizes related party revenue from rental of the aircraft on a monthly basis when the performance obligation is satisfied.

Air Leasing, LLC

The Company recognizes related party revenue from managing the aircraft on a monthly basis when the performance obligation is satisfied.

The Company is eligible to apply the optional exemptions to its remaining performance obligations due to: 1) the performance obligations are part of a contract that has an original duration of one year or less, 2) the associated revenue being recognized is based on the Company's right to invoice for the value of the product or services delivered, 3) the associated variable consideration is being allocated entirely to wholly unsatisfied performance obligations or 4) immateriality.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider unrestricted currency, demand deposits and money market accounts, with original maturities of ninety days or less to be cash equivalents.

Accounts Receivable and Allowance For Doubtful Accounts

Accounts receivable are stated at the amount the Company expects to collect on outstanding balances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts (Continued)

The allowance for doubtful accounts on accounts receivable is charged to income in amounts sufficient to maintain the allowance for doubtful accounts at a level management believes is adequate to cover any probable losses. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired (bankruptcy, lack of contact, age of account balance, etc.).

The Company provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time property and equipment are retired or otherwise disposed of, the assets and related depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

The companies capitalize acquisitions that individually exceed $2,500 in cost.

Depreciation is calculated using the straight-line method based upon the following useful lives of the assets:

Aircraft	10 years
Equipment	10 years
Trade show equipment	10 years

Intangible Assets

The Company is required to compare the fair values of indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite lived intangible asset exceeds its fair value, an impairment loss is recognized for the excess. Fair value of indefinite-lived intangible assets is determined based on discounted cash flows or appraised values, as appropriate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

Amortizable intangible assets with a definite life are generally amortized on a straight-line basis over periods up to 40 years. The costs to periodically renew our intangible assets are expensed as incurred. Intangible assets with indefinite lives are not amortized, but are subject to periodic tests for impairment by management.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group.

An asset group is established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets and could include assets used across multiple businesses or segments. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment would be measured as the difference between the fair value of the group's long-lived assets and the carrying value of the group's long-lived assets. The impairment is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts, but only to the extent the carrying value of each asset is above its fair value.

Intangible assets consist of trademarks and software. They are amortized on the straight-line method over their estimated remaining useful lives which range from 3 to 40 years.

Long-Lived Assets

Accounting Standards Codification (ASC) 360, "Accounting for The Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Companies assess recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. This standard did not have a material effect on the Companies' results of operations, cash flows or financial position for years ended December 31, 2020, 2019 and 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The consolidated financial statements do not include a provision for income taxes because the Companies have elected to be taxed as partnerships for federal and state income taxes. Net income is included in the members' income tax returns.

The Companies follow the accounting principle for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Companies' income tax filings are subject to audit by various taxing authorities. The Companies' open audit periods are 2017 to 2020. In evaluating the tax provisions and accruals, future taxable income, the reversal of temporary differences, and tax planning strategies are considered. The Companies believe their estimates are appropriate based on current facts and circumstances.

Debt Issuance Costs

Debt issuance costs of $19,700 are amortized as interest expense on the straight-line basis over the term of the loan. Amortization expense from financing costs recorded in interest expense for the years ended December 31, 2019 and 2018 was $7,880 and $3,940, respectively. The loan was paid in full in 2019.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2016-02, which replaces the current lease accounting standard. The update will require, among other items, lessees to recognize a right-of-use asset and a lease liability for most leases. Extensive quantitative and qualitative disclosures, including significant judgments made by management, will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The update is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted. The new standard must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Companies are currently evaluating the effect the update will have on our consolidated financial statements and expects the update will have a material impact on the consolidated financial statements.

NOTE 3 CONCENTRATION OF RISK

Cash

The Company has $1,247,966 deposited into one banking institution. Only $250,000 of the balance is insured by the Federal Deposit Insurance Corporation.

The Company has $2,000,052 deposited into one brokerage institutions that is partially insured by the Securities Investors Protection Corporation and a third-party insurance provider. Only $1,400,000 of the balance is insured.

Revenue

During the years ended December 31, 2020, 2019, and 2018, the revenue generated by corporate owned franchises related by common ownership was $4,457,414, $4,619,424, and $3,821,475, respectively, or approximately 34%, 42% and 53% of total revenue.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020	2019	2018
Accounts receivable:			
Related entities	$ 557,932	$ 302,462	$ 220,172
Non-related entities	643,725	413,598	288,548
Total accounts receivable	1,201,657	716,060	508,720
Less allowance for doubtful accounts	11,635	500	1,300
Total	$1,190,022	$ 715,560	$ 507,420

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable over 90 days were $16,678 at December 31, 2020.

A summary of the allowance for doubtful accounts is as follows:

	2020	2019	2018
Balance, beginning of year	$ 500	$ 1,300	$ 1,300
Changes for the year	11,135	(800)	-
Balance, end of year	$ 11,635	$ 500	$ 1,300

NOTE 5 PROPERTY AND EQUIPMENT

A summary of the property and equipment is as follows:

	2020	2019	2018
HomeSmart International, LLC			
Equipment	$ 9,143	$ 9,143	$ 9,143
Trade Show Equipment	76,899	76,899	76,899
Air Assets, LLC			
Aircraft	1,525,054	1,525,054	3,414,038
Total Cost	1,611,096	1,611,096	3,500,080
Less: accumulated depreciation	308,357	147,247	1,119,269
Total Property and Equipment	$1,302,739	$1,463,849	$2,380,811

Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was $161,110, $167,172 and $350,014, respectively.

NOTE 6 INTANGIBLE ASSETS

A summary of the intangible assets is as follows:

	2020	2019	2018
Trademarks	$ 10,135	$ 10,135	$ 10,135
Software (Not in use)	24,682	-	-
Software	-	-	9,909
	34,817	10,135	20,044
Less: accumulated amortization	3,490	3,237	12,890
Total Intangible assets	$ 31,327	$ 6,898	$ 7,154

Amortization expense for the years ended December 31, 2020, 2019 and 2018 was $253, $256, and $254, respectively.

Amortization expense for the years ending December 31, is as follows:

2021	$ 8,481
2022	8,481
2023	8,481
2024	254
2025 and beyond	5,630
	$ 31,327

NOTE 7 CONSOLIDATION

In October 2012 HomeSmart International, LLC acquired a 99% interest in Air Assets, LLC. Air Leasing, LLC has 1% ownership in Air Assets, LLC. The accompanying financial statements include Air Assets, LLC's financial results since its inception in 2012. Recognized amounts of identifiable assets, liabilities, and equity as of December 31, 2020, 2019 and 2018 were:

	2020	2019	2018
Assets			
Cash	$ 220,135	$ 25,974	$ 15,230
Property and equipment, net	1,270,878	1,423,384	2,331,745
Prepaid expenses	12,059	24,027	16,676
Security deposits	4,500	4,500	5,853
Total Assets	$ 1,507,572	$ 1,477,885	$ 2,369,504

NOTE 7 CONSOLIDATION (CONTINUED)

Liabilities	$ 1,611,099	$ 1,551,571	$ 2,143,774
Members' Equity			
Members' equity (deficit)	(103,527)	(73,686)	225,730
Total Liabilities and Members' Equity	$ 1,507,572	$ 1,477,885	$ 2,369,504

HomeSmart International, LLC acquired a 100% ownership interest in Air Leasing, LLC in 2012. The accompanying financial statements include Air Leasing, LLC's financial results for the period since its inception in 2012. Recognized amounts of identifiable assets, liabilities, and equity as of December 31, 2020, 2019 and 2018 were:

	2020	2019	2018
Assets			
Cash	$ 19,985	$ 17,785	$ 15,185
Investment in Air Assets, LLC	10,128	10,710	2,257
Total Assets	$ 30,113	$ 28,495	$ 17,442
Liabilities	$ -	$ 200	$ -
Members' Equity			
Members' equity (deficit)	30,113	28,295	17,442
Total Liabilities and Members' Equity	$ 30,113	$ 28,495	$ 17,442

NOTE 8 CONTRACT LIABILITY

The contract liability represents the Company's obligation to transfer goods or services to their new franchisees.

The amount of the contract liability at December 31, 2020 was $-.

Contract liability	
January 1, 2019	$ -
Increases for the year	36,000
Revenue recognized in the year	-
Contract liability	
December 31, 2019	36,000
Increases for the year	-
Revenue recognized in the year	(36,000)
Contract liability	
December 31, 2020	$ -

NOTE 9 NOTE PAYABLE, MEMBER

HomeSmart International, LLC had an unsecured note payable to a member in the amount of $1,178,275 in 2018, with an interest rate of 1.9% due on demand. The loan was paid in full in 2019. Accrued interest on the loan was $4,054, $4,054 and $22,388, respectively at December 31, 2020 , 2019 and 2018.

NOTE 10 NOTE PAYABLE

In December 2015, the Company purchased an airplane and borrowed $2,550,000 from a financial institution. The terms of the loan required monthly principal and interest payments of $18,461, beginning January 1, 2016 for five years and then a final balloon payment of all the unpaid principal and interest on December 7, 2020. Interest was charged at the most recent five-year LIBOR swap rate plus 200 basis points which was 3.64% as of December 31, 2018. The loan was secured by the airplane and guaranteed by the Member of the Company and a related party. The agreement also required a minimum combined debt service ratio. The loan was paid in full in 2019.

NOTE 10 NOTE PAYABLE (CONTINUED)

A summary of the note payable is as follows:

	2020	2019	2018
Total note payable	$ -	$ -	$ 2,144,967
Less: unamortized debt issuance costs	-	-	(7,880)
Total note payable, less costs	-	-	2,137,087
Less: current portion	-	-	146,023
Long-term portion	$ -	$ -	$ 1,991,064

NOTE 11 LOAN PAYABLE, MEMBER

In April 2019, a member loaned the Company $1,490,247. The loan is unsecured and requires interest ,only payments at an interest rate of 6%. The maturity date of the loan is December 1, 2024. Accrued interest on the loan was $115,161 and $61,325, respectively at December 31, 2020 and 2019

NOTE 12 DISAGGREGATION OF REVENUE

The Company recognizes revenue by the type of performance obligations:

	2020	2019	2018
Royalty fees	$ 8,089,590	$ 6,869,259	$ 5,787,863
Initial franchise fees	403,500	387,500	484,000
Marketing fund contributions	1,196,068	1,037,940	892,720
Overhead reimbursement, related entitites	1,432,463	1,456,826	1,415,638
Rental income, related entities	282,205	282,205	318,308
Other income	1,565,295	957,498	698,999
Total Revenue	$ 12,969,121	$ 10,991,228	$ 9,597,528

NOTE 12 DISAGGREGATION OF REVENUE (CONTINUED)

Total revenue from corporate owned franchises:

	2020	2019	2018
Royalty fees	$ 3,477,971	$ 3,685,971	$ 3,107,742
Marketing fund contributions	695,594	736,966	621,308
Other income	283,849	196,487	92,425
Total Revenue	$ 4,457,414	$ 4,619,424	$ 3,821,475

Timing of Revenue Recognition

	2020	2019
Services transferred at a point in time	$ 12,565,621	$ 10,603,728
Services transferred over time	403,500	387,500
Total	$ 12,969,121	$ 10,991,228

NOTE 13 RELATED PARTY TRANSACTIONS

HomeSmart International, LLC entered into a software licensing agreement for contracted services with VirtuSmart LLC, a company related by common ownership, to lease software rights. The fees from January 1, 2018 to November 30, 2018 were $75,000 per month. In December 2018, the fees were increased to $175,000 per month. For the years ended December 31, 2020, 2019 and 2018, the Company paid a total of $2,100,000, $2,122,987 and $2,100,000 to VirtuSmart LLC.

A total of $82,847, $45,122 and $26,249 was paid to related entities for printing, supplies and marketing expenses during the years ended December 31, 2020, 2019 and 2018, respectively.

A total of $387, $870,644 and $146,709 was paid to related entities for shared overhead, marketing and contracted fee expenses for the years ended December 31, 2020, 2019 and 2018, respectively.

During the years ended December 31, 2020, 2019 and 2018, the Company leased their employees from a related party. Total leased employee expenses were $4,798,287, $4,166,930 and $3,919,577 for the years ended December 31, 2020,

NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

2019 and 2018, respectively. As of December 31, 2020, $693,317 was due to the related entity for accrued bonuses, wages and vacation.

In July 2018, HomeSmart International, LLC entered into a management agreement with a related entity. The monthly management fee was $10,000 per month. The Company cancelled the agreement in November 2018. A total of $45,000 was paid to the related entity for the year ended December 31, 2018.

Air Assets, LLC has a verbal agreement to pay Air Leasing, LLC a management fee in the amount of $2,400 per year. This amount is eliminated in the consolidation.

A total of $2,833, $748 and $256 was paid to a related entity for building expenses for the years ended December 31, 2020, 2019 and 2018.

A total of $283,083, $283,707, and $0 was paid to a related entity for call center expenses for the years ended December 31, 2020, 2019 and 2018.

At 2020, a reimbursement in the amount of $64,771 was due to a member for the purchase of software.

The Companies reimburse a related entity for expenses paid on the related party's credit card each month. At December 31, 2020, $331 was due from HomeSmart International LLC to the related entity and $5,691 was due from Air Assets, LLC to the related entity.

On a monthly basis, various related entities reimburse HomeSmart International, LLC for overhead costs. At December 31, 2020, $615,368 was owed to the Company.

In February, 2017, HomeSmart International, LLC co-signed a line of credit and security agreement with a related party to fund a revolving loan in the maximum amount of $10,000,000. The loan is collateralized by the Company's assets, including, but not limited to cash, accounts receivable, limited liability companies, leases, trademarks, fixed assets and intangibles and is secured by personal guarantees from the a Company member. The bank would require the Company to make the required loan payments in the event the related party was unable to do so. As of December 31, 2020, the loan balance was $1,035,082 and the related party was current with the required payments. Management estimates that the value of the secured assets and personal guarantees are greater than the corresponding debt enabling the related party to cover the liability.

All of the assets of Homesmart International, LLC have been pledged as security for obligations of a member of the Company.

NOTE 14 OPERATING LEASES

HomeSmart International, LLC

The Company has entered into a lease for office space with a limited liability company related by common ownership:

Location	Lease Term	Monthly Rent
Office - Scottsdale, AZ	May 15, 2015 - April 30, 2019	$ 43,750

This lease was cancelled on April 30, 2018 and a new lease was written with a limited liability company related by common ownership.

Office - Scottsdale, AZ	May 15, 2018 - April 30, 2021	$ 56,951

The lease is classified as an operating lease, and the Company has an option to renew the lease for two additional terms of three years.

The Company had prepaid rent to a related entity in the amount of $56,951, $57,151 and $4,882 at December 31, 2020, 2019 and 2018, respectively.

Air Assets, LLC

The Company rents hanger space on a month-to-month basis for $2,725.

Rent For All Entities

The amounts charged to rent expense are as follows:

	2020	2019	2018
Related entities	$ 683,410	$ 683,410	$ 696,566
Non-related entities	42,657	28,295	37,346
Total	$ 726,067	$ 711,705	$ 733,912

NOTE 14 OPERATING LEASES (CONTINUED)

Homesmart International, LLC has subleased space within the Scottsdale office to various related entities by common ownership. The lease terms are as follows:

Lease #1

A related entity paid rent to HomeSmart International. The lease terms were from May 1, 2015 to April 30, 2018 for a total monthly rent of $8,750. This lease was cancelled, and a new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $2,031.

Lease #2

A related entity paid rent to HomeSmart International. The lease terms were from May 1, 2015 to April 30, 2018 for a total monthly rent of $4,375. This lease was cancelled, and a new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $2,892.

Lease #3

A related entity paid rent to Homesmart International, LLC in 2016, 2017 and from January 1, 2018 – April 30, 2018 in the amount of $17,500 per month. A new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $18,593.

The total rental income under the subleases for the years ending December 31, 2020, 2019 and 2018 was $282,205, $282,205 and $318,308, respectively.

The future minimum lease and sublease payments for the Company's operating leases are as follows:

Years Ended	Rent Expense	Rent Income
December 31, 2021	$ 227,804	$ 94,068

NOTE 15 OPERATING LEASES – EQUIPMENT

HomeSmart International, LLC leases an aircraft from Air Assets, LLC for $30,000 per month. The lease is for 60 months and expired October 30, 2020. The lease was not renewed and is being paid month-to-month. Rent expense for the periods ended December 31, 2020, 2019 and 2018 was $360,000, $360,000 and $360,000, respectively.

The lease income/expense is eliminated in the consolidation.

The Company has eleven leases for office equipment. Monthly rentals range from $107 -$750 plus tax and the leases terminate in the years 2020-2023. The Company does not use the equipment, as it is used and paid for by related entities. If the related companies were to default on the leases, HomeSmart International, LLC would be legally obligated to pay the leases. The remaining lease obligations on the office equipment leases are $85,710 at December 31, 2021.

The future minimum lease payments for the company's operating leases- office equipment is as follows:

Years Ended		
December 31, 2021	$	44,112
December 31, 2022		30,936
December 31, 2023		10,662
Total future minimum lease payments	$	85,710

NOTE 16 FRANCHISE AGREEMENT

The terms of the Company's franchise agreements are as follows:

A. The Company grants to the franchisee the non-exclusive right to use the trademark name of "Homesmart International, LLC" and to receive the Homesmart International, LLC system and services during the term of the franchise.
B. The franchisee must pay a non-refundable initial franchise fee.
C. The franchisee is also obligated to pay the franchisor the following fees:
    1. Continuing royalty fees based on the franchisee's agreement
    2. An advertising fund contribution
    3. Branch fees
    4. Technology fees
D. Term of the franchise is for five years with one-five year option to renew.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 17 FRANCHISES (UNAUDITED)

The following is a summary of the Homesmart franchises as of December 31:

	2020	2019	2018
Beginning of year	126	114	96
Franchises opened	21	17	39
Terminations	(2)	(3)	(3)
Reacquired/ceased operation	-	(2)	(18)
End of year	145	126	114
Number of locations owned by related entities	46	36	38

NOTE 18 ADVERTISING AND MARKETING COSTS

The Company expenses all advertising and marketing costs when the advertising takes place. Advertising and marketing costs for the years ended December 31, 2020, 2019 and 2018 were $1,437,820, $766,277 and $1,162,318, respectively.

NOTE 19 INTEREST

Interest expense was the following for the years ended December 31:

	2020	2019	2018
Related party	$ 82,208	$ 65,379	$ 22,338
Non-related entity	-	14,062	81,867
Amortization of debt issuance costs	-	7,880	3,940
Total interest expense	$ 82,208	$ 87,321	$ 108,145

NOTE 20 PRIOR PERIOD ADJUSTMENT

December 31, 2018

Royalties are earned when the franchisee closes the sale of property. In prior years, royalties were recorded when the Company billed the franchisee instead of when earned. The prior year's consolidated financial statements should have reflected the following:

Net income as reported	$ 39,454
Adjustment of Accounts Receivable	
Beginning of year	(393,979)
End of year	488,321
Adjusted net income	$ 133,796

NOTE 21 CHANGE IN ACCOUNTING POLICY

The Companies adopted the requirements of the (FASB) "Revenue from Contracts with Customers" as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, HomeSmart International, LLC recorded a cumulative adjustment to retained earnings as of January 1, 2019 to reflect the effect of the new guidance. The impact of adopting the new guidance was an increase to our 2019 revenue by $66,000.

The modified retrospective method of transition requires the Company to disclose the effect of applying the new guidance of each item included in the consolidated financial statements. The following are the accounts that were affected, the amount that would have been reported under the former guidance, the effect of applying the new guidance, and the balances reported under the new guidance:

NOTE 21 CHANGE IN ACCOUNTING POLICY (CONTINUED)

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Contract liability (deferred revenue)	$ -	$ 66,000	$ 66,000
Revenue	$ 11,057,228	$ (66,000)	$ 10,991,228
Net Income	$ 2,394,298	$ (66,000)	$ 2,328,298

NOTE 22 RECLASSIFICATIONS

Certain amounts in the prior period presented have been reclassified to conform to the current period consolidated financial statement presentation. These reclassifications have no effect on previously reported net income (loss).

NOTE 23 SIGNIFICANT RISKS AND UNCERTANTIES

The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Company's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and decline in value of assets held by the Company.

NOTE 24 SUBSEQUENT EVENTS

The Company is modifying its ownership structure, with an anticipated effective date of April 1, 2021.

Management has evaluated subsequent events through March 12, 2021, the date which the consolidated financial statements were available for issue.

Moffitt & Company, P.C.

Certified Public Accountants
Paradise Village Office Park III
11811 North Tatum Boulevard, Suite 2600
Phoenix, Arizona 85028
Telephone: (480) 951-1416
Facsimile: (480) 948-3510

INDEPENDENT AUDITORS' ACKNOWLEDGMENT

HomeSmart International, LLC
Scottsdale, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated March 11, 2020, issued by HomeSmart International, LLC ("Franchisor") of our report dated February 26, 2020, relating to the financial statements of Franchisor as of December 31, 2019, 2018 and 2017, and for the years then ended.

Moffitt & Company P C

Moffitt & Company, P.C.

Phoenix, Arizona

February 26, 2020

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019, 2018 AND 2017

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Moffitt & Company, P.C.

Certified Public Accountants
Paradise Village Office Park III
11811 North Tatum Boulevard, Suite 2600
Phoenix, Arizona 85028
Telephone: (480) 951-1416
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INDEPENDENT AUDITORS' REPORT

To The Members
HomeSmart International, LLC
and Subsidiary Companies
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of HomeSmart International, LLC and Subsidiary Companies which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income (operations), changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HomeSmart International, LLC and Subsidiary Companies as of December 31, 2019 and 2018, and the result 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.

Other Matters

The consolidated financial statements of HomeSmart International, LLC and Subsidiary Companies as of December 31, 2017 were audited by other auditors whose report dated March 23, 2018, expressed an unmodified opinion on those statements.

Moffitt & Company PC

Moffitt & Company, P.C.
Phoenix, Arizona

February 26, 2020

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019, 2018 AND 2017

ASSETS

	2019	2018	2017
CURRENT ASSETS			
Cash	$ 1,006,339	$ 333,646	$ 308,753
Accounts receivable, net of allowance for doubtful accounts			
Related entities	302,462	220,172	0
Non-related entities	413,098	287,248	11,547
Miscellaneous receivable	3,167	0	0
Due from related entities	222,086	117,328	0
Prepaid expenses			
Related entity - rent	56,951	4,882	44,287
Non-related entities	690,662	51,323	72,152
Security deposit	4,500	5,853	0
TOTAL CURRENT ASSETS	2,699,265	1,020,452	436,739
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	1,463,849	2,380,811	2,730,825
OTHER ASSETS			
Intangible assets, net of accumulated amortization	6,898	7,154	7,406
TOTAL ASSETS	$ 4,170,012	$ 3,408,417	$ 3,174,970

LIABILITIES AND MEMBERS' (DEFICIT)

	2019	2018	2017
CURRENT LIABILITIES			
Accounts payable	$ 5,700	$ 4,503	$ 3,375
Due to related entities	322,192	122,565	0
Accrued expenses, other	16,841	20,200	91,861
Accrued interest			
Related party	65,379	22,388	552
Non-related party	0	6,687	7,161
Deferred revenue			
Rent, related entity	18,594		
2020 Summit	190,772	0	0
Contract liability	36,000	0	0
Note payable, member	0	1,178,275	1,177,773
Note payable, airplane, current portion	0	146,023	140,811
TOTAL CURRENT LIABILITIES	655,478	1,500,641	1,421,533
LONG-TERM DEBT			
Note payable, airplane net of current portion	0	1,991,064	2,131,534
Loan payable, member	1,490,247	0	0
TOTAL LONG-TERM DEBT	1,490,247	1,991,064	2,131,534
MEMBERS' EQUITY (DEFICIT)	2,024,287	(83,288)	(378,097)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 4,170,012	$ 3,408,417	$ 3,174,970

See Accompanying Notes and Independent Auditors' Report.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME (OPERATIONS)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
TOTAL REVENUE	$ 10,991,228	$ 9,597,528	$ 8,111,627
OPERATING EXPENSES			
Advertising and marketing	766,277	1,162,318	719,399
Aircraft operating expenses	167,128	88,478	76,240
Amortization	256	254	753
Bad debts	11,286	0	82,059
Communications	0	0	10,113
Contracted services	3,080,092	2,862,140	2,192,326
Contributions	708	3,310	6,507
Corporate burden, related entities	42,763	146,709	231,643
Depreciation	167,172	350,014	352,573
Dues and subscriptions	191,605	146,422	36,280
Insurance	55,493	7,126	29,888
Interest expense	87,321	108,145	113,549
Leased employee expenses, related entity	4,166,930	3,919,577	3,444,367
Legal fees	39,900	16,775	26,391
License fees	2,970	5,715	33,600
Management fees, related entity	0	45,000	0
Meals and entertainment	15,224	12,400	20,306
Miscellaneous	54,056	8,783	2,315
Office expenses	53,816	27,022	75,865
Postage and delivery	16,147	9,392	14,246
Rent	711,705	733,912	559,788
Travel	50,406	61,630	43,965
TOTAL OPERATING EXPENSES	9,681,255	9,715,122	8,072,173
INCOME (LOSS) FROM OPERATIONS	1,309,973	(117,594)	39,454
GAIN ON SALE OF AIRCRAFT	1,018,325	0	0
NET INCOME (LOSS)	$ 2,328,298	$ (117,594)	$ 39,454

See Accompanying Notes and Independent Auditors' Report.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

Balance, January 1, 2017	$ (382,715)
Member contributions	1,000,000
Member distributions	(1,034,836)
Net income for the year	39,454
BALANCE, DECEMBER 31, 2017	(378,097)
Prior period adjustment-correction of understatement of net income for billing of accounts receivable	488,321
BALANCE, DECEMBER 31, 2017, AS ADJUSTED	110,224
Member distribution	(75,918)
Net (loss) for the year	(117,594)
BALANCE, DECEMBER 31, 2018	(83,288)
Impact of change in accounting policy	(66,000)
BALANCE, JANUARY 1, 2019, AS ADJUSTED	(149,288)
Member contribution	38,125
Member distribution	(192,848)
Net income for the year	2,328,298
BALANCE, DECEMBER 31, 2019	$ 2,024,287

See Accompanying Notes and Independent Auditors' Report.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 2,328,298	$ (117,594)	$ 39,454
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	167,172	350,014	352,573
Amortization	256	254	753
(Gain) on asset disposal	(1,018,325)	0	(65,724)
Amortized loan fees	7,880	3,940	3,940
Change in allowance for doubtful accounts	(800)	0	0
Changes in operating assets and liabilities:			
Accounts receivable	(211,307)	(7,553)	69,006
Due from related parties	(104,758)	(117,328)	0
Prepaid expense	(691,407)	60,234	(116,439)
Security deposit	1,353	(5,853)	0
Accounts payable	1,197	1,129	(31,760)
Due to related parties	199,627	122,565	0
Accrued expenses, other	(3,359)	(71,661)	77,770
Accrued interest	36,304	21,361	0
Deferred revenue	143,366	0	(15,000)
Contract liability	36,000	0	0
NET CASH PROVIDED BY OPERATIONS	891,497	239,508	314,573
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(34,807)	0	0
Proceeds from sale of assets	1,182,837	0	237,788
Employee advances	0	0	1,000
NET CASH PROVIDED BY INVESTING	1,148,030	0	238,788

See Accompanying Notes and Independent Auditors' Report.

HOMESMART INTERNATIONAL, LLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:			
Member contributions	$ 38,125	$ 0	$ 1,000,000
Member distributions	(192,848)	(75,919)	(1,034,836)
Proceeds from note payable	0	502	0
Repayments of note payable	(33,836)	(139,198)	(134,891)
Repayments of note payable, related party	(1,178,275)	0	0
Repayments to related parties	0	0	(257,092)
NET CASH (USED) BY FINANCING	(1,366,834)	(214,615)	(426,819)
NET INCREASE IN CASH	672,693	24,893	126,542
CASH, BEGINNING OF YEAR	333,646	308,753	182,211
CASH, END OF YEAR	$ 1,006,339	$ 333,646	$ 308,753
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest paid	$ 21,941	$ 82,367	$ 118,919
Tax paid	$ 0	$ 0	$ 0
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES			
Purchase of aircraft	$ 1,490,247	$ 0	$ 0
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES			
Repayments on note payable	$ (2,110,332)	$ 0	$ 0
Proceeds from note payable, related entity	1,490,247	0	0
TOTAL NON-CASH FINANCING ACTIVITY	$ (620,085)	$ 0	$ 0

See Accompanying Notes and Independent Auditors' Report.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

HomeSmart International, LLC (the Company) was organized under the laws of the State of Arizona on May 19, 2005. The Company offers franchises for the use of "HomeSmart" trademarks, trade names, service marks and logos in the operation of HomeSmart Real Estate Brokerage Businesses. Franchises have been sold throughout the United States.

Basis of Consolidated Financial Statements

The financial statements include the following companies:

Air Assets, LLC, an Arizona Limited Liability Company, is in the business of operating an aircraft. In 2017, Air Assets, LLC set-up a 100% owned subsidiary called FSOA Assets, LLC, a Delaware Limited Liability Company. For legal purposes, the aircraft is titled in the name of FSOA Assets, LLC. For accounting purposes, since FSOA Assets, LLC is a 100% owned subsidiary of Air Assets, LLC, the companies are consolidated and all assets are recorded on Air Assets, LLC accounting records.

Air Leasing, LLC, an Arizona Limited Liability Company, is in the business of managing an aircraft owned by FSAO Assets, LLC.

Basis of Presentation

The consolidated financial statements are presented on the accrual basis of accounting.

Limited Liability Companies

The companies are limited liability companies; therefore, the members are not personally liable for the debts, obligations, or liabilities of the companies.

The Articles of Organizations state the following:

HomeSmart International, LLC's operating agreement will expire on May 19, 2035.

Air Assets, LLC's operating agreement will expire June, 2099.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Limited Liability Companies (Continued)

Air Leasing, LLC's operating agreement shall continue in perpetuity.

FSOA Assets, LLC's operating agreement shall continue in perpetuity.

Accounting Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, "Revenue from Contracts with Customers." These changes created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, we will apply the following steps: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contracts, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts, and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes are effective for fiscal years beginning after December 15, 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Companies have also elected to apply the practical expedient allowed under the new guidance whereby it can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Companies expect the period between delivery of the service and customer payment to be one year or less. In addition, the Companies have elected to apply the practical expedient whereby it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Companies otherwise would have recognized is one year or less.

The guidance may be adopted either by restating fiscal 2017 and 2018 to reflect the impact of the new guidance (full retrospective method) or by recording the impact of adoption as an adjustment to retained earnings at the beginning of fiscal 2019 (modified retrospective method). The Companies adopted the standard in the first quarter of fiscal 2019 using the modified retrospective method.

HomeSmart International, LLC

Initial franchise fees are collected in advance by the Company and are non-refundable. The initial franchise fee includes the right to use the license and trademark, and pre-opening activities. The pre-opening activity represents a performance obligation to which a portion of the transaction price should be allocated. The Company has determined that the standalone selling price of the pre-opening services have exceeded the costs of the initial franchise fee, therefore, the Company recognizes revenue as the services are performed.

Significant Judgments

Management uses their professional judgment to determine the progress toward completion of their performance obligation for initial franchise fees by measuring the percentage of costs incurred to date to estimated total costs required to open each franchise. This method is used because management considers total cost to be the best available measure of progress on contracts.

For those services where the Company's performance obligation is satisfied at a point in time and for which there is no ongoing obligation, revenue is recognized as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HomeSmart International, LLC

Royalties and marketing fees are recognized monthly based upon the time the franchisee closes on the sale of property, which is when the performance obligation is satisfied.

Rental income is recognized on a monthly basis.

Air Asset, LLC

The Company recognizes related party revenue from rental of the aircraft on a monthly basis when the performance obligation is satisfied.

Air Leasing, LLC

The Company recognizes related party revenue from managing the aircraft on a monthly basis when the performance obligation is satisfied.

The Company is eligible to apply the optional exemptions to its remaining performance obligations due to: 1) the performance obligations are part of a contract that has an original duration of one year or less, 2) the associated revenue being recognized is based on the Company's right to invoice for the value of the product or services delivered, 3) the associated variable consideration is being allocated entirely to wholly unsatisfied performance obligations or 4) immateriality.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider unrestricted currency, demand deposits, money market accounts, and all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash equivalents.

Accounts Receivable and Allowance For Doubtful Accounts

Accounts receivable are stated at the amount the Company expects to collect on outstanding balances. Franchise fees are secured by the territorial franchise rights granted in the franchise agreements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts (Continued)

The allowance for doubtful accounts on accounts receivable is charged to income in amounts sufficient to maintain the allowance for doubtful accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual franchises. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired (bankruptcy, lack of contact, age of account balance, etc.).

The Company provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time property and equipment are retired or otherwise disposed of, the assets and related depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

The companies capitalize acquisitions that exceed $2,500 in cost.

Depreciation is provided using the straight-line method based upon the following useful lives of the assets:

Aircraft	10 years
Equipment	10 years
Trade Show equipment	10 years

Intangible Assets

The Company is required to compare the fair values of indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite lived intangible asset exceeds its fair value, an impairment loss is recognized for the excess. Fair value of indefinite-lived intangible assets are determined based on discounted cash flows or appraised values, as appropriate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

Amortizable intangible assets with a definite life are generally amortized on a straight-line basis over periods up to 40 years. The costs to periodically renew our intangible assets are expensed as incurred. Intangible assets with indefinite lives are not amortized, but are subject to periodic tests for impairment by management.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group.

An asset group is established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets and could include assets used across multiple businesses or segments. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment would be measured as the difference between the fair value of the group's long-lived assets and the carrying value of the group's long-lived assets. The impairment is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts, but only to the extent the carrying value of each asset is above its fair value.

Intangible assets consist of trademarks and software. They are amortized on the straight-line method over the estimated remaining useful lives which range from 3 to 40 years.

Long-Lived Assets

ASC 360, "Accounting for The Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Companies assess recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. This standard did not have a material effect on the Companies' results of operations, cash flows or financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The consolidated financial statements do not include a provision for income taxes because the Companies have elected to be taxed as partnerships for federal and state income taxes. Net income is included in the members' income tax returns.

The Companies follow the accounting principle for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Companies' income tax filings are subject to audit by various taxing authorities. The Companies' open audit periods are 2016 to 2019. In evaluating the tax provisions and accruals, future taxable income, the reversal of temporary differences, and tax planning strategies are considered. The Companies believe their estimates are appropriate based on current facts and circumstances.

Debt Issuance Costs

Debt issuance costs of $19,700 are amortized as interest expense on the straight-line basis over the term of the loan. Amortization expense from financing costs recorded in interest expense for the years ended December 31, 2019, 2018 and 2017 was $7,880, $3,940 and $3,940, respectively. The loan was paid in full in 2019.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued an accounting standards update which replaces the current lease accounting standard. The update will require, among other items, lessees to recognize a right-of-use asset and a lease liability for most leases. Extensive quantitative and qualitative disclosures, including significant judgments made by management, will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Companies are currently evaluating the effect the update will have on our consolidated financial statements, and expects the update will have a material impact on the consolidated financial statements.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Presentation of Financial Statements – Going Concern

In August 2014, the FASB issued an accounting standards update which requires management to assess whether there are conditions or events, considered in the aggregate that raise substantial doubt about the entity's ability to continue as a going concern within one year after the consolidated financial statements are issued. If substantial doubt exists, additional disclosures are required. This update was effective for the Companies' annual period ended December 31, 2017. The adoption of the new standard did not have a material impact on the Company's financial position, results of operations, cash flows or disclosures.

NOTE 3 CONCENTRATION OF RISK

Cash

The Company has $1,205,373 deposited into one banking institution. Only $250,000 of the balance is insured by the Federal Deposit Insurance Corporation.

Revenue

During the years ended December 31, 2019, 2018 and 2017, the revenue generated by corporate owned franchises related by common ownership was $4,619,424, $5,071.920 and $4,215,285 or approximately 58%, 53% and 52% of its total revenue.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019	2018	2017
Accounts receivable			
Related entities	$ 302,462	$220,172	$ 0
Non-related entities	413,598	288,548	12,847
Total accounts receivable	716,060	508,720	12,847
Less allowance for doubtful accounts	500	1,300	1,300
Total	$ 715,560	$507,420	$ 11,547

See Accompanying Notes and Independent Auditors' Report.

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable over 90 days were $10,211 at December 31, 2019.

A summary of the allowance for doubtful accounts is as follows:

	2019	2018	2017
Balance, beginning of year	$ 1,300	$ 1,300	$ 15,565
Changes for the year	(800)	0	(14,265)
Balance, end of year	$ 500	$ 1,300	$ 1,300

NOTE 5 PROPERTY AND EQUIPMENT

A summary of the property and equipment is as follows:

	2019	2018	2017
Homesmart International, LLC			
Equipment	$ 9,143	$ 9,143	$ 9,143
Trade Show Equipment	76,898	76,899	76,899
Air Assets, LLC			
Aircraft	1,525,054	3,414,038	3,414,038
Total Cost	1,611,095	3,500,080	3,500,080
Less accumulated depreciation	147,246	1,119,269	769,255
Total Property and Equipment	$ 1,463,849	$ 2,380,811	$ 2,730,825

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 was $167,172, $350,014 and $352,573, respectively.

NOTE 6 INTANGIBLE ASSETS

A summary of the intangible assets is as follows:

	2019	2018	2017
Trademarks	$ 10,135	$ 10,135	$ 10,135
Software	0	9,909	9,909
	10,135	20,044	20,044
Less accumulated amortization	3,237	12,890	12,638
Total Intangible Assets	6,898	7,154	7,406

Amortization expense for the years ended December 31, 2019, 2018 and 2017 was $256, $254, and $753, respectively.

Amortization expense for the years ending December 31, is as follows:

2020	$ 254
2021	254
2022	254
2023	254
2024 and beyond	5,882
	$ 6,898

NOTE 7 CONSOLIDATION

In October, 2012 HomeSmart International, LLC acquired a 99% interest in Air Assets, LLC. Air Leasing, LLC has 1% ownership in Air Assets, LLC. The accompanying financial statements include Air Assets, LLC's financial results since its inception in 2012. Recognized amounts of identifiable assets, liabilities, and equity as of December 31, 2019, 2018 and 2017 were:

	2019	2018	2017
Assets			
Cash	$ 25,974	$ 15,230	$ 49,927
Property and equipment, net	1,423,384	2,331,745	2,673,149
Investment prepaid expenses	24,027	16,676	0
Deposits	4,500	5,853	0
Total Assets	$ 1,477,885	$ 2,369,504	$ 2,723,076

See Accompanying Notes and Independent Auditors' Report.

NOTE 7 CONSOLIDATION (CONTINUED)

	2019	2018	2017
Liabilities	$ 1,551,571	$ 2,143,774	$ 2,296,186
Members' Equity			
Members' equity (deficit)	(73,686)	225,730	426,890
Total Liabilities and Members' Equity	$ 1,477,885	$ 2,369,504	$ 2,723,076

HomeSmart International, LLC acquired a 100% ownership interest in Air Leasing, LLC in 2012. The accompanying financial statements include Air Leasing, LLC's financial results for the period since its inception in 2012. Recognized amounts of identifiable assets, liabilities, and equity as of December 31, 2019, 2018 and 2017 were:

	2019	2018	2017
Assets			
Cash	$ 17,785	$ 15,185	$ 12,785
Investment in Air Assets	10,710	2,257	0
Total Assets	$ 28,495	$ 17,442	$ 12,785
Liabilities	$ 200	$ 0	$ 0
Member's Equity	28,295	17,442	12,785
Total Liabilities and Member's Equity	$ 28,495	$ 17,442	$ 12,785

See Accompanying Notes and Independent Auditors' Report.

NOTE 8 CONTRACT LIABILITY

The contract liability represents the Company's obligation to transfer goods or services to their new franchises.

The amount of the contract liability at December 31, 2019 was $36,000.

Contract liability January 1, 2019	$ 0
Increases for the year	36,000
Revenue recognized in current period	0
Contract liability December 31, 2019	$ 36,000

NOTE 9 NOTE PAYABLE, MEMBER

The Company had a note payable to a member in the amount of $1,178,275 in 2018 and $1,177,773 in 2017, with an interest rate of 1.9% due on demand. The loan was paid in full in 2019. Accrued interest on the loan was $4,054, $22,388 and $522, respectively at December 31, 2019, 2018 and 2017.

NOTE 10 NOTE PAYABLE

In December 2015, the Company purchased an airplane and borrowed $2,550,000 from a financial institution. The terms of the loan requires monthly principal and interest payments of $18,461, beginning January 1, 2016 for five years and then a final balloon payment of all the unpaid principal and interest on December 7, 2020. Interest was charged at the most recent five year LIBOR swap rate plus 200 basis points which was 3.64% as of December 31, 2018. The loan was secured by the airplane and guaranteed by the Member of the Company and a related party. The agreement also requires a minimum combined debt service ratio. The loan was paid in full in 2019.

A summary of the note payable is as follows:

	2019	2018	2017
Total note payable	$ 0	$ 2,144,967	$ 2,284,165
Less unamortized debt issuance costs	0	(7,880)	(11,820)
Total note payable, less costs	0	2,137,087	2,272,345
Less current portion	0	146,023	140,811
Long-term portion	$ 0	$ 1,991,064	$ 2,131,534

NOTE 11 LOAN PAYABLE, MEMBER

In April 2019, the member loaned the Company $1,490,247. The loan is unsecured and requires interest only payments at an interest rate of 6%. The maturity date of the note is December 1, 2024.

NOTE 12 DISAGGREGATION OF REVENUE

The Company recognizes revenue by the type of performance obligations:

	2019	2018	2017
Royalty fees	$ 6,869,259	$ 5,787,863	$ 5,096,272
Initial franchise fees	387,500	484,000	216,000
Marketing fund contributions	1,037,940	892,720	806,053
Overhead reimbursement, related entities	1,456,826	1,415,638	932,569
Rental income, related entities	282,205	318,308	375,452
Other income	957,498	698,999	685,281
Total Revenue	$ 10,991,228	$ 9,597,528	$ 8,111,627

Total revenue from corporate owned franchises:	
Royalty fees	$ 3,685,971
Marketing fund contributions	736,966
Other income	196,487
Total Revenue	$ 4,619,424
Revenue by geographic location in the United States of America	
West Coast	$ 8,913,616
East Coast	974,030
Midwest	797,382
South	306,200
Total Revenue	$ 10,991,228
Timing of Revenue Recognition	
Services transferred at a point in time	$ 10,603,728
Services transferred over time	387,500
Total	$ 10,991,228

See Accompanying Notes and Independent Auditors' Report.

NOTE 13 RELATED PARTY TRANSACTIONS

During 2013, the HomeSmart International, LLC entered into a software licensing agreement for contracted services with VirtuSmart LLC, a company related by common ownership, to lease software rights. The agreement required minimum payments of $60,000 a month plus licensing fees. In October 2014, the minimal payments were increased to the greater of $100,000 or $1,000 per franchise. To reduce operating costs, the Company started servicing the software internally during the year ended December 31, 2015, and VirtuSmart, LLC verbally agreed to reduce the minimum payments to $50,000 a month. During the year ended December 31, 2017, the fees were increased to $75,000 a month. In December 2018, the fees were increased to $175,000 per month. For the years ended December 31, 2019, 2018 and 2017, the Company paid a total of $2,122,987, $2,100,000 and 1,775,000 related to the lease. During the year ended December 31, 2017, the Company shared the costs for software developers with VirtuSmart, LLC. Total paid to VirtuSmart, LLC for these costs was $170,643.

A total of $8,693, $45,122 and $26,249 was paid to a related entity for printing, supplies and marketing expenses during the years ended December 31, 2019, 2018 and 2017, respectively.

A total of $870,644, $146,709 and $231,643 was paid to related entities for shared overhead, marketing and contracted fee expenses for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, $15,208 was due for the shared expenses.

During the years ended December 31, 2019, 2018 and 2017, the Company leased their employees from a related party. Total leased employee expenses were $4,166,930, $3,919,577 and $3,444,367 for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, $306,984 was due to the related entity for accrued bonuses, wages and vacation.

In July 2018, Homesmart International, LLC entered into a management agreement with a related entity. The monthly management fee was $10,000 per month. The Company cancelled the agreement in November, 2018. A total of $45,000 was paid to the related entity for the year ended December 31, 2018.

NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

Air Assets, LLC has a verbal agreement to pay Air Leasing, LLC a management fee in the amount of $2,400 per year. This amount is eliminated in the consolidation.

A total of $748, $256 and $0 was paid to a related entity for building expenses for the years ended December 31, 2019, 2018 and 2017.

A total of $283,707, $0 and $0 was paid to a related entity for call center expenses for the years ended December 31, 2019, 2018 and 2017.

In February, 2017, HomeSmart International, LLC co-signed a line of credit and security agreement with a related party to fund a revolving loan in the maximum amount of $10,000,000. The loan is collateralized by the Company's assets, including, but not limited to cash, accounts receivable, limited liability companies, leases, trademarks, fixed assets and intangibles and is secured by personal guarantees from the Company's Member. The bank would require the Company to make the required loan payments in the event the related party was unable to do so. As of December 31, 2019, the loan balance was approximately $8,765,946 and the related party was current with the required payments. Management estimates that the value of the secured assets and personal guarantees are greater than the corresponding debt enabling the related party to cover the liability.

All of the assets of Homesmart International, LLC have been pledged as security for obligations of the member of the Company.

NOTE 14 OPERATING LEASES

HomeSmart International, LLC

The Company has entered into a lease for office space with a limited liability company related by common ownership:

Location	Lease Term	Monthly Rent
Office – Scottsdale, AZ	May 15, 2015 – April 30, 2019	$ 43,750

This lease was cancelled on April 30, 2018 and a new lease was written with a limited liability company related by common ownership.

Location	Lease Term	Monthly Rent
Office – Scottsdale, AZ	May 1, 2018 – April 30, 2021	$ 56,951

The lease is classified as an operating lease, and the Company has an option to renew the lease for two additional terms of three years.

The Company had prepaid rent to a related entity in the amount of $56,951, $4,882 and $44,287 at December 31, 2019, 2018 and 2017, respectively.

Air Assets, LLC

The Company rents hanger space on a month-to-month basis for $2,550.

Rent For All Entities

The amounts charged to rent expense are as follows:

	2019	2018	2017
Related entities	$ 683,410	$ 696,566	$ 537,372
Non-related entities	28,295	37,346	22,416
Total	$ 711,705	$ 733,912	$ 559,788

Homesmart International, LLC has subleased space within the Scottsdale office to various related entities by common ownership. The lease terms are as follows:

NOTE 14 OPERATING LEASES (CONTINUED)

Lease #1

The lease terms were from May 1, 2015 to April 30, 2018 for a total monthly rent of $8,750. This lease was cancelled and a new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $2,031.

Lease #2

The lease terms were from May 1, 2015 to April 30, 2018 for a total monthly rent of $4,375. This lease was cancelled and a new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $2,892.

Lease #3

A related entity paid rent to Homesmart International, LLC in 2016, 2017 and from January 1, 2018 – April 30, 2018 in the amount of $17,500 per month. A new lease was entered into with lease terms from May 1, 2018 to April 30, 2021, with monthly rent of $18,593.

The total rental income under the subleases for the years ending December 31, 2019, 2018 and 2017 was $282,205, $318,308 and $375,452, respectively.

The future minimum lease and sublease payments for the Company's operating leases are as follows:

	Rent Expense	Rent Income
December 31, 2020	$ 683,410	$ 285,684
December 31, 2021	$ 227,804	$ 95,228

NOTE 15 OPERATING LEASES – EQUIPMENT

HomeSmart International, LLC leases an aircraft from Air Assets, LLC for $30,000 per month. The lease is for 60 months and expires October 30, 2020. Rent expense for the period ended December 31, 2019, 2018 and 2017 was $360,000, $360,000 and $385,000, respectively.

The lease income/expense is eliminated in the consolidation.

The future minimum lease payments for the company's operating leases-aircraft is as follows:

December 31, 2020	$ 300,000

The Company has fifteen leases for office equipment. Monthly rentals range from $75 -$750 plus tax and the leases terminate in the years 2020-2023. The Company does not use the equipment, as it is used and paid for by related entities. If the related companies were to default on the leases, HomeSmart International, LLC would be legally obligated to pay the leases.

Future minimum lease payments, excluding taxes and operating costs, are as follows:

Years Ended	
December 31, 2020	$ 53,401
December 31, 2021	46,067
December 31, 2022	33,811
December 31, 2023	11,252

NOTE 16 FRANCHISE AGREEMENT

The terms of the Company's franchise agreements are as follows:

A. The Company grants to the franchisee the non-exclusive right to use the trademark name of "Homesmart International, LLC" and to receive the Homesmart International, LLC system and services during the term of the franchise.

B. The franchisee must pay a non-refundable initial franchise fee.

NOTE 16 FRANCHISE AGREEMENT (CONTINUED)

C. The franchisee is also obligated to pay the franchisor the following fees:

1. Continuing royalty fees based on the franchisee's agreement
2. An advertising fund contribution
3. Branch fee

D. Term of the franchise is for five years with one-five year option to renew.

NOTE 17 FRANCHISES (UNAUDITED)

The following is a summary of the Homesmart franchises as of December 31:

	2019	2018	2017
Beginning of year	114	96	79
Franchises opened	19	39	25
Terminations	(3)	(3)	(4)
Reacquired/ ceased operation	(2)	(18)	(4)
End of year	128	114	96
Number of locations owned by related entities	36	38	40

NOTE 18 ADVERTISING AND MARKETING COSTS

The Company expenses all advertising and marketing expenses as incurred. Advertising and marketing costs for the years ended December 31, 2019, 2018 and 2017 were $766,277, $1,162,318 and 719,399, respectively.

NOTE 19 INTEREST

Interest expense was the following for the years ended December 31:

	2019	2018	2017
Related party	$ 65,379	$ 22,388	$ 23,139
Non-related entity	14,062	81,817	86,470
Amortization of finance fees	7,880	3,940	3,940
Total interest expense	$ 87,321	$ 108,145	$ 113,549

NOTE 20 PRIOR PERIOD ADJUSTMENT

December 31, 2018

Royalties are earned when the franchisee closes the sale of property. In prior years, royalties were recorded when the Company billed the franchisee instead of when earned. The prior year's consolidated financial statements should have reflected the following:

Net income as reported	$ 39,454
Adjustment of Accounts Receivable	
Beginning of year	(393,979)
End of year	488,321
Adjusted net income	$ 133,796

NOTE 21 CHANGE IN ACCOUNTING POLICY

The Companies adopted the requirements of the Financial Accounting Standard Board (FASB) "Revenue from Contracts with Customers" as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, HomeSmart International, LLC recorded a cumulative adjustment to retained earnings as of January 1, 2019 to reflect the effect of the new guidance. The impact of adopting the new guidance was an increase to our 2019 revenue by $66,000.

NOTE 21 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The modified retrospective method of transition requires the Company to disclose the effect of applying the new guidance of each item included in the consolidated financial statements. The following are the accounts that were affected, the amount that would have been reported under the former guidance, the effect of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities contract liability (deferred revenue)	$ 0	$ 66,000	$ 66,000
Revenue	$ 11,057,228	$ (66,000)	$ 10,991,228
Net Income	$ 2,394,298	$ (66,000)	$ 2,328,298

NOTE 22 RECLASSIFICATIONS

Certain amounts in the prior period presented have been reclassified to conform to the current period consolidated financial statement presentation. These reclassifications have no effect on previously reported net income (loss).

NOTE 23 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 26, 2020, the date which the consolidated financial statements were available for issue.

On January 1, 2020, the HomeSmart International, LLC and Air Leasing, LLC were acquired by a related entity owned by the current member.

On January 1, 2020, 99% of the membership units of Air Assets, LLC was acquired by a related entity owned by the current member.

Exhibit B to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FRANCHISE AGREEMENT

FRANCHISEE AGREEMENT

Please print and sign two copies and return both full, original copies to HomeSmart International, LLC. Signature required on the following pages:

1. Franchise Agreement
2. Legal Representation
3. Witness
4. Attachment 1 Territory, Quota, Branch Offices
5. Attachment 2 Guaranty and Assumption of Franchisee's Obligations
6. Attachment 3 Consent of Spouse
7. Attachment 4Acknowledgement
8. Attachment 5 Statement of Ownership
9. Attachment 6 Direct Debits
10. Attachment 7 Telephone Numbers, Listings & Internet Addresses
11. Attachment 8 Branch Office Authorization (not required at signing of Agreement)

HomeSmart International, LLC.
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255

FRANCHISEE INFORMATION SHEET

Franchise #: ______________________________

Effective Date: ______________________________

Legal Entity Name: ______________________________

Tax I.D. #: ______________________________

Principal Contact: ______________________________

Address: ______________________________

City, State, Zip: ______________________________

Primary Phone #: ______________________________

Secondary Phone #: ______________________________

Email Address: ______________________________

Fax Number: ______________________________

Territory: ______________________________

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ATTACHMENTS TO FRANCHISE AGREEMENT:

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is made this _____ day of _________________, 20__, by and between **HOMESMART INTERNATIONAL, LLC,** an Arizona limited liability company, located at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255 ("**Franchisor**"), and _, located at ____ ("**Franchisee**").

RECITALS

WHEREAS, the Franchisor has developed a comprehensive system for the operation of a business offering both residential and commercial real estate brokerage services (each a "Real Estate Brokerage Business").

WHEREAS, the Real Estate Brokerage Businesses are operated under a business format with a unique system of high standards of service, including valuable know-how, information, Trade Secrets, Confidential Information, methods, confidential Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development.

WHEREAS, the distinguishing characteristics of the System include the trademark "**HomeSmart®**" and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by the Franchisor from periodically. They are Franchisor's Confidential Information and Trade Secrets and are designated by and identified with the Marks described in this Agreement.

WHEREAS, the Franchisor continues to use, develop and control the use of the Marks to identify for the public the source of services and products marketed under the System, and which represent the System's high standards of quality, service and customer satisfaction.

WHEREAS, Franchisee acknowledges the benefits to be derived from being identified with the System, and also recognizes the value of the Marks and the continued uniformity of image to Franchisee, the Franchisor, and other franchisees of the Franchisor.

WHEREAS, Franchisee acknowledges the importance to the System of the Franchisor's high and uniform standards of quality, service and customer satisfaction, and further recognizes the necessity of opening and operating a Real Estate Brokerage Business in conformity with the System.

WHEREAS, Franchisee recognizes that to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on Franchisee, including strict adherence to the Franchisor's reasonable present and future requirements regarding the types of services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

WHEREAS, Franchisee is aware of the foregoing and desires to obtain the right to use the System and in association with the System, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a Real Estate Brokerage Business within the Territory specified in this Agreement and subject to the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms are hereby defined:

1.1. "**Affiliate**" **-** means any person or entity that controls, is controlled by, or is in common control with, the Franchisor.

1.2. "**Agent**" – means a person or group of persons licensed to sell real estate within the Territory who are affiliated with the Real Estate Brokerage Business and uses services provided by Franchisee pursuant to this Agreement. An Agent may be an employee of Franchisee or independent contractor.

1.3. "**Agreement**" - means this agreement, and all exhibits, schedules, attachments, instruments and amendment.

1.4. "**Branch Office(s)**" - means any additional Office at an approved location or locations where Franchisee operates the Real Estate Brokerage Business that is opened by Franchisee after its initial Office.

1.5. "**Business**" or "**Real Estate Brokerage Business**" - means the business operations conducted or to be conducted by Franchisee pursuant to this Agreement and consisting of a business offering commercial and residential real estate brokerage services.

1.6. "**Confidential Information**" - means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee's Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which the Franchisor designates as confidential or Franchisee reasonably should know Franchisor would consider confidential.

1.7. "**Franchise**" - means the business operations, including the Real Estate Brokerage Business, conducted or to be conducted by Franchisee using the Franchisor's System and in association with the Marks.

1.8. "**Franchisor's System**" or "**System**" - means the standards, systems, concepts, identifications, methods, and procedures developed or used by the Franchisor, or which may hereafter be developed or used by the Franchisor, including the trademark "**HomeSmart®**" and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, training methods, methods of service, management and marketing programs and sales techniques and strategies for the sale and marketing of the Franchisor's Services.

1.9. **"Gross Commission Income" -** Gross Commission Income means the total of all commissions, transaction fees, property management fees, and monthly fees collected or receivable by Franchisee and Franchisee's independent sales associates, Agents, representatives, contractors, employees, partners, directors, officers, Owners, or Franchisee's Related Parties, regardless of whether or not such individuals or Related Parties are entitled to retain all or part of such Gross Commission Income, directly or indirectly, in connection with the Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of services for which a real estate or auctioneer's license (including appraisal, title or escrow services) is required, the sale or provision of products or services that we or any of our Related Parties develop or make available to you directly or through a third party, Property Management Services, and/or any transaction, sale and/or service in which the Marks or the System is used in any manner, without deducting any of your multiple listing fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from its Agents and from all other sources (including but not limited to referral fees and finder's fees received from brokers or agents in other brokerage companies) which are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission and insurance claims for lost profits if a claim is paid by the insurer.

a. Gross Commission Income does not include: (1) any commissions and referral fees paid to cooperating or referring brokers in other brokerage companies; (2) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (3) monthly fees or additional transaction fees charged to agent by the Franchisee; and (4) fair market rent paid by Franchisee's Agents for the lease of office space at Franchisee's Central Office or Branch Office locations.

b. Gross Commission Income will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Commission Income consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

1.10. "**Lease**" - means any agreement (whether oral or written) under which the right to occupy an Office has been obtained, and any amendment made to the lease periodically, including, any offer to lease, license or lease agreement. The term "**Lease**" will include a sublease, and a renewal or extension of a lease or sublease.

1.11. "**Marks**" - means "**HomeSmart®**", to the extent of the Franchisor's rights to the same, together with those other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by the Franchisor periodically as part of the System for use by Franchisees, and not withdrawn.

1.12. "**Office(s)**" - means the approved location or locations where Franchisee operates the Real Estate Brokerage Business.

1.13. **"Opening Date"** - means the first of the following to occur on or after the Effective Date: Franchisee begins conducts business using the Marks, offers any Services to the public, Franchisee collects any Gross Commission Income, Franchisee uses any Mark, Franchisee opens any Office, one hundred twenty (120) days after the Effective Date; or, Franchisee otherwise engages in a Real Estate Brokerage Business.

1.14. "**Operations Manual**" - means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, invoices, letters, e-mail, Internet or intranet data, or other publications, documents, Software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Franchisor for use by the franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Business or the operation of Franchises, as same may be added to, deleted or otherwise amended by the Franchisor periodically.

1.15. "**Products**" **-** means all supplies and other materials used by Franchisee or provided to Franchisee's customers in connection with the Business and associated with the Marks.

1.16. "**Real Property**"– means single and multiple unit residential housing, commercial property, farm houses, vacant land to be used for residential, agricultural, recreation or commercial purposes; condominiums, cooperatives, townhouses, vacation houses, interests in interval-ownership and time share residential units, and mobile home when affixed to the ground.

1.17. **"RealSmart Broker™"-** means the proprietary integrated technology system that integrates data taken from the MLS together with data collected, uploaded and entered from each agent and broker provided to each Franchisee. The RealSmart Broker comprises two integrated platforms identified as "Real Smart Agent or RSA" and "RealSmart Broker or RSB" as well as proprietary marketing, CRM, lead management, transaction management, website management, and agent and broker technology tools.

1.18. "**Services**" **-** means any and all assistance, guidance, recommendations, marketing and other services for the sale, transfer or other disposition of Real Property conducted or otherwise provided by Franchisee and the Agents in connection with the Business or associated with the Marks.

1.19. **"System Instance"-** means the unique identifier or unique system identification number assigned to your HomeSmart International Brokerage Business that allows you access to information within the RealSmart Broker.

1.20. "**Trade Secret(s)**" **-** means information, including a formula, pattern, compilation, program, device, method, technique or process related to the System that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE

Franchisee covenants, represents and warrants as follows and acknowledges that the Franchisor is relying upon these covenants, representations and warranties in making its decision to enter into this Agreement.

2.1. Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, the Disclosure Document, and all related agreements with the Franchisor. Franchisee acknowledges that the Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Business, the Franchisor and this Agreement.

2.2. Franchisee has, or has made firm arrangements to acquire, funds to commence, open and operate the Business. Franchisee is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

2.3. All statements made by Franchisee in writing in connection with its application for the Franchise were true when made and continue to be true as of the date of this Agreement.

2.4. There are no material financial obligations of Franchisee whether actual or contingent, which are outstanding as of the date of this Agreement other than those, disclosed to the Franchisor by Franchisee in writing.

2.5. Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority that would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

2.6. Franchisee is not a party to any litigation or legal proceedings other than those that have been disclosed to the Franchisor by Franchisee in writing.

2.7. Franchisee represents that it is not a party to or subject to agreements or arrangements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements or arrangements during the Initial Term or any Interim Period.

2.8. Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents of this Agreement or collateral thereto, made by the Franchisor, its officers, directors, agents, employees or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to the Franchisor in Franchisee's application for a Franchise.

2.9. Franchisee represents that it or its owners are licensed real estate brokers under the laws of the state or states where each Office is located; are familiar with the real estate laws and regulations of the state or states; have previous experience in Real Property transactions; and, the Franchise is being acquired to use the System and the Marks in the operation of a real estate brokerage business and not for speculative or investment purposes.

2.10. Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with this compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

a. Franchisee and its owners certify that they, their respective employees, and anyone associated with Franchisee are not listed in the Annex to Executive Order 13224 (*http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html*). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

b. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

c. Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 2.10.

d. Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, or its employees constitutes grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of its Affiliates.

e. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

2.11 The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business agreements ("Ownership Documents") reflecting the ownership of the entity executing this Agreement shall: (a) provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement; (b) include reasonable buy-sell and dispute resolution terms; and (c) recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request.

3. GRANT OF LICENSE

3.1. Subject to all the terms and conditions of this Agreement, the Franchisor hereby grants to Franchisee, and Franchisee accepts, for the Initial Term of this Agreement and any Interim Period, the right and license ("**License**") to:

a. Operate a Real Estate Brokerage Business at one (1) approved Central Office location and additional, if any, Branch Office locations at approved locations in the geographic are set forth in **Attachment 1** to this Agreement (**"Territory")** upon the terms and conditions of this Agreement.

b. Use the Marks and the System; and

c. Offer and market ONLY the Franchisor's approved Services and Products, unless the Franchisor approves in writing Franchisee's request to offer and market complementary and non-competing services or products.

3.2. Franchisee recognizes that variations and additions to the System may be required periodically to preserve and/or enhance the System. Therefore, Franchisor expressly reserves the right to add to, subtract from, revise, modify or change periodically the System or any part thereof, and Franchisee agrees to promptly accept and comply with any addition, subtraction, revision, modification or change and to make those reasonable expenditures as may be necessary to comply pursuant to Section 9.

3.3. Franchisee recognizes that the rights granted to Franchisee hereunder are for the specific Territory defined in Section 5.1 below and **Attachment 1** and no other, and cannot be transferred to an alternate Territory without the prior written approval of Franchisor, which approval may be granted or withheld by Franchisor.

4. TERM OF THE AGREEMENT AND LICENSE

4.1. This Agreement and the License granted hereunder will continue for a period of ten (10) years ("**Initial Term**"). This Initial Term begins on the date this Agreement is signed by the Franchisor, subject, however, to termination in accordance with the provisions of this Agreement. When the Initial Term and any Interim Period expires, Franchisee will have the option, as determined by Franchisor, to extend its rights to operate the Business for one additional term ("**Successor Term**") of ten (10) years. If Franchisee's rights to operate the Business are extended, Franchisee must pay the Franchisor the Successor Franchise Fee set forth in Section 4.4(b).

4.2. The Franchisor may refuse to extend Franchisee's rights to operate the Business if Franchisee has:

a. Failed to remedy any breach of this Agreement by Franchisee specified by the Franchisor in a written notice to Franchisee as per Sections 18.1 or 18.2; or

b. Committed and received notice of two (2) or more breaches of this Agreement in the twenty-four (24) months before the end of the Initial Term, even if those breaches were timely remedied; or

c. Failed to meet the Annual Agent Quota or Annual Production Quota, as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

d. Failed to open the number of Branch Offices, as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

e. Franchisee has not given the Franchisor a written notice of intent to extend Franchisee's rights to operate the Business no less than six (6) months or more than nine (9) months before the expiration of the Initial Term; or

f. Franchisee is not current in all its payment obligations to the Franchisor or to Franchisee's trade creditors.

4.3. If the Franchisor agrees to extend Franchisee's rights to operate the Business at the end of the Initial Term or any Successor Term, Franchisee will sign a successor franchise agreement ("**Successor Franchise Agreement**") and all other agreements in the form then being used by the Franchisor in granting new franchises and pay the Successor Franchise Fee set forth in Section 4.4(b). The Franchisor reserves the right to change any term(s) of the Successor Franchise Agreement form to be signed by Franchisee upon the extension of Franchisee's rights to operate the Business (except as specified below). There will not, however, be another Initial Franchise Fee charged in connection with the extension of Franchisee's rights to operate the Business. IN FRANCHISOR'S SOLE DETERMINATION, THE FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO RENEW THE FRANCHISE (AND ITS OPTION WILL THEREUPON TERMINATE) IF IT FAILS TO SIGN AND RETURN TO THE FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY THE FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO THE FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 4.

4.4. As additional conditions to the extension of Franchisee's rights to operate the Business, the Franchisor reserves the right to require Franchisee to:

a. Sign a general release of all claims Franchisee may have against the Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and will be in a form satisfactory to the Franchisor;

b. Pay the successor franchise fee ("**Successor Franchise Fee**") set forth in **Attachment 1**, which is due and payable to the Franchisor at the time of signing the Successor Franchise Agreement;

c. Agree to give the Franchisor not less than six (6) months nor more than nine (9) months prior written notice of Franchisee's election to extend (or not to extend) Franchisee's rights to operate the Business. Failure to give timely notice of Franchisee's intention to extend its rights to operate the Business will be deemed an election not to extend Franchisee's rights to operate the Business;

d. Upgrade the Computer System and any related Software used in operations of the Business to Franchisor's then-current standards and specifications;

e. Comply with all other provisions contained in the Operations Manual, as modified periodically by Franchisor; and

f. Provide proof of current certificates, authorizations, licenses, insurance and permits.

4.5. If Franchisee desires to open any additional Branch Offices during the Successor Term, Franchisee will pay the Branch Office Fee for each additional Branch Office in accordance with Section 6.2.

4.6. If Franchisee does not sign a Successor Franchise Agreement before the expiration of this Agreement and continues to accept the benefits of this Agreement and the License after the expiration of this Agreement and the License, then at the option of Franchisor, this Agreement and the License may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of the party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee will remain in full force and effect during the Interim Period as if this Agreement and the License had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement and the License will be deemed to take effect upon termination of the Interim Period.

5. TERRITORY

5.1. During the Initial Term and for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to Franchisor's reservation of rights as set forth in Section 5.2 and as provided in Section 5.4 below, neither Franchisor nor any Affiliate of the Franchisor will open or license another person or entity to open or allow any others to open a competing HomeSmart International Real Estate Brokerage Business using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment 1**, attached and incorporated by reference. The rights granted to Franchisee in this Section do not prohibit other franchisees and agents of Franchisor from listing and selling Real Property in Franchisee's Territory nor is Franchisee prohibited from listing or selling Real Property in a territory granted to another Franchisee, provided that Franchisee is licensed to sell Real Property in that area. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict the Franchisor or its

Affiliates and does not grant rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Real Estate Brokerage Business.

5.2. Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that the Franchisor and its Affiliates retain the exclusive right to, among others:

a. Use, and to license others to use, the Marks and System for the establishment of Real Estate Brokerage Businesses at any location or Office other than in the Territory, regardless of proximity to the Territory;

b. Use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including within the Territory, in association with operations that are the same as, similar to or different from the Real Estate Brokerage Business;

c. Use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution such as those described in Section 5.2(d), at any location including within the Territory;

d. Offer the Services or Products, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, distribution outlets other than Real Estate Brokerage Businesses, or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory;

e. Use any websites utilizing a domain name incorporating one or more of the words "**Home**" and/or "**Smart**" or similar derivatives. The Franchisor retains the sole and exclusive right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. The Franchisor intends that any Franchisee website be accessed only through the Franchisor's home page. Franchisee will provide the Franchisor with content for the Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. The Franchisor retains the right to approve any linking or other use of its website; and

f. To acquire businesses that are the same as or similar to the Real Estate Brokerage Business and operate those businesses regardless of where the businesses are located, including inside the Territory, and to be acquired by any third party which operates businesses that are the same as or similar to the Real Estate Brokerage Business regardless of where those businesses are located, including inside the Territory.

5.3. In determining the Territory, as set forth in **Attachment 1**, Franchisor will use geographic or political boundaries (including but not limited to city, county, or state boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban and rural areas. In addition, Franchisor will consider the most recent data available from the National Association of Realtors to determine the number of licensed Agents within the proposed Territory. Franchisee acknowledges and agrees that once the Territory has been established, it will not be changed regardless of any increase or decrease of the number of licensed Agents within in the Territory.

5.4. To maintain the Territory, Franchisee must:

a. Secure a Central Office location with a term of no less than one (1) year in the Territory. This obligation is a continuing obligation that begins on the Effective Date of the Franchise Agreement and continues throughout the term of the Franchise Agreement provided that, as provided in Section 9.12 of the Franchise Agreement, Franchisee shall have six (6) months from the Effective Date to secure its first Central Office in the Territory.

b. Meet the Annual Agent Quota or Annual Production Quota, as the case may be, set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate: (i) number of Agents that must be employed by or associated with Franchisee during each year of the Initial Term and any Interim Period; or (ii) annual sales production that must be generated from Franchisee's HomeSmart Real Estate Brokerage Business during each of the Initial Term and any Interim Period.

c. Open the number of Branch Offices in the Territory set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that Franchisee has the resources and capability of opening during the Initial Term. For each Branch Office that Franchisee desires to open, Franchisee will propose a location for the Office, which is subject to Franchisor's approval. Franchisee will provide Franchisor with information regarding the proposed location at least ten (10) business days prior to the end of the calendar year. Franchisor will approve or disapprove the proposed location within 10 business days. If Franchisor approves the proposed location, Franchisor and Franchisee will sign a Branch Office Approval Form, in the form of **Attachment 8**, evidencing the proposed location and Franchisor's approval of the location. If Franchisor does not approve the proposed location, Franchisee will provide Franchisor with another proposed location.

Franchisee's failure to satisfy the Annual Agent Quota or Annual Production Quota, as the case may be, or open the number of Branch Offices set forth in **Attachment 1** may result in the reduction or elimination of Franchisee's Territory or the termination of this Agreement, as Franchisor determines.

6. FEES

6.1. Franchisee will pay a non-recurring initial franchise fee as set forth in **Attachment 1** ("**Initial Franchise Fee**") to the Franchisor upon the execution of this Agreement, plus, if due and payable, all applicable federal, state or municipal taxes. The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

6.2. In addition to the Initial Franchise Fee, Franchisee will pay a fee for each Branch Office (the "**Branch Office Fee**") as set forth in **Attachment 1** for each Branch Office that Franchisee opens. Branch Office Fees plus all applicable federal, state or municipal taxes are due and payable to Franchisor immediately prior to the Opening Date. Branch Office Fees are non-refundable under any circumstances once paid.

6.3. For each month from and after the Opening Date, Franchisee will pay to Franchisor a royalty fee ("**Royalty Fee**") as set forth in **Attachment 1**.

6.4. For each month from and after the Opening Date, Franchisee will pay to Franchisor a license fee for the use of all Software and other technology provided by Franchisor ("**Technology Fee**") as set forth in **Attachment 1**. For each month, Franchisee shall also pay to Franchisor a fee for the integration of MLS generated data by Franchisor into Franchisee's RealSmart Broker (the **"MLS/RETS Fee"**) as set forth in **Attachment 1**.

6.5. Franchisor has the right to require that each of Franchisee's agents pay to Franchisor an annual membership fee ("**Annual Membership Fee**") as set forth in **Attachment 1** for the right to participate in Franchisor's System. When implemented, the Annual Membership Fee will be payable to Franchisor within ten (10) days after each agent commences his or her association with Franchisee and annually, thereafter, on or before the 10th day of the month during which the anniversary of the agent's association with Franchisee occurs. Once established, Franchisor reserves the right to increase the Annual Membership Fee annually. If any agent fails to pay an Annual Membership Fee when due, then Franchisee must pay such fee on demand from Franchisor.

6.6. Franchisor may require Franchisee to utilize a HomeSmart specific domain name and to pay an annual (or other fiscal period required by the domain registrar) fee to Franchisor in exchange for the right to use the HomeSmart specific domain name (the "**Domain Name Fee**") with its HomeSmart International Real Estate Brokerage Business. The Domain Name Fee is set forth in **Attachment 1**. The domain name will, at all times, be our property but we will allow Franchisee, as long as Franchisee complies with the Franchise Agreement, to utilize the domain name in the operation of the HomeSmart Real Estate Brokerage Business.

6.7. The Royalty Fee (as defined in Section 6.3 and Attachment 1), Technology Fee (as defined in Section 6.4), Marketing Fees (as defined in Section 12.1), Domain Name Fee (as defined in Section 6.6), and MLS/RETS Fee (as defined in Section 6.4) (collectively "**Fees**") are payable to Franchisor on or before the 10th day of each month for the preceding calendar month and are payable through the entire Initial Term of this Agreement and any Interim Period. Franchisee will pay the Fees monthly or in any other frequency as the Franchisor may require upon written notice to Franchisee by the Franchisor. Franchisee will not subordinate to any other obligation its obligation to pay the Fees, or any other fee or charge hereunder. Each payment of Fees will be accompanied by a report, in a form and substance prescribed by Franchisor. **Each failure to include a fully completed statement of the previous month's Gross Commission Income with your payment of Fees payable to the Franchisor when due constitutes a material breach of this Agreement.**

6.8. You may, but are not obligated to participate in the HSI Wealth Plan (the 'W Plan"). If you participate in the W Plan, you will employ an 80/20 commission split with all participating agents. Upon your receipt of your 20% of the commission, you will retain the greater of 1/4 of the commission or $500 and deliver the remainder of the commission to HomeSmart. We will deposit 2/3 of the amount you pay to us into the HSI Wealth Plan account and retain 1/3 in our operating account. The HSI Wealth Plan account will make payments to accounts owned by Franchisee but controlled by HSI for payment of bonuses, referral fees, and other payouts to participating agents. The policies and procedures of the Wealth Plan are part of our Operations Manual. Fees payable under the W Plan are in addition and not in lieu of other fees set forth in this Section 6.

6.9. ~~6.8.~~ The Franchisor requires Franchisee to remit all Fees and other amounts due to the Franchisor hereunder via electronic funds transfer ("**ACH**") or other similar means utilizing a Franchisor approved Computer System or otherwise. The ACH Authorization is attached to this Agreement as **Attachment 4**. If the Franchisor directs Franchisee to use this payment method, Franchisee agrees to comply with procedures specified by the Franchisor and/or perform those acts and deliver and sign those documents, including authorization for direct debits from Franchisee's business bank operating account, as may be necessary to accomplish payment by this method. Under this procedure Franchisee will authorize the Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Fees and other amounts payable to the Franchisor, including any interest charged thereon. Franchisee will make funds available to the Franchisor for withdrawal by electronic transfer no later than the due date for payment therefore. If Franchisee has not timely reported the Gross Commission Income to the Franchisor for any reporting period, then the Franchisor is authorized, at the Franchisor's option, to debit Franchisee's account in an amount equal to (a) the Fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Commission Income was provided to the Franchisor as required hereunder; (b) the minimum Royalty Fee and FMAF funds (as defined in Section 12.1(a)), or (c) the amount due based on information retrieved from the Franchisor approved Computer System.

7. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

7.1. Franchisee will keep those complete records of its Business as a prudent and careful businessperson would normally keep. Franchisee must use the accounting system and the pre-formatted template required by the Franchisor, if any. Franchisee will keep its financial books and records as the Franchisor may periodically direct in the Operations Manual or otherwise, including retention of all invoices, order forms, payroll records, check records, bank deposit receipts, sales tax records, commission reports, settlement statements, refunds, cash disbursements, journals, and general ledgers. Franchisee will advise the Franchisor of the location of all original documents and will not destroy any records without the written consent of the Franchisor.

7.2. Franchisee will prepare, on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Business conducted under this Agreement, as the Franchisor will prescribe periodically. Franchisee will maintain an accounting system which accurately reflects all operational aspects of the Business including uniform reports as may be required by the Franchisor. Franchisee's records will include tax returns, daily reports, statements of Gross Commission Income (to be prepared each month for the preceding month), profit and loss statements (to be prepared at least quarterly by an independent Certified Public Accountant), and balance sheets (to be prepared at least annually by an independent Certified Public Accountant).

7.3. Franchisee will also submit to the Franchisor, Franchisee's current financial statements and other reports as the Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Business. Franchisee will provide the Franchisor with a copy of its federal tax return for the previous tax year (fiscal or calendar) within sixty (60) days of submitting its federal tax return. In the event that Franchisee files an extension with the Federal Government to file its federal taxes for the previous year, Franchise must notify Franchisor within ten (10) days of filing such extension in writing.

7.4. The records required under this Section 7 pertain only to Franchisee's operation of the Business. The Franchisor has no right to inspect, audit or copy the records of any of Franchisee's unrelated business or personal activities. Franchisee will keep the books and records of the Business separate from the records of any unrelated business or personal activity.

7.5. From the date Franchisee and the Franchisor sign this Agreement until three (3) years after the end of the expiration or termination of this Agreement, the Franchisor or Franchisor's authorized agent will have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. The Franchisor agrees to conduct its inspections and audits at reasonable times. Franchisee agrees to keep all records and reports for six (6) years from the date these records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, FMAF funds or other amounts required to be paid under this Agreement, Franchisee will immediately pay the deficiency to the Franchisor, without the need for further action or notice on the part of Franchisor and without prejudice to any other remedy of the Franchisor under this Agreement or otherwise. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, FMAF funds or other amounts due by 2% or more, Franchisee will also immediately pay to the Franchisor the entire cost of the inspection or audit including travel, lodging, meals, salaries, and other expenses of the inspecting or auditing personnel. For the purposes of this Section 7.5, an audit period will be each fiscal year. Should the audit disclose an overpayment of any Royalty Fees, FMAF funds, or other amounts due, the Franchisor will credit the amount of the overpayment to Franchisee's payments of Royalty Fees and FMAF funds next falling due.

7.6. If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Commission Income, the Franchisor will have the right to either require Franchisee to pay the minimum Royalty Fee or deliver to Franchisee an estimate, prepared by the Franchisor, of Gross Commission Income for the period under consideration and Franchisee will immediately pay to the Franchisor any amount shown thereby to be owing on account of the Royalty Fee, FMAF funds and other sums due on account of any understatement. Any estimate is final and binding upon Franchisee.

7.7. To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, Franchisee will also pay, upon demand, a late charge equal to 5% of the amount of the late payment plus interest of 1.5% per month on the late amount on all payments due to the Franchisor during the period of time said payments are due and unpaid. Each failure to pay Royalty Fees, Annual Membership Fees, FMAF funds, and other amounts payable to the Franchisor when due constitutes a material breach of this Agreement. Franchisee acknowledges that this Section 7.7 will not constitute Franchisor's agreement to accept these payments after the same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Real Estate Brokerage Business. Further, Franchisee acknowledges that failure to pay all such amounts when due will, notwithstanding the provisions of this Section 7.7, constitute grounds for termination of this Agreement.

7.8. Any report of the Franchisor's auditor rendered periodically pursuant to this Section 6.7 is final and binding upon all of the parties.

7.9. Franchisee hereby authorizes the Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Business and hereby directs those persons and companies to provide to the Franchisor this information and copies of documents pertaining to the Business as the Franchisor may request.

7.10. Franchisee acknowledges and agrees that the Franchisor owns all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Real Estate Brokerage Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access these Business Records, and may utilize, transfer, or analyze these Business Records as Franchisor determines to be in the best interest of the System.

7.11. To encourage prompt delivery of all Business Records, Certificates of Insurance, Gross Commission Income statements and any other documentation or record that may be requested by Franchisor under this Agreement, Franchisee will pay, upon demand, a late report fee in the amount of the greater of $100 or 5% of the required amount per record or document requested if Franchisee fails to deliver this record or document when due.

7.12. If Franchisee pays the Royalty Fee or any other sums due to Franchisor under this Agreement with a check returned for non-sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, Franchisor will have the right to require that Royalty Fee payments and any other sums due to Franchisor under this Agreement be made by certified or cashier's checks. If Franchisee fails to pay the Royalty Fee or any other sums due to Franchisor under this Agreement by the due date two (2) times during the Initial Term or any Interim Period, in addition to all other remedies which may be available, the Franchisor reserves the right to require that Franchisee pay the Royalty Fee or any other sums due to Franchisor under this Agreement on a weekly basis.

7.13. Franchisee agrees that, during the Initial Term and for the three (3) years after the expiration or termination of this Agreement, Franchisee will supply to the Franchisor Franchisee's home (or Business location, if other than Franchisee's home) address and telephone number.

8. SERVICES AND ASSISTANCE

8.1. The Initial Franchise Fee, Royalty Fee, and any Annual Membership Fee are paid for the License, which includes the use of the Marks, the System and the use of the Franchisor's Trade Secrets and Confidential Information provided pursuant to this Agreement and for certain services rendered by the Franchisor.

8.2. The Franchisor will offer Franchisee initial and continuing services, as the Franchisor deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of the Franchisor. Failure by the Franchisor to provide any particular service, either initial or continuing, will not excuse Franchisee from any of its obligations under this Agreement.

8.3. Currently, prior to Franchisee's opening of the Business, Franchisor will:

a. Agree upon Franchisee's Territory, which will be set forth in **Attachment 1**.

b. Approve Franchisee's proposed Offices. The factors that Franchisor will consider for such approval are whether the Office is located in Franchisee's Territory, if it is located in a conventional office located outside of any personal residence, if it is used solely and exclusively for the operation of the Real Estate Brokerage Business, and if it is located sufficiently far enough away from any office of another HomeSmart franchisee, as determined by Franchisor. Franchisee acknowledges and agrees that Franchisor's approval of any Office in no way constitutes a warranty by Franchisor that the Office will achieve any particular level of sales or profits or that the Office satisfies any or all federal, state or local laws, ordinances or regulations for the operation of Franchisee's Real Estate Brokerage Business.

c. Furnish Franchisee with specifications for the design and physical appearance of each Office and a description of the supplies required for the operation of Franchisee's Business as stipulated in Section 10.

d. Within ninety (90) days after the execution of this Agreement and Franchisee's receipt of all required licenses and permits to operate the first Office, provide Franchisee, or if Franchisee is an entity, a person designated to manage the Business ("**Designated Business Manager**") with an initial training program. The initial training program is for between three (3) and five (5) business days at the Franchisor's facilities in Scottsdale, Arizona (or other location designated by the Franchisor). Franchisee must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. Training may include a discussion of the

System, techniques, procedures, methods of operation, advertising, sales techniques, promotional ideas, marketing plans, customer relations, instructions on quality standards and practical experience in the operation of the Business.

e. Loan Franchisee, during the Initial Term (including any Interim Period), one (1) copy of the Franchisor's confidential Operations Manual containing mandatory and suggested specifications, standards, operating procedures and rules prescribed periodically by the Franchisor as further stipulated in this Section 8, and containing information relative to other obligations of Franchisee hereunder. Specifications, standards and operating procedures prescribed periodically by the Franchisor in the Operations Manual or otherwise communicated to Franchisee in writing constitutes provisions of this Agreement as if fully set forth herein. Franchisee will operate the Business strictly in accordance with the Operations Manual. Failure to comply with the standards set forth in the Operations Manual constitutes a material breach of this Agreement. The Franchisor reserves the right to provide the Operations Manual and updates to the Operations Manual in electronic form or other form determined by the Franchisor. The Franchisor will have the right to add to, and otherwise modify, the Operations Manual periodically to reflect changes in authorized Services, business image or the operation of the Business; provided, however, none of these additions or modifications will alter Franchisee's fundamental status and rights under this Agreement. Some of the revisions to the Operations Manual may include changes with respect to: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; and (vi) Services. Franchisee agrees to accept, implement and adopt any of these modifications at its own cost. Franchisee will keep its printed copy of the Operations Manual updated with replacement pages and insertions, as instructed by the Franchisor. Franchisee acknowledges that the Operations Manual is loaned to Franchisee and will always remain the sole and exclusive property of the Franchisor. Upon termination of this Agreement, for any reason whatsoever, Franchisee will promptly return the Operations Manual together with all copies of any portion of the Operations Manual that Franchisee may have made, to the Franchisor.

8.4. Currently, after Franchisee opens the Business, Franchisor reserves the right to:

a. Make a representative reasonably available to speak with Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss Franchisee's operational issues and support needs; provided, however, that questions regarding technological support will be referred to third parties (including but not limited to Affiliates of Franchisor) who may charge a fee for providing Franchisee with these technological support services.

b. Hold periodic conferences to discuss sales techniques, new service developments, bookkeeping, training, accounting, performance standards, advertising programs, marketing procedures and other topics. These conferences may be held at the Franchisor's Scottsdale, Arizona headquarters, Franchisee's Office or at a location chosen by the Franchisor, as determined by the Franchisor. Franchisee will be required to pay any conference fee charged by Franchisor and must pay all its travel and living expenses to attend.

c. Hold a mandatory annual conference to discuss sales techniques, new service developments, training, bookkeeping, accounting, performance standards, advertising programs, marketing procedures and other topics. Franchisee must pay any conference fees charged by Franchisor, and all personal travel and living expenses. These mandatory annual conferences are held at the Franchisor's Scottsdale, Arizona headquarters or at a location chosen by the Franchisor.

d. Inform Franchisee of mandatory specifications, standards and procedures for the operations of the HomeSmart Real Estate Brokerage Business.

e. Research new Services and methods of doing business, periodically, and provide Franchisee with information concerning developments of this research.

f. Maintain the FMAF and use these funds to develop promotional, advertising and public relations programs for Real Estate Brokerage Businesses.

g. Provide advertising materials to Franchisee as Franchisor deems necessary.

h. A representative of Franchisor may provide additional assistance. There may be additional charges for this additional assistance. If Franchisor provides additional assistance, the Franchisor and Franchisee must agree in advance on the charges for the visit and the length of the visit.

i. Provide Franchisee with a monthly newsletter.

8.5. If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in Section 8.3, Franchisee will notify Franchisor in writing within thirty (30) days following the opening of the Business. Absent the timely delivery of this notice to Franchisor, Franchisee is deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient, timely, and satisfactory to Franchisee.

8.6. Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. If any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide this service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisor will not be obligated to provide any other services or specific level or quality of services.

9. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

9.1. Franchisee will, consistent with the terms of this Agreement, diligently develop and operate the Business and use its best efforts to market and promote the Services and Products.

9.2. Subject to the terms of this Agreement, including Section 8.3(e), during the Initial Term and any Interim Period, Franchisee will strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of the Franchisor regarding the operation of the Business and must comply with the following requirements:

a. On or before the 90-day anniversary of this Agreement, Franchisee or Franchisee's Designated Business Manager must attend and successfully complete all initial training programs. Franchisee is responsible for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees.

b. Before opening the Business, Franchisee must complete the renovations to the Office necessary to comply with Franchisor's standards and specifications; comply with Franchisor's opening procedures for the Office, as set forth in the Operations Manual; and, obtain Franchisor's written approval that Franchisee has complied with the foregoing requirements.

c. Franchisee or a Designated Business Manager must attend mandatory annual conferences at locations the Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of persons attending, including any conference fees, travel expenses, meals, living expenses and personal expenses.

d. Any additional required Service introduced into the System by the Franchisor must be offered for sale on a continuing basis at the Business at the time and in the manner required by the Franchisor. Franchisor will provide at least thirty (30) days' prior written notice of any new required Service introduced into the System. All equipment, products, supplies, and other items necessary to add the newly required Services must be acquired, installed, and utilized at the time and in the manner required by the Franchisor. The marketing of new Services must begin at the Business as reasonably required by the Franchisor.

e. No service, except approved Services, may be offered for sale within the Territory, unless Franchisee receives the prior written consent of the Franchisor.

f. Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet the Franchisor's standards and specifications is used at the Business. Advertising and promotional materials, services, equipment, inventory, products, signage, supplies and uniforms produced or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by the Franchisor.

g. Equipment, Services, inventory, supplies, signage, uniforms and other items must be added, eliminated, substituted and modified at the Business as soon as possible in accordance with changes in the Franchisor's specifications and requirements.

h. The Business and everything related to the Business must be maintained in good condition and must be kept clean, neat and sanitary. All maintenance, repairs and replacements reasonably requested by the Franchisor or needed in connection with the Business must be promptly made. All employees must be clean and neat in appearance.

i. No alterations of the Business materially affecting the image of the Business may be made except at the Franchisor's request or approval, and any alterations must strictly conform to specifications and requirements established or approved by the Franchisor.

j. The Business and the Services provided by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements applicable to real estate brokerage and sales laws. Franchisee must obtain all real estate, brokerage, and business licenses and permits required by federal, state and local laws, ordinances, rules and regulations before operating its Business. If Franchisee does not obtain all required permits and licenses necessary to operate it Business within six (6) months after the mutual execution of the Franchise Agreement, Franchisor may terminate this Franchise Agreement.

k. The employees, Agents, equipment, supplies, products, and other items on hand at the Business, must be at all times sufficient to efficiently meet the anticipated volume of business.

l. The payment of all debts and taxes arising in connection with the Business, except those duly contested in a bona fide dispute, must be paid when due.

m. Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, other real estate agents and brokers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner;

use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take any actions Franchisor deems necessary or appropriate to resolve customer disputes.

n. Franchisee will accept all major credit cards and other the forms of payment specified by Franchisor in the Operations Manual as payment.

o. Franchisee will comply with all terms and pay all fees that may be due in connection with any Software Franchisee is required to use in the operation of its Business as prescribed by the Franchisor.

p. Franchisee will comply with the advertising requirements set out in Section 12.

q. Franchisee will not use any materials that are false or misleading.

r. Franchisee will ensure that all advertising and other materials associated with the Services fully conform to all applicable laws and regulations.

s. Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, real estate brokerage and sales laws and regulations, and consumer protection laws and regulations. Franchisee will control the quality of the Services to avoid quality problems or liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

t. Franchise will maintain and require its Agents and employees to maintain a high ethical standard in the conduct of Franchisee's Business, and Franchisee will join and remain a member in good standing of any local board of realtors within the Territory and any applicable national association of realtors. In addition, Franchisee must enter into written agreements with all of its Agents that include a fee structure which entitles Franchisee to collect monthly fees, transaction fees, and other fees on all of the Agents' transactions. The fee structure and any changes or modifications to the fee structure must be approved by Franchisor prior to being implemented by Franchisee.

u. Franchisee recognizes and acknowledges the importance of referrals between franchisees of Franchisor and agrees, if lawful and when reasonable and appropriate, to refer requests for real estate services to franchisees of Franchisor operating in territories in which Franchisee does not operate a Business or provide Services.

v. Franchisee will provide each of its Agents with the supervision as a reasonable real estate broker would provide its agents in the proper conduct of its business as a real estate broker.

w. Franchisee will not enter into any exclusive affiliated business relationships with Franchisee Affiliates or third parties to provide services related to the HomeSmart Real Estate Brokerage Business.

9.3. In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 9.2 or any other provision of this Agreement, the Franchisor will provide guidance to Franchisee, as required in Franchisor's sole determination, including but not limited to, determining the fees to be charged by Franchisee for Services. Franchisor will not have control over the day-to-day managerial operations of the Business, and Franchisee is free to establish its own fees and other charges for Services. Notwithstanding Franchisor's right to require Franchisee to conduct its business in accordance with the System, Franchisee and Franchisor recognize that the sale and brokerage of real estate is a profession requiring independent judgment, skill and training and is governed in many particulars by state and federal authorities. Any inconsistency between the System or Franchisor's advice and the dictates of good real estate practice, or any legal requirement of that practice, is inadvertent and not an effort to cause Franchisee to deviate from proper practices. Therefore, Franchisee and Franchisor understand and agree that (i) in all cases, lawful, regulatory requirements take precedence over both any inconsistent advice, counsel or other guidance, whether written or oral, given by Franchisor on any topic and anything inconsistent in the System; (ii) no business advice given by Franchisor nor any part of the System is taken as advice in respect of the practice of the profession of real estate sales and brokerage, as defined by law; (iii) Franchisee's judgment, or the judgment of Franchisee's Designated Business Managers, governs in all matters pertaining to each and every aspect of the professional practice of real estate sales and brokerage; (iv) in any case in which Franchisee believes Franchisor's advice or the System contravene the practice of the profession of real estate sales and brokerage or any legal requirements of that practice, Franchisee will notify Franchisor, orally and in writing, immediately; and (v) Franchisee and Franchisee's Designated Business Managers are solely responsible for the operation of the Business and the results of that operation.

9.4. Franchisor and Franchisor's representatives will have the right during business hours to inspect the Business and all Offices. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Business. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters that may pertain to compliance with this Agreement and with the Franchisor's standards, specifications, requirements, instructions and procedures and the Franchisor may take photographs of Franchisee's completed work as it relates to the Business. Franchisor and Franchisor's representatives will have the right to have any of the Franchisor's required Services rendered by any employee at the Business. Franchisee will fully cooperate with the Franchisor's rights under this Section 9.4; provided, however, that the Franchisor's exercise of these rights will not unreasonably interfere with Franchisee's conduct of the Business.

9.5. Franchisor may require Franchisee's compliance with the provisions of this Section 9 even if it does not require this compliance by all franchisees.

9.6. If Franchisee is an individual, Franchisee must directly supervise the Business. If Franchisee is a corporation or other business entity, or if Franchisee has, in the Franchisor's sole judgment, insufficient experience in a business similar to the franchise or experience in business management in general, then Franchisee will nominate a Designated Business Manager having required experience who will have direct responsibility for all operations of an Office. Any change in a Designated Business Manager will be subject to Franchisor's approval.

9.7. Franchisee and its Agents are required to become a member of local, state and national real estate boards, associations or organizations which in the reasonable opinion of the Franchisor are useful in the operation of the Business. Franchisee will have the option to become a member of all benefit programs which are offered periodically by the Franchisor to all of its Franchisees. The costs of participating in these boards, associations and benefit programs is borne by Franchisee and its employees (if applicable to the employees). Nothing in this Section 9.7 limits Franchisee's freedom to join any franchise or franchisee's association of its choosing.

9.8. Franchisee will at all times have sufficient computer skills to operate Franchisee's computer, understand how to utilize any Software Franchisor requires to be used in the Business, and to access email and the Internet. If Franchisor determines that Franchisee requires additional computer training, Franchisor will notify Franchisee in writing regarding the nature of the additional training required, and Franchisee will have ninety (90) days to complete this training at a local computer training school at Franchisee's sole cost and expense. Franchisor reserves the right to designate the computer training school at which Franchisee must attend (which may be an Affiliate). At the end of the training program, Franchisee will present a certificate reasonably acceptable to Franchisor establishing that Franchisee passed the training course. Franchisee's failure to seek additional training or to pass the course constitutes a default of this Agreement.

9.9. Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, firewalls, access code protection, anti-virus systems, and use of backup systems.

9.10. Franchisee will acquire, maintain, and upgrade Hardware, Software, information processing and communication systems, and Internet and other network access providers, as prescribed in the Operations Manual and as modified periodically by Franchisor. Franchisee will comply with any license agreements that Franchisor or its designees use or require in connection with the System. Franchisee will utilize Franchisor's required Software, proprietary database management, equipment, and intranet system as the exclusive means for tracking and maintaining customer, vendor, and lead information, and for other uses as prescribed by Franchisor periodically in the Operations Manual. Monthly sales and Royalty Fee reporting may occur through mandatory Software including the automatic draft via electronic transfer of Royalty Fees, Required Software License and Support Fees and FMAF funds.

9.11. Franchisee will at all times maintain an active email account and will check the account several times per day. If available, Franchisee will maintain an email account on Franchisor's proprietary database management and intranet system.

9.12. Franchisee may not open an Office until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the initial training program has been completed to Franchisor's satisfaction; (3) the Office has been renovated in accordance with Franchisor's standards and specifications; (4) all amounts due to Franchisor have been paid; (5) Franchisor has been furnished with copies of all insurance policies and certificates required by this Agreement, or other documentation of insurance coverage and payment of premiums that Franchisor may request; (6) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met; (7) Franchisee has obtained all necessary real estate brokerage licenses and permits and other applicable permits and licenses; (8) Franchisee has provided Franchisor with a fully signed copy of the Lease for the Office; (9) Franchisee has provided satisfactory evidence to Franchisor that all of Franchisee's Agents are licensed to sell Real Property in the Territory; and (10) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer Hardware and Software required by Franchisor. Franchisee will begin operating the Business immediately after Franchisor determines that the Business is ready for opening. Franchisee must open the Central Office within six (6) months after signing the Franchise Agreement unless Franchisor otherwise consents in writing.

9.13. Franchisee shall, prior to the opening of its Central Office and continuing throughout the Initial Term and any Interim Period, provide Franchisor with administrative log-in credentials for each MLS that Franchisee or its principals are a member of or for which they are paying Franchisor a

MLS/RETS FEED Fee. Franchisee is responsible for the costs and fees associated with securing additional administrative log-in credentials on behalf of Franchisor.

10. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

10.1. Franchisee must purchase all services, equipment, supplies and Hardware and Software from only those suppliers, manufacturers and distributors who have been designated or approved in advance by Franchisor. The standards and specifications for equipment, computer Hardware and Software, tools, vehicles, signage, supplies, and services required by the Franchisor is maintained in the Operations Manual. The Franchisor has the right to require Franchisee to discontinue purchasing any services, equipment, supplies, Hardware or Software from an approved or Designated Supplier, manufacturer or distributor and may designate new suppliers, manufacturers or distributors at any time.

10.2. Franchisee acknowledges and agrees that the Franchisor may receive from approved and Designated Suppliers of Franchisee's Services, equipment, tools, supplies and Hardware and Software, periodic volume rebates or other revenue as a result of Franchisee's purchases. Franchisee further acknowledges and agrees that the Franchisor is entitled to keep for its own use and account these rebates and this revenue.

10.3. The names and addresses of the Franchisor's approved and Designated Suppliers, manufacturers and distributors is maintained in the Operations Manual. Franchisor reserves the right to approve all of the supplies, Services, equipment, Hardware and Software used in connection with Franchisee's Business.

10.4. Franchisee acknowledges and agrees that certain approved or Designated Suppliers, distributors, and service providers may be Affiliates.

11. MARKS, COPYRIGHTED WORKS AND OWNERSHIP OF IMPROVEMENTS~~.~~

11.1. Franchisee acknowledges and agrees that:

a. Franchisor is the sole and exclusive owner of all right, title and interest, together with all the goodwill, of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Business, and the Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. In the event that Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all rights, title or interest to Franchisor.

b. All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Business ("**Copyrighted Materials**") are the sole and exclusive property of the Franchisor. Additionally, all Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the sole and exclusive property of the Franchisor, who is entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. If the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in these Copyrighted Materials, which Franchisee and the author of these Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 11.1(b).

c. Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of the Marks or Copyrighted Materials, nor will it represent that it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement.

d. Franchisor reserves the right to decide to apply to register or to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any of these applications or registrations is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Marks or any trademark, service mark or logo confusingly similar or any Copyrighted Materials, anywhere in the world.

e. Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor documents Franchisor reasonably requests for any purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing these documents.

f. All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks will inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Agreement.

g. FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.

11.2. Franchisee acknowledges and agrees that:

a. Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Business and only incompliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Operations Manual and elsewhere periodically during the Initial Term and any Interim Period. Franchisee will make every effort consistent to protect, maintain, and promote the Marks as identifying the System and only the System.

b. Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks and Copyrighted Materials.

c. Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee will obtain any fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

d. To preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents will have the right of entry and inspection of Franchisee's Business and operating procedures pursuant to Section 9.4.

e. Franchisee will safeguard and maintain the reputation and prestige of the System, Marks and Copyrighted Materials and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

f. Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, and promotional items such as clothing, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Operations Manual and otherwise given by Franchisor periodically.

g. Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

> © (year of first publication). HomeSmart International, LLC. All Rights Reserved.

h. Franchisee will use the Marks with a superscript "®" or "™", as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

11.3. Franchisee acknowledges and agrees that:

a. If, in Franchisor's reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, other products and services or the Business will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time for Franchisor to modify or discontinue of the Marks or Copyrighted Materials then, upon notice from Franchisor, Franchisee will immediately terminate or modify this use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof and Franchisor will have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Marks or Copyrighted Materials.

b. Franchisee will notify Franchisor within three (3) days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof or the Copyrighted Materials. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor will have the sole right, but not the duty, to defend any action. Franchisor will have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks or Copyrighted Materials. Franchisor will control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee will cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out this defense or prosecution. At Franchisor's option, Franchisee will join in any action. If Franchisee joins in an action, then the recovery, if any, from this legal action is first applied to the total expenses associated therewith and the remainder going to the Franchisor.

11.4. All provisions of this Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

11.5. If Franchisee during the Initial Term of the franchise relationship or any Interim Period or any Successor Term conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Business or any advertising and promotional ideas or inventions related to the Business (collectively, the "**Improvements**") Franchisee will fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and will obtain Franchisor's written approval before using these Improvements. Any of these Improvements may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisee will assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any of these Improvements. Franchisor reserves the right to make application for and own copyrights, patents, trade names, trademarks and service marks relating to any of these Improvements and Franchisee will cooperate with Franchisor in securing these rights. Franchisor may also consider these Improvements as the property and Trade Secrets of Franchisor. In return, Franchisor may authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees.

11.6. Neither Franchisee nor its Designated Business Managers or Agents will attempt to register a top-level or second level domain name that contains any portion of the Marks without the prior written approval of Franchisor and subject to any conditions Franchisor may request.

12. ADVERTISING AND PROMOTION

12.1. Marketing Fees and Materials.

a. Franchisee agrees to pay to Franchisor continuing marketing fees ("**Marketing Fees**") as set forth in **Attachment 1** throughout the Initial Term and any Interim Periods of the Franchise Agreement. Franchisee shall pay Marketing Fees at the time and in the manner prescribed in Sections 6.6 and 6.7. Franchisor reserves the right to decrease the Marketing Fees and to increase the Marketing Fees to a maximum of 1.5% of Gross Commission Income by sending written notice to Franchisee. Any change in the Marketing Fees will be effective as of the first day of the month that is at least ninety (90) days after delivery of the notice of change to Franchisee. The Marketing Fees will be posted to the Franchise Marketing Accrual Fund ("**FMAF**"). The FMAF is accounted for separately by Franchisor, but the FMAF funds will not be maintained in a separate or segregated account at a bank or other financial institution.

b. Franchisor will use the FMAF fees it collects from franchisees (i) to create marketing materials relating to the System, (ii) to pay for public relations projects intended to enhance the goodwill and public image of the System, (iii) to assist franchisees in developing local marketing programs in their respective Territories; (iv) to pay for the cost of placing marketing materials in various print, broadcast and Internet media; (v) to undertake any other marketing efforts as Franchisor deems necessary or beneficial to the System as determined by Franchisor; and, (vi) to reimburse Franchisor (based on reasonable allocations calculated by Franchisor's management) for (a) salaries and other overhead expenses that are directly related to projects of a character described in clauses (i), (ii), (iii) and (iv), including the payment of a salary to a field marketing manager, and (b) for part of the cost of maintaining Franchisor's website, as authorized in Section 12.4. Franchisor will use the FMAF in a manner that is reasonably designed to provide some level of marketing benefits to all Franchisees. However, Franchisor reserves the right to allocate the FMAF funds to various permitted uses as it sees fit and does not guarantee that all Franchisees will receive equal benefits or identical coverage.

c. If the FMAF operates at a deficit or requires additional funds at any time, Franchisor may loan funds to the FMAF in amounts and on the terms, including repayment terms, Franchisor deems necessary or advisable.

d. Franchisor will furnish Franchisee upon request one slick, master or other "**suitable for reproduction**" sample of all newspaper inserts, direct mail flyers, television and radio commercials, and other marketing materials that Franchisor creates and approves for system-wide use. Franchisee must pay to reproduce and use these materials in Franchisee's Local Advertising campaigns.

e. Franchisor will use commercially reasonable efforts to spend FMAF contributions in a manner that provides advertising benefits to all participating Real Estate Brokerage Businesses. However, Franchisor does not guarantee that all participants will receive identical media exposure or advertising benefits in view of regional differences in media costs, varying degrees of market penetration in different DMAs, and other relevant factors.

12.2. Local Advertising.

a. Franchisee agrees to spend money for Local Advertising and promotions in the Territory in accordance with local real estate brokerage marketing standards and practices.

b. Franchisee will also pay its pro rata share of the cost of classified directory listings to be placed by Franchisor on behalf of all Real Estate Brokerage Businesses in Franchisee's market. If Franchisee operates the only Real Estate Brokerage Business in the market, Franchisee is responsible for full payment of the classified directory advertisement.

c. Franchisee agrees to participate in all system-wide promotions and advertising campaigns that Franchisor requires. Except for Franchisee's commitments to participate in system-wide promotions and advertising campaigns and to pay its share of the cost of a classified directory advertisement, Franchisee will initially have discretion over the approach Franchisee takes to Local Advertising and promotions. This discretion will continue until an Area Cooperative is established in Franchisee's Designated Market Area ("**DMA**"), as defined by Neilson Rating Service. Franchisor reserves the right to approve in advance the use by Franchisee of any graphic or electronic materials or commercials developed by Franchisee that feature any of the Marks.

d. Franchisee may, at its sole expense, plan and carry out a grand opening promotion relating to the opening of the Business.

e. All advertising and promotion by Franchisee will be conducted in a dignified manner and will conform to the standards and requirements set forth in this Agreement and the Operations Manual or otherwise for use of the Marks. Franchisee will promptly discontinue use of any advertising or promotional plans or materials that do not meet the requirements of this Agreement or the Operations Manual, whether or not previously approved, upon notice from Franchisor.

f. Within thirty (30) days after written request from Franchisor, Franchisee will submit a report to Franchisor showing the amount Franchisee spent for Local Advertising and promotions during the preceding year and documents substantiating that Franchisee incurred and paid particular expenditures during the year.

12.3. Area Cooperatives.

a. At the time the DMA in which the Real Estate Brokerage Business is located encompasses Real Estate Brokerage Businesses operated by at least two owners, the owners in the DMA will, at Franchisor's request and with its advice and assistance, form a cooperative advertising association among themselves ("**Area Cooperative**") for the purpose of jointly advertising and promoting their Businesses.

b. If, in connection with an Area Cooperative's formation or functioning, its members are unable to reach agreement with respect to any disagreement over organization, administration, "**spill**" policy, contribution waivers or exceptions, budget or other matters that the members cannot resolve within 45 days, the issue will be referred to Franchisor for resolution. Franchisor's decision with respect to the issue's resolution will be binding on all members of the Area Cooperative. In addition, Franchisor reserves the right to review each Area Cooperative's contribution rate on an annual basis and to disapprove a rate of less than 1% of Gross Commission Income.

c. Franchisee agrees (i) to join, participate in, and actively support any Area Cooperative established in the Real Estate Brokerage Business's DMA, and (ii) to make contributions to each Area Cooperative on the payment schedule adopted by the Area Cooperative's members and at the contribution rate Franchisor approves.

d. Franchisor will have the sole right to form, change, dissolve or merge any Area Cooperative.

12.4. Website.

a. Franchisor has established ~~an~~a website that provides information about the System and the services that Real Estate Brokerage Businesses offer. Franchisor will have sole control over the website's design and contents, except that the site will contain the pages that Section 12.4 describes. Franchisor may use part of the marketing fees it collects under Section 12.1 and part of the FMAF's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use FMAF revenues to pay for those components of the website that are devoted to publicizing the HomeSmart franchise program or the sale of HomeSmart franchises.

12.5. The website will include a section that provides the address, telephone number and e-mail address of each Real Estate Brokerage Business in the HomeSmart chain, including Franchisee's Real Estate Brokerage Business. At Franchisee's request, Franchisor will also include at the website an interior page devoted to information about Franchisee's Real Estate Brokerage Business. The page must be developed by Franchisee, at Franchisee's expense, with a template that Franchisor provides and will be subject to Franchisor's approval before posting as to form, content and programming quality. The page will also be subject to Franchisor's policies regarding linking with and framing other websites, the use of so-called metatags and ghost script, and other aspects of electronic advertising and communication.

12.6. The HSI Wealth Plan.

a. You may, but are not obligated to participate in the HSI Wealth Plan (the "W Plan"). If you participate in the W Plan, you will employ an 80/20 commission split with all participating agents. Upon your receipt of your 20% of the commission, you will retain the greater of 1/4 of the commission or $500 and deliver the remainder of the commission to HomeSmart. We will deposit 2/3 of the amount you pay to us into the HSI Wealth Plan account and retain 1/3 in our operating account. The HSI Wealth Plan account will make payments to accounts owned by Franchisee but controlled by HSI for payment of bonuses, referral fees, and other payouts to participating agents. Fees payable under the W Plan are in addition and not in lieu of other fees set forth in Section 6.

b. The method of determining sponsor distribution share, the standards for determining a sponsor's eligibility and vesting rights to share in sponsor distribution share, and the procedures for resolving questions and disputes regarding sponsorships and Agent downline structures are described in the Operations Manual.

c. HomeSmart shall have no responsibility or liability to any Person arising out of or in connection with the administration of the W Plan account other than (1) determining the sponsor distribution share earned by recruiting sponsors based on the standards stated in the Operations Manual and relying upon data furnished to it by Franchisee and other franchisees operating under the System, (2) distributing such sponsor distribution share, to the extent that funds are available in the W Plan account, to recruiting sponsors on a monthly basis or as soon thereafter as is practicable following receipt of all data, and (3) providing to Franchisee and other franchisees monthly reports of W Plan contributions received and sponsor distribution share paid in a form designated and approved by Franchisor, within a reasonable period of time. Funds held in the W Plan account are general assets of Company and subject to claims of its creditors.

d. Franchisee shall require each of its participating Agents to execute an addendum to such Agent's independent contractor agreement that includes all terms, rights, obligations, and remedies required by HomeSmart to be included in the independent contractor agreement as a condition to such Agent's participation;

e. In the event that Franchisee fails to timely pay a W Plan contribution, HomeSmart may assess a Late Fee, payable to W Plan account, of up to 5% of the unpaid amount for each month that it fails to pay its W Plan contribution to HomeSmart.

f. In its administration of the HSI Wealth Account, HomeSmart shall have the authority and discretion to adopt guidelines and policies ("HSI Wealth Plan Guidelines") to determine W Plan contributions, sponsor distribution share, and to make adjustments and set-offs as necessary to correct any errors or to reflect adjustments necessary in the case of unpaid contributions. HomeSmart may amend, update, and modify, the HSI Wealth Plan Guidelines at any time. Franchisee agrees to take any actions reasonably necessary to assist HomeSmart in order to correct any overpayment of W Plan contributions made to a sponsor who is an Agent of Franchisee, including deducting the amount of such overpayment from subsequent Agent commission earned by such sponsor and paying HomeSmart the amounts so deducted.

13. INSURANCE AND INDEMNITY

13.1. Franchisee and, with respect to automobile coverage, Franchisee's Agents, will upon commencement of the Initial Term, purchase and at all times maintain in full force and effect:

a. Insurance policies, in the amounts and on the terms prescribed by the Operations Manual, issued by an insurance company acceptable to Franchisor at all times during the Initial Term of this Agreement and any Interim Period. Insurance coverage must include, but is not limited to, comprehensive general liability, combined single limit, automobile (including automobile coverage for Franchisee and Franchisee's Agents and other sales and marketing personnel who may have customers riding in the automobiles of these persons), bodily injury and all-risk property damage insurance, errors and omissions, business interruption and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than the amount set forth in the Operations Manual and adjusted by Franchisor periodically, unemployment and workers compensation insurance and any other additional insurance required by the terms of any Lease or lender for the Business. Insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and Franchisor's and Franchisor Affiliates' respective officers, directors, shareholders, members and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance or operation by Franchisee of the Business. The policies must also stipulate that Franchisor will receive thirty (30) day prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, is furnished to Franchisor together with proof of payment within ten (10) days of issuance thereof. Franchisee will also furnish Franchisor with certificates and endorsements evidencing this insurance coverage within 10-days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but is not obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee will reimburse Franchisor for the full cost of this insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure this insurance, within five (5) days of the date Franchisor delivers an invoice detailing these costs and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 18 of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law. Franchisor reserves the right to modify minimum insurance requirements at any time by updating the Operations Manual.

b. All liability insurance policies procured and maintained by Franchisee and Agents in connection with the Business will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against Franchisee, Franchisor, Franchisor's Affiliates and their respective officers, directors, agents, employees, and all other entities or individuals designated by the Franchisor as additional insureds.

13.2. Franchisee will, during the Initial Term and any Interim Period and after the termination or expiration of the Franchise Agreement, indemnify the Franchisor, its Affiliates and their respective officers, owners, directors and employees, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, "**Damages**") for which they are held liable, or which they incur (including travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

a. a breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy an Office or any other premises used by Franchisee to operate the Business is held, by Franchisee;

b. any injury to or loss of property of any person in, or on, an Office or any other premises used by Franchisee to operate the Business, or in or on any Real Property shown to a customer by Franchisee or its Agents or employees, or in an automobile of those persons;

c. Franchisee's taxes, liabilities, costs or expenses of its Business;

d. any negligent or willful act or omission of Franchisee, its employees or Agents, agents, servants, contractors or others for whom it is, in law, responsible; and

e. any advertising or promotional material distributed, broadcasted, or in any way disseminated by Franchisee or on its behalf unless this material has been produced, or approved in writing, by the Franchisor.

14. RELATIONSHIP

14.1. Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of the Franchisor and no training or supervision given by, or assistance from, the Franchisor is deemed to negate this independence. Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. Franchisee will conspicuously identify itself in all dealings with the public as a sole operator that is an entity separate from the Franchisor and state that the Franchisor has no liability for the Business being conducted from the Business location. It is expressly agreed that the parties intend by this Agreement to establish between the Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in the Franchisor's name or on behalf of the Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of the Franchisor for any purpose whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of the Franchisor. All Agents and employees hired by or working for Franchisee is the Agent or employees of Franchisee and will not, for any purpose, be deemed Agents or employees of the Franchisor or subject to the Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party of and from any liability of any nature whatsoever by virtue thereof.

14.2. Neither party will make any agreements, representations or warranties (except by the Franchisor in advertising as provided herein) in the name of, or an behalf of, the other party; neither party is obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by the Franchisor in advertising as provided herein) nor will the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Business, whether caused by Franchisee's or its Agents' negligent or willful action or failure to act.

14.3. The Franchisor will have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, gross revenue, Gross Commission Income, income, property or other tax levied upon Franchisee, Franchisee's property, the Business or upon the Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes the Franchisor is required by law to collect from Franchisee with respect to purchases from the Franchisor).

15. RESTRICTIVE COVENANTS

15.1. Franchisee acknowledges and agrees that:

a. Franchisee's knowledge of the operation of the Business, the System, and the concepts and methods of promotion of the Business hereunder that it has now or obtains in the future is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of the Franchisor, represent valuable assets of the Franchisor and that the Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time.

b. During the Initial Term and any Interim Period, Franchisee, and Franchisees' owners, Designated Business Managers, Agents, and employees who have access to the Confidential Information and Trade Secrets agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees, Designated Business Managers, training class attendees, and Franchisee owners who have access to the Confidential Information and Trade Secrets to execute nondisclosure and non-competition agreements as the Franchisor may require periodically, and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

c. After the Agreement expires or is terminated, Franchisee, and Franchisees' owners, Designated Business Managers, Agents and employees who have access to the Confidential Information and Trade Secrets agree that for a period of five (5) years after the termination or expiration of the Agreement (unless this information is a Trade Secret in which case the requirements in this Section 15.1(c) will remain in place while this information constitutes a Trade Secret) they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring written non-disclosure and non-competition agreements for those individuals as the Franchisor may require and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

d. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Designated Business Managers, Agents or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence at the time it was communicated to Franchisee; or (c) the disclosure of the Confidential Information in judicial or administrative proceedings if Franchisee is legally compelled to disclose the information, if Franchisee has notified the Franchisor before disclosure and used Franchisee's best efforts, and afforded the Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

15.2. Franchisee covenants and agrees that during the Initial Term of this Agreement and any Interim Period thereof, Franchisee, its owners and Designated Business Managers will not, without the prior written consent of the Franchisor, either individually or in a partnership, corporation, limited liability company, joint venture or other business entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in competition with a residential or commercial real estate brokerage business or any business similar to the Business ("**Competitive Business**") as carried on periodically during the Initial Term of this Agreement, including any Interim Period thereof.

15.3. The parties have attempted in Section 15.2 above to limit Franchisee's right to compete only if necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 15.2 is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Section 15.2 if it deems necessary to make the provision enforceable under applicable law. In addition, the Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. Franchisee expressly acknowledges that it possesses skills and abilities of a general nature and has other opportunities to exploit these skills. Consequently, enforcement of the covenants set forth above will not deprive Franchisee of the ability to earn a living.

15.4. Nothing in this Section 15 will prevent any active officer of Franchisee or member of Franchisee's family, either individually or collectively, from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

15.5. Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information and Trade Secrets in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 15. Franchisee acknowledges that as a franchisee of Franchisor, it will have access to the Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section 15 will be deemed to threaten immediate and substantial irreparable injury to the Franchisor. Accordingly, Franchisee agrees that the Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief for breach of this Section 15 without limiting any other rights or remedies and without posting a bond.

15.6. In the event that Franchisee is not an individual, this Section 15 will also apply to the officers, directors, stockholders, partners, owners, members, trustees, beneficiaries and/or principals of Franchisee, Franchisee, and any persons controlled by, controlling or under common control with Franchisee.

16. ASSIGNMENT

16.1. Franchisee acknowledges that the Franchisor's obligations under this Agreement are not personal. Franchisor will have the absolute right to unconditionally transfer or assign this Agreement or any of its rights or obligation under this Agreement to any person, corporation or other party.

16.2. Franchisor reserves the right to assign the System to anyone, including the operator of a competing franchise system. Franchisee acknowledges and agrees that the Franchisor may sell its assets, the Marks or the System to any third party of the Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leverage buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any case without Franchisee's consent, and Franchisee will look only to the transferee to perform the Franchisor's obligations in all material respects, and Franchisor is free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

16.3. With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against the Franchisor arising from or related to the transfer of the Marks, assets or the System from the Franchisor to any other party.

16.4. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Business, and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the Business, will not be voluntarily or involuntarily, directly or indirectly, sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of the Franchisor and compliance with all terms of this Section 16. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, is deemed void and grounds for termination of this Agreement by the Franchisor.

16.5. Franchisee understands and acknowledges that transferee will be required to execute Franchisor's then current franchise agreement which may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for advertising and promotion than are provided hereunder (and any other documents then customarily used by the Franchisor to grant franchises), all other documents as may be reasonably requested by the Franchisor.

16.6. With and after each valid assignment of this Agreement pursuant to this Section 16, the assignee or assignees of Franchisee is deemed to be Franchisee under this Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder in any corporation, member in any limited liability company or partner in any partnership that becomes Franchisee will have any rights under this Agreement because of his, her, or its stock ownership, membership interest or partnership interest.

16.7. If Franchisee, at any time determines to sell, in whole or in part, the Business, Franchisee will obtain a bona fide, signed, written offer ("**Purchase Offer**") for the Business together with all real or personal property, leasehold improvements and other assets used by Franchisee in its Business from a responsible, arms' length, and fully disclosed purchaser and will submit an exact copy of this Purchase Offer to the Franchisor. Franchisor will have a right of first refusal to purchase the Business as provided in Section 17.

16.8. No transfer or assignment of this Agreement will be approved by the Franchisor or be effective unless and until all the following conditions are satisfied:

a. Franchisee being then in full compliance herewith and having paid to the Franchisor all outstanding debts or amounts owing to the Franchisor before the transfer;

b. The transferee executes Franchisor's then current franchise agreement, provided that the term of the transferee's franchise agreement will be the term remaining on the transferor's franchise agreement;

c. Franchisee pays to the Franchisor a transfer fee in the amount set forth in **Attachment 1** (the "**Transfer Fee**");

d. Franchisee's execution of a general release of the Franchisor, including its officers, directors, agents, employees, and Affiliates from the parties' obligations under the Agreement;

e. The transferee purchasing all of Franchisee's assets used in the Business in accordance with all applicable bulk sales legislation and assuming all of the liabilities of the Business unless these liabilities have been paid before the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock or membership interest of Franchisee;

f. The transferee is an individual, corporation, limited liability company, partnership, or other business entity having adequate financial resources and who meets all criteria established by the Franchisor for franchisees. The transferee will also complete, at its expense, the Franchisor's then current training program established by the Franchisor for franchisees before the transfer unless: (i) the transferee is a current franchisee in good standing in the System, or (ii) the transferee is or has been a Designated Business Manager for a period of one (1) year or more of a Business in good standing;

g. The parties to the proposed transaction will have entered into a binding agreement subject only to the rights of the Franchisor set out in Section 17. Franchisor is furnished a copy of this binding agreement, and this agreement is subject to the Franchisor's approval in writing. Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement;

h. The proposed transferee or the stockholders, partners, members or owners of a beneficial interest in a proposed corporation, partnership, limited liability company or other entity transferee, providing jointly and severally those personal guarantees which the Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;

i. The proposed transferee will have demonstrated to the Franchisor's satisfaction that it, he or she will meet in all respects the Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the Business, and any other conditions as the Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as the Franchisor may reasonably require. Because of the Confidential Information and Trade Secrets available to a franchisee, no assignment to a competitor of the Franchisor will be permitted; and

j. The transferee paying all costs of: (i) the Franchisor with respect to the granting of its approval, as hereinbefore contemplated, including but not limited to all of its legal costs with respect to the preparation and execution of the above noted Franchise Agreement, and all other documents then customarily used by the Franchisor to grant franchises; and (ii) the transfer, including but not limited to all professional fees (attorney's fees, broker fees, and the like), leasing expenses, document preparation costs and due diligence.

16.9. Notwithstanding anything to the contrary herein contained, if Franchisee is an individual, the Franchisor will, upon Franchisee's compliance with any requirements as may periodically be prescribed by the Franchisor (including the obtaining of all necessary approvals to the assignment of leases, if any, of Franchisee's Office(s)), consent to an assignment of Franchisee's right, title and interest in and to this Agreement, and the property and assets owned and used by Franchisee in connection therewith and any other agreement then in effect between Franchisee and the Franchisor to a corporation, limited liability company or other business entity which is wholly owned and controlled by Franchisee, subject to the following (provided that this assignment will in no way release Franchisee from any liability under this Agreement):

a. Contemporaneously with this assignment and upon the appointment or election of any person as director, officer, partner or manager of the corporation, limited liability company or other business entity, the corporation, limited liability company, partnership or other business entity will cause each shareholder, partner, member, manager, director(s) and officer(s) of the corporation, limited liability company, partnership or other business entity to execute a written agreement with the Franchisor under seal, personally guaranteeing full payment and performance of Franchisee's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement or any new current form of Franchise Agreement and jointly and severally liable;

b. No shares or interest in the capital of the corporation, limited liability company, partnership or other business entity is issued nor will Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any shares or interest or offer or attempt to do so or permit the same to be done without the Franchisor's prior written consent;

c. The corporation will maintain stop transfer instructions against the transfer of shares on its records subject to the restrictions of this Section and will have all outstanding shares endorsed with the following legend printed conspicuously upon the face of each certificate:

> "The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement with HomeSmart International, LLC. Reference is made to said Franchise Agreement and to the restrictive provisions of the articles of this corporation."

d. The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business entity will provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement, include reasonable buy-sell and dispute resolution terms, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request;

e. The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section will not constitute a waiver of any claim it may have against the assignor, nor will it be deemed a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee;

f. The corporation, partnership, limited liability company or other business entity will advise the Franchisor and keep the Franchisor current as to the names and addresses of the directors, officers, members, partners and shareholder of and those persons financially involved in the corporation, partnership, limited liability company or other business entity; and

g. Franchisee agrees to devote its full time and best efforts to manage the day-to-day operations of the HomeSmart Real Estate Brokerage Business unless it has an operational partner or Designated Business Manager approved by the Franchisor.

16.10. Upon the death of Franchisee, shareholder, partner, or member the rights granted by this Agreement may pass to the next of kin or legatees, provided that Franchisee's legal representatives will within ninety (90) calendar days of Franchisee's death apply in writing to the Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold its permission so long as the proposed transferees meet each of the requirements set forth in this Section 16 within thirty (30) days of the receipt of a conditional permission for the transfer.

16.11. Any attempt by Franchisee to transfer any of its rights or interest under this Agreement or the License, without having received the Franchisor's prior written consent, will constitute a material breach of this Agreement. However, if Franchisee dies and its personal representative does not desire to sell the Business, and if under controlling local law Franchisee's interest in the Business, the License and Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then this attempted assignment by operation of law will not be deemed in violation of this Agreement, provided that these heirs or legatees accept the conditions imposed on otherwise permitted assignees.

16.12. Franchisee will not have the right to grant a subfranchise.

17. OPTION TO PURCHASE — RIGHT OF FIRST REFUSAL

17.1. Unless otherwise explicitly provided by this Agreement, the Franchisor is entitled to exercise the rights provided in this Section immediately upon:

a. The expiration without the extension of Franchisee's rights to operate the Business or the termination for any reason of the License or this Agreement;

b. Any breach, default or other event that gives the Franchisor the right to terminate the License or this Agreement, after expiration of any applicable notice and cure period; or

c. The receipt by the Franchisor of a copy of a Purchase Offer.

17.2. Upon any event described in Section 17.1, the Franchisor will have the option to purchase all of Franchisee's rights, title and interest in the Business, and all its improvements, furniture, fixtures, equipment, and all of Franchisee's accounts, contract rights, customer and vendor lists, work in progress and all other business assets. The right and option granted to Franchisor by this Section 17 is assignable by Franchisor to any other person or entity.

17.3. The purchase price for the assets described in Section 17.2 will be, subject to Section 17.4: (a) the current fair market value if Section 17.1(a) or 17.1(b) is applicable; or (b) the price specified in the Purchase Offer received by Franchisee if Section 17.1(c) is applicable. If Franchisee and the Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by each of Franchisee and the Franchisor and an average of the two (2) appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee.

17.4. If the Franchisor elects to exercise any option to purchase provided in this Section 17, the Franchisor will have the right to set off all amounts due from Franchisee to Franchisor or its Affiliates under the Franchise Agreement or any other agreements between these parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor will also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

17.5. Franchisor will notify Franchisee of its intention to exercise or to not exercise its rights to purchase ("**Notice of Intent**") within sixty (60) days following an event described in Section 17.1(a) or 17.1(b) or within fifteen (15) days following an event described in Section 17.1(c). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by the Franchisor if Section 17.1(a) or 17.1(b) is applicable. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), Franchisee will have fourteen (14) days following receipt of the Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing is resolved through appraisal as specified by Section 17.3. If the Franchisor declines to exercise its rights under this Section or fails to notify Franchisee within the fifteen (15) or sixty (60) day period described above, as applicable, Franchisee may sell or dispose of the Business to any third party in the event of a sale under Section 17.1(a) or 17.1(b) or to the third party identified in the Purchase Offer in the event of a sale under Section 17.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of the Franchisor and satisfaction of the other conditions to assignment set forth in Section 16. If the sale to this third party purchaser is not completed within ninety (90) days after Franchisor delivers or is deemed to have delivered the Notice of Intent not to purchase the assets to Franchisee, the Franchisor will again have the right of first refusal herein provided.

17.6. If the Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 17, the purchase and sale contemplated in this Section is consummated as soon as possible. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), following the delivery of a Notice of Intent as specified in Section 17.5, the Franchisor or the Franchisor's assignee or designee will have the immediate right to take possession of the Business and to carry on and develop the Business for the exclusive benefit of the Franchisor, or its assignee or designee.

18. DEFAULT AND TERMINATION

18.1. The Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder, (subject to the provisions of applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

a. Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual, Confidential Information or Trade Secrets of the Franchisor;

b. Franchisee voluntarily abandons the Business for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the

Business, unless this abandonment is due to a Force Majeure Event, as defined in Section 21.6 and not related to the availability of funds to Franchisee;

c. Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

d. Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Business or any of the property used in the operation of the Business and is not discharged within five (5) days; or if the real or personal property of Franchisee's Business is sold after levy thereupon by any sheriff, marshal or constable;

e. Franchisee or any owner of greater than 20% of Franchisee entity or operator has its real estate broker license terminated or suspended for a period of greater than thirty (30) days or is charged or convicted of a felony, a crime involving moral turpitude, a civil claim or charge brought by a governmental entity alleging fraud or misrepresentations, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

f. Franchisee fails to pay any amounts due the Franchisor or its Affiliates within ten (10) days after receiving notice that these fees or amounts are overdue;

g. Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after notification from the Franchisor;

h. Franchisee has received two (2) notices of default with respect to Franchisee's obligations hereunder from the Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee;

i. Franchisee sells, transfers or otherwise assigns the Business, an interest in the Business or Franchisee entity, this Agreement, the Business or a substantial portion of the assets of the Business owned by Franchisee without complying with the provisions of Section 16 and Section 17;

j. Franchisee submits on two (2) or more occasions during the Initial Term or any Interim Period a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Commission Income by more than 2%, unless Franchisee demonstrates that this understatement resulted from inadvertent error;

k. Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits these reports more than five (5) days late on two (2) or more occasions during the Initial Term or any Interim Period unless due to circumstances beyond the control of Franchisee;

l. Franchisee sells or offers for sale any unauthorized merchandise, product or service, engages in any unauthorized business or practice or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks;

m. Franchisee contests in any court or proceeding the validity of, or the Franchisor's ownership of the Marks or Copyrighted Materials;

n. Franchisee is a corporation, limited liability company, partnership or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate this entity without the Franchisor's prior written consent;

o. Franchisee or its Designated Business Manager fails to successfully complete the Franchisor's training or retraining course(s);

p. Franchisee receives from the Franchisor during the Initial Term and any Interim Period three (3) or more notices of default regardless whether these notices of default relate to the same or different defaults, or whether these defaults have been remedied by Franchisee; or

q. Any misrepresentation under Section 2.10 or any violation of Anti-Terrorism Laws by Franchisee, Designated Business Manager, its owners, agents or employees.

18.2. Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement (subject to any state laws to the contrary, where state law will prevail), effective upon thirty (30) days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the thirty (30) day period. Defaults include, but are not limited to, the following:

a. Franchisee fails to maintain the then-current operating procedures and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to Franchisee;

b. Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

c. Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual;

d. Franchisee, or any partnership, joint venture, limited liability company, corporation or other business entity in which Franchisee has a controlling equity interest, defaults under any term of the Lease of an Office or any other premises used by Franchisee to operate the Business, any other franchise agreement with the Franchisor or any other agreement material to the Business and such default is not cured within the time specified in this Lease, other franchise agreement or other agreement;

e. Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the Royalty Fee or FMAF funds or any other report required under the Agreement when due;

f. Franchisee fails, refuses or neglects to accurately report Gross Commission Income, sales information or other information required by Franchisor to be reported; or

g. Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor and does not correct this failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from the Franchisor (which will describe the action that Franchisee must take) is delivered to Franchisee.

18.3. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within this thirty (30) day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during this thirty (30) day period, Franchisee is given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days.

18.4. A termination of this Agreement by Franchisee for any reason or no reason at all is deemed to be a termination without cause, and a breach hereof, by Franchisee. Franchisee agrees that it will not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

18.5. No endorsement or statement on any check or payment of any sum less than the full sum due to the Franchisor is construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash this check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as the Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

18.6. Franchisee agrees to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, Franchisor's Affiliates, the landlord of an Office or other premises used in the Business, and Franchisee's trade and other creditors which are then unpaid.

18.7. All royalty and advertising contributions, all amounts due for goods purchased by Franchisee periodically from the Franchisor or its Affiliates and any other amounts owed to the Franchisor or its Affiliates by Franchisee pursuant to this Agreement or any other agreement will bear interest after the due date at the rate of 18% per annum or the highest rate permitted by law, whichever is lower, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment will not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to this payment and is without prejudice to Franchisor's right to terminate this Agreement in respect of this default.

18.8. Should Franchisee, or any partnership or joint venture or corporation in which Franchisee has a controlling equity interest, be a franchisee pursuant to another franchise agreement with Franchisor, respecting another HomeSmart Real Estate Brokerage Business using the Marks, a default under this Agreement constitutes a default under any other Franchise Agreement and vice versa, with like remedies available to the Franchisor. Should any other Franchise Agreement cease to be valid, binding and in full force and effect for any reason then the Franchisor may, at its option terminate this Agreement and this Agreement is forthwith surrendered by Franchisee and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any reason, the Franchisor may at its option terminate the other Franchise Agreement and the other Franchise Agreement is forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder is both joint and several. A breach hereof by one of these entities or Franchisee is deemed to be a breach by both or all.

18.9. Franchisee agrees that upon termination or expiration of this Agreement, it will take the following action:

a. Immediately discontinue the use of all Marks, signs, structures, forms of advertising, telephone listings, facsimile numbers, e-mail addresses, the Operations Manual, and all materials, Services of any kind which are identified or associated with the System and return all these materials to Franchisor;

b. Immediately turn over to Franchisor all materials, including the Operations Manual, agent lists, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business (all of which are acknowledged to be Franchisor's property). Under no circumstances will Franchisee retain any printed or electronic copies of the Operations Manual, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Agreement;

c. Franchisee hereby acknowledges that all telephone numbers, facsimile numbers and Internet addresses used in the operation of the Business constitute assets of the Franchisor; and upon termination or expiration of this Agreement, Franchisee will take action within five (5) days to cancel or assign to Franchisor or its designee as determined by Franchisor, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and Internet and e-mail addresses, and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute these directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment 7** evidences this appointment;

d. Make no representation nor state that Franchisee is in any way approved, endorsed or licensed by the Franchisor or associated or identified with the Franchisor or the System in any manner;

e. Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System;

f. Provide Franchisor the option to purchase as set forth in Section 17; and

g. Comply with the provisions of Sections 11.1(c), 11.1(d), and 15.

18.10. If, within thirty (30) days after termination or expiration of this Agreement by the Franchisor, Franchisee fails to remove all displays of the Marks from the Business, the Franchisor may enter the Business to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.

18.11. If, within thirty (30) days after termination or expiration of this Agreement, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints the Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable the Franchisor to protect the System.

18.12. Termination or expiration of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies which the Franchisor may have against Franchisee, whether these claims or rights arise before or after termination or expiration.

18.13. All obligations of the parties which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect notwithstanding this expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 11, 13, 15 and 17, hereof will survive termination or expiration of this Agreement.

18.14. In the event that this Agreement expires or is terminated for any reason whatsoever and the Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the Business or which are situated on the Business premises, this Loan, Note or Security Interest will, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

18.15. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by that law or rule is substituted for the notice requirements hereof. Those modifications to this Agreement is effective only in that jurisdiction and is enforced as originally made and entered into in all other jurisdictions.

18.16. In the event of termination of the Agreement for any reason whatsoever the parties will accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, if permitted by law, any claim against the other for punitive or exemplary damages; except for punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets, or arising under the indemnification set out in Section 13.2.

18.17. The rights of the parties are cumulative and no exercise or enforcement by a party of any right or remedy hereunder will preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

18.18. Nothing herein will prevent the Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for the Franchisor to seek preliminary or permanent injunctive relief, the Franchisor may do so without a bond.

18.19. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, THE STATE OR FEDERAL LAW WILL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. NOTICES

19.1. Any notice of default under this Agreement is delivered personally or by courier to the appropriate location. Any other notice, request, demand, approval, consent or other communication which the parties may be required or permitted to be given under this Agreement is in writing and may be given to the party for whom it is intended by personal delivery, electronic mail (return receipt requested) or delivering it to the party by mailing it by prepaid registered mail or by sending it through a nationally recognized overnight courier service as follows:

To Franchisor: HomeSmart International, LLC
8388 East Hartford Drive, Suite 100
Scottsdale, Arizona 85255
mwiddows@hsmove.com

To Franchisee: ______________________________
____
____
Attention: ______________________________
E-Mail: ______________________________

with a copy (which will not constitute notice) to:

____
____
____
Attention: ______________________________

Any notice or other document delivered personally or by electronic mail (return receipt requested) is deemed to have been received by and given to the addressee on the day of delivery and any other notice or other document mailed as aforesaid, is deemed to have been received by and given to the addressee on the 3rd business day following the date of mailing or the first day following the day the notice is deposited with a nationally recognized overnight courier service. Any party may at any time give notice in writing to any other party of any change of address.

20. ARBITRATION

20.1. Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under state or federal laws, is submitted to final and binding arbitration as the sole and exclusive remedy for any controversy or dispute. “Persons in privity” with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration is governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration is held in Phoenix, Arizona. However, arbitration will not be required to be used for any dispute which involves Franchisee’s or Franchisor’s continued usage of any of the Marks, the System, or business concept; any issue where injunctive relief against Franchisee or the Franchisor is an appropriate remedy; disputes solely involving the payment of money; or, any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues may be submitted to a state or federal court within the State of Arizona. The parties expressly consent to personal jurisdiction in the State of Arizona and agree that its court(s) will have exclusive jurisdiction over any of these issues not subject to arbitration.

20.2. The parties will select one arbitrator from a panel of neutral arbitrators provided by the American Arbitration Association and this arbitrator is chosen by the striking method. The parties will each bear all of their own costs of arbitration; however, the fees of the arbitrator ~~is~~shall be divided equally between the parties. The arbitrator will have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator is final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by these courts and to the propriety of venue of these courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning these matters.

20.3. Parties to arbitration under this Agreement will include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor, unless both parties consent in writing. If permitted by applicable law, no issue of fact or law is given preclusive or collateral estoppel effect in any arbitration hereunder, except if this issue may have been determined in another proceeding between the Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor.

20.4. The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between the Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees or licensees in any arbitration or attempted litigation against the Franchisor.

20.5. Franchisor’s and Franchisee’s rights hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee or any right or remedy hereunder will preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee are entitled by law to enforce.

20.6. Except with respect to Franchisee’s obligation to indemnify Franchisor pursuant to Section 13.2, Franchisor and Franchisee waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between Franchisor and Franchisee, the party making a claim is limited to recovery of any actual damages sustained by it.

20.7. Nothing contained in this Agreement will bar Franchisor or Franchisee from obtaining a temporary restraining order or preliminary injunctive relief against threatened or actual conduct that would cause Franchisor or Franchisee irreparable loss or damages. The sole remedy of the enjoined party, in the event of the entry of an injunction, will be the dissolution of the injunction, if warranted, after a hearing is held (all claims for damages by reason of the wrongful issuance of any this injunction being expressly waived by this Agreement). Franchisee also agrees that the court may issue a temporary restraining order or preliminary injunction that is mandatory in nature if this order or relief is necessary to ensure the operation of Franchisee’s Business as a HomeSmart™ Real Estate Brokerage Business pursuant to the terms of this Agreement. Any action is brought as provided in Section 21.1.

21. MISCELLANEOUS

21.1. Except if governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable federal law, this Agreement is interpreted under the laws of the State of Arizona, and any dispute between the parties is governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law. Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers or directors and the Franchisor, its officers, directors, shareholders, members, employees or Affiliates, both parties agree that the exclusive venue for disputes between them is in the State of Arizona and each waive any objection either may have to the personal jurisdiction of or venue in the State of Arizona. Franchisee irrevocably submits to the jurisdiction of its courts and waives any objection Franchisee may have to either the jurisdiction or venue in its court.

21.2. All provisions of this Agreement are severable and this Agreement is interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions is enforced if they are valid and enforceable.

21.3. If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party is entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

21.4. No failure, forbearance, neglect or delay of any kind on the part of the Franchisor in connection with the enforcement or exercise of any rights under this Agreement will affect or diminish the Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by Franchisee or the Franchisor's other franchisees will preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by the Franchisor of performance of any provision of this Agreement constitutes or be implied as a waiver of the Franchisor's right to enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, is binding upon Franchisee or the Franchisor or effective unless in writing signed by Franchisee and the Franchisor's CEO, or a Vice President, except that a waiver need be signed only by the party waiving.

21.5. This Agreement, together with the Operations Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Disclosure Document as Exhibit E, constitutes the entire understanding and agreement between Franchisee and the Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, License, System or Business. However, nothing in this Agreement or any related Agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

21.6. Neither party is liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes and civil commotion, or acts of God ("**Force Majeure Event**"). Any delay will extend performance only so long as this event is in progress except this Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees or FMAF contributions when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may elect to waive the Royalty Fees or FMAF contributions during the period of delay caused by the Force Majeure Event or a shorter period.

21.7. Franchisee will sign and deliver any further instruments, contracts, forms and other documents, and will perform any further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein contained. Franchisee hereby irrevocably appoints the Franchisor as its attorney, and hereby empowers it to sign any instruments regarding the Marks for and in Franchisee's name to give full effect to Sections 11, 13, 16, and 18 of this Agreement. Franchisee hereby declares that the powers of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

21.8. This Agreement is binding upon, and subject to Section 16 hereof, will inure to the benefit of, Franchisee's successors and permitted assigns.

21.9. This Agreement may only be modified or amended by a written document signed by Franchisee and the Franchisor. Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will these modifications be made arbitrarily without this determination. Notwithstanding anything herein to the contrary, The Franchisor will have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee will comply therewith as so modified.

21.10. Periodically, the Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide these services. Franchisee agrees in advance to any delegation by the Franchisor of any portion or all of its obligations and duties under this Agreement.

21.11. This Agreement will be executed in multiple copies, each of which will be deemed an original. The preambles are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

a. The term "**Franchisee**" as used herein is applicable to one or more persons, a corporation, limited liability company, a partnership or other business entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine.

b. Subject to Franchisor's rights under trademark laws, the parties' rights under this Agreement and the relationship between the parties are governed by, and will be interpreted in accordance with Section 21.1. Franchisee and its Affiliates waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any other country or other jurisdiction.

c. When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating this period is excluded; if the last day of this period is a non-business day, the period in question will end on the next business day.

d. The parties recognize, and any referee, arbitrator and judge, is affirmatively advised, that certain provisions of this Agreement reflect rights of Franchisor and Franchisee to take (or refrain from taking) certain actions in exercise of its business judgment based on its assessment of the long term interests of the System or Business as a whole. Where such right has been exercised, and is supported by the business judgment of Franchisor or Franchisee ("**Business Judgment**"), a referee, arbitrator or judge, cannot substitute his or her judgment for the judgment so exercised by Franchisor or Franchisee, even if another reasonable or even arguably preferable alternatives are available.

e. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that its exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

f. Time is of the essence of this Agreement and of every part thereof.

22. ACKNOWLEDGEMENT

BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT AND THE DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

THE FRANCHISEE ACKNOWLEDGES THAT:

1. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE, IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

2. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN SEVEN (7) DAYS, DURING WHICH TIME THE FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT THIS AGREEMENT FOR PROFESSIONAL REVIEW AND ADVICE OF THE FRANCHISEE'S CHOOSING BEFORE FREELY EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE THE FRANCHISOR'S BUSINESS AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE.

3. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS. FRANCHISEE HEREBY ASSUMES THE RESPONSIBILITY FOR THE SUCCESS OR FAILURE OF THE BUSINESS VENTURE.

4. FRANCHISEE UNDERSTANDS THAT FRANCHISOR HAS AFFILIATES, SOME OF WHICH OPERATE A HOMESMART INTERNATIONAL REAL ESTATE BROKERAGE BUSINESS, AND FRANCHISEE REPRESENTS THAT FRANCHISEE HAS NOT BEEN PROVIDED

WITH ANY FINANCIAL OR OPERATING INFORMATION ABOUT ANY AFFILIATE OF FRANCHISOR, NOR HAS FRANCHISEE RELIED UPON ANY OTHER INFORMATION FRANCHISEE MAY HAVE OBTAINED FROM ANY OTHER SOURCE WITH REGARD TO THE FINANCIAL OR OPERATING CONDITIONS OF ANY AFFILIATE OF FRANCHISOR.

5. FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL PURCHASES, SALE, EARNINGS, INCOME OR PROFITS TO FRANCHISEE.

6. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY ASSURANCE, WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

7. FRANCHISEE AGREES TO PARTICIPATE IN TO THE FRANCHISOR INDEX AND DISPLAY PORTION OF THE INTERNET DATA EXCHANGE (IDX) POLICY, WHICH PROVIDES FRANCHISOR WITH THE RIGHT TO INDEX AND DISPLAY LISTING DATA FROM FRANCHISEE'S IDX FEEDS ON ITS NATIONAL INTERNET WEBSITE.

ATTACHMENT 1
TO FRANCHISE AGREEMENT

ROYALTY, TERRITORY, QUOTAS, BRANCH OFFICES & FEES

<table>
<tr><th>Fee or Title</th><th>Amount or Description</th></tr>
<tr><td>Flat Fee Royalties

________ (Initials)</td><td>(A) The greater of the collective total of:
(i) $12 per agent per month; plus $120 per completed side, if a brokerage represents both the seller and the buyer in the transaction then the fee of $120 applies to each side of the transaction
or
(ii) $500 per month
and
(B) $25 per rental, referral, or lease fee collected by Broker.</td></tr>
<tr><td><u>HSI Wealth Plan Participation</u>

______ (Initials)</td><td>Yes ______________________ No
(circle one)</td></tr>
<tr><td><u>Annual Agent Quota</u>. By the end of each year during the Initial Term, Franchisee will have the following number of Agents associated with Franchisee in the Territory.

________ (Initials)</td><td><table><tr><td>Year</td><td>New Agents</td><td>Total Agents</td></tr><tr><td>At Execution</td><td>0</td><td></td></tr><tr><td>1</td><td></td><td></td></tr><tr><td>2</td><td></td><td></td></tr><tr><td>3</td><td></td><td></td></tr><tr><td>4</td><td></td><td></td></tr><tr><td>Renewal</td><td></td><td></td></tr></table></td></tr>
<tr><td><u>Annual Production Quota</u>. At the end of each calendar year of the Initial Term of the Franchise Agreement, you will have produced, no less than, the Minimum Sales Production for that year provided in the chart below.

________ (Initials)</td><td><table><tr><td>Year</td><td>Minimum Sales Production</td></tr><tr><td>1</td><td></td></tr><tr><td>2</td><td></td></tr><tr><td>3</td><td></td></tr><tr><td>4</td><td></td></tr><tr><td>5</td><td></td></tr></table></td></tr>
</table>

<table>
<tr><th>Fee or Title</th><th>Amount or Description</th></tr>
<tr><td></td><td></td></tr>
<tr><td>Territory: Described by zip codes.

________ (Initials)</td><td>The Territory set forth in Section 5.1 of the Agreement is:____

____

____</td></tr>
<tr><td>Branch Offices (Applicable to Multi-Branch Franchisees). By the end of each year during the Initial Term, Franchisee will have opened the following number of Branch Offices:</td><td><table>
<tr><th>Year</th><th>New Branch Offices</th><th>Total Branch Offices</th></tr>
<tr><td>At Execution</td><td></td><td></td></tr>
<tr><td>1</td><td></td><td></td></tr>
<tr><td>2</td><td></td><td></td></tr>
<tr><td>3</td><td></td><td></td></tr>
<tr><td>4</td><td></td><td></td></tr>
<tr><td>5</td><td></td><td></td></tr>
</table></td></tr>
<tr><td>Successor Franchise Fee</td><td>Fifty percent (50%) of the then-current Initial Franchise Fee, plus fifty percent (50%) of the then-current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.</td></tr>
<tr><td>Initial Franchise Fee ________ (Initials)</td><td>$20,000.</td></tr>
<tr><td>Branch Office Fee ________ (Initials)</td><td>$10,000.</td></tr>
<tr><td>Technology Fee

________ (Initials)</td><td>$250 per System Instance of the RealSmart Broker operated by Franchisee. Franchisor reserves the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by Franchisor, but not to exceed $50 per System Instance of the RealSmart Broker each month.</td></tr>
<tr><td>MLS/RETS Fee

________ (Initials)</td><td>$250 per month per MLS integrated into the RealSmart Broker. We reserve the right to increase the MLS/RETS Fee by any amount determined by Franchisor, but not to exceed $50 per MLS per month.</td></tr>
</table>

Fee or Title	Amount or Description
Annual Membership Fee **________ (Initials)**	
Domain Name Fee **________ (Initials)**	Equal our expense in securing and maintaining the domain name associated with your HomeSmart Real Estate Brokerage Business.
Marketing Fees **________ (Initials)**	A Franchise Marketing Accrual Fund Contribution equal to 4% of the per transaction flat fee is built into the Flat Fee Model and will be accounted for from your payments.
Transfer Fee **________ (Initials)**	Equal to 20% of the then-current Initial Franchise Fee and 20% of the then-current Branch Office Fee for each of Franchisee's Branch Offices.

FRANCHISOR

HOMESMART INTERNATIONAL, LLC

By: ____

Title:

____

____

FRANCHISEE

____

By: ____

Title: ____

ATTACHMENT 2
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement signed between __________________________ and HomeSmart International, LLC ("**Franchisor**") on ____________________, 20___ ("**Agreement**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the Initial Term, including any Interim Period thereof, that ________________________________ ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by and personally liable for the breach of, each and every provision in the Agreement, including but not limited to the terms of Section 15.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and

5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty is joint and several;

2. He or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

3. This liability will not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and

4. This liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which is continuing and irrevocable during the Initial Term, including any Interim Period thereof.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was signed.

GUARANTORS

______________________________	______________________________
Date: __________________________	Date: __________________________
Printed Name: ___________________	Printed Name: ___________________
Address: _______________________	Address: _______________________
______________________________	______________________________

______________________________	______________________________
Date: __________________________	Date: __________________________
Printed Name: ___________________	Printed Name: ___________________
Address: _______________________	Address: _______________________
______________________________	______________________________

ATTACHMENT 3
TO FRANCHISE AGREEMENT

CONSENT OF SPOUSE

The undersigned is the spouse of the Guarantor identified in the Guaranty and Assumption of Franchisee's Obligations dated as of ______________________, between his or her spouse and Franchisor (the "**Guaranty Agreement**"), to which this Consent of Spouse is attached. The undersigned hereby declares that he or she has read the Guaranty Agreement in its entirety and, being fully convinced of the wisdom and equity of the terms of the Guaranty Agreement, and in consideration of the premises and of the provisions of the Guaranty Agreement, the undersigned hereby expresses his or her acceptance of the same and does agree to its provisions.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Guaranty Agreement will be binding upon him or her.

The undersigned further agrees that he or she will at any time make, execute, and deliver such instruments and documents that may be necessary to carry out the provisions of the Guaranty Agreement.

This instrument is not a present transfer or release of any rights which the undersigned may have in any of the community property of his or her marriage.

SPOUSE:

____
Signature

____
Printed Name

____
Date

ATTACHMENT 4
TO FRANCHISE AGREEMENT

ACKNOWLEDGMENT

Franchisee, and its shareholders and partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED on this ____ day of _____________, 20___.

FRANCHISOR:	FRANCHISEE:
HOMESMART INTERNATIONAL, LLC	______________________________
______________________________ Signature	______________________________ Signature
______________________________ Printed Name	______________________________ Printed Name
______________________________ Date	______________________________ Date
INDIVIDUALS WITH AN INTEREST IN FRANCHISEE	INDIVIDUALS WITH AN INTEREST IN FRANCHISEE
______________________________ Signature	______________________________ Signature
______________________________ Printed Name	______________________________ Printed Name
______________________________ Date	______________________________ Date

ATTACHMENT 5
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: ____

Trade Name (if different from above): ____

Form of Ownership
(Check One)

____ Individual ____ Partnership ____ Corporation ____ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

____

____

____

____

Franchisee acknowledges that this Statement of Ownership applies to the Real Estate Brokerage Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date: ________________________________ Name: _________________________________

ATTACHMENT 6
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS) BY AND BETWEEN HOMESMART INTERNATIONAL, LLC AND ____ ("Franchisee")

The undersigned depositor ("**Depositor**") hereby authorizes HomeSmart International, LLC ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**") via Automated Clearing House ("**ACH**") transfers or transactions to debit this account pursuant to Company's instructions.

______________________________	______________________________
Depository	Branch
______________________________	______________________________
Address	City, State, Zip Code
______________________________	______________________________
Bank Transit/ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of this authority in a time and manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor's account, Depositor will have the right to have the amount of the entry credited to this account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor will have sent to Depository a written notice identifying the entry, stating that the entry was in error and requesting Depository to credit the amount to this account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

______________________________	______________________________
Depositor	Depository
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

ATTACHMENT 7
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND TELEPHONE LISTINGS AND INTERNET ADDRESSES

THIS ASSIGNMENT is entered into this ____ day of ______________, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement ("**Franchise Agreement**") between ________________________________ ("**Franchisee**") and HomeSmart International, LLC ("**Franchisor**"), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Real Estate Brokerage Business ("**Franchise Business**") located ____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the ("**Telephone Numbers and Listings**") and (2) those certain website addresses ("**URLs**") associated with Franchisor's trade and service marks and used periodically in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor will notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all of these entities are collectively referred to herein as "Telephone Company") and/or Franchisee's internet service provider ("**ISP**") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without the extension of Franchisee's rights to operate the Franchise Business), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in this event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings and URLs, and will remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor will have the sole right to and interest in the Telephone Numbers and Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and sign any documents and take any actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers, Listings, and URLs to Franchisor, Franchisor will direct the Telephone Company and the ISP to make the assignment contemplated under this Agreement to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings and URLs upon the termination or expiration and that this assignment is made automatically and effective immediately upon Telephone Company's and ISP's receipt of this notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties sign the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of these forms or documentation on behalf of Franchisee will effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform any acts and sign and deliver any documents that may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:	**ASSIGNOR:**
HOMESMART INTERNATIONAL, LLC	____
____ Signature	____ Signature
By: ____________________________________	By: ____________________________________
Its:____________________________________	Its:____________________________________

ATTACHMENT 8
TO FRANCHISE AGREEMENT

BRANCH OFFICE AUTHORIZATION

THIS BRANCH OFFICE AUTHORIZATION is entered into this ____ day of ______________, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement ("**Franchise Agreement**") between ______________________________ ("**Franchisee**") and HomeSmart International, LLC ("Franchisor"), under which Franchisor granted Franchisee the right to open a Branch Office for Franchisee's Real Estate Brokerage Business within its Territory, as set forth on **Attachment 1** to the Franchise Agreement.

Franchisee has proposed to open a Branch Office at: _____________________________, which is operated under the terms and conditions of the Franchise Agreement.

The Branch Office will open for business on or about: _______________, 20____.

Franchisor authorizes Franchisee to operate a Branch Office at the location set forth above.

All capitalized terms not otherwise defined in this Attachment will have the same meanings as in the Franchise Agreement.

Except as set forth in this Attachment, nothing contained herein will modify or amend the Franchise Agreement.

ASSIGNEE:	**FRANCHISEE:**
HOMESMART INTERNATIONAL, LLC	________________________________
________________________________	________________________________
Signature	Signature
By: ______________________________	By: ______________________________
Its:______________________________	Its:______________________________

FRANCHISEE REQUIRED AGREEMENT

Please print and sign two copies and return both full, original copies to HomeSmart International. Signature required on the following pages:

1. Franchise Agreement
2. Legal Representation
3. Witness
4. Attachment 1 Territory, Quota, Branch Offices
5. Attachment 2 Guaranty and Assumption of Franchisee's Obligations
6. Attachment 3 Consent of Spouse
7. Attachment 4 Acknowledgement
8. Attachment 5 Statement of Ownership
9. Attachment 6 Direct Debits
10. Attachment 7 Telephone Numbers, Listings & Internet Addresses
11. Attachment 8 Branch Office Authorization (not required at signing of Agreement)

HomeSmart International, LLC~~.~~
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255

Exhibit C to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
LIST OF CURRENT FRANCHISEES AND
FRANCHISEES WHO HAVE LEFT THE SYSTEM

FRANCHISED LOCATIONS AS OF ~~12/31/2019~~12/31/2020					
Location	**Owner**	**Address**	**City / State / Zip**	**Office #**	**Contact Email**
ARIZONA					
HomeSmart Success	Ted Anderson, Pete Marino, Dayv Morgan	719 E Cottonwood Lane #3	Casa Grande, AZ 85122	520.350.1474	petemarino@live.com, tedanderson25@gmail.com
~~HomeSmart Advantage Group~~	~~Andy McDonald~~	~~5425 N Oracle Road #135~~	~~Tucson, AZ 85704~~	~~520.505.3000~~	~~andy@andymcdonald.net~~
		~~2910 N. Swan Road #203~~	~~Tucson, AZ 85704~~	~~520.505.3000~~	
		~~3053 S. Kinney Road, # 101~~	~~Tucson, AZ 85704~~	~~520.444.1468~~	
~~HomeSmart Fine Homes and Land~~	~~Michael Dougherty, Lori Shaw~~	~~140 N. Montezuma St. # 201~~	~~Prescott, AZ 86301~~	~~928.442.2121~~	~~mdougherty8@gmail.com~~
HomeSmart Fine Homes and Land	Michael Dougherty, Lori Shaw	140 N Hwy 89	Chino Valley, AZ 86323	928.442.2121	mdougherty8@gmail.com
HomeSmart Professionals	John Bobo, Felice Katz-Bobo	403 N. Agassiz	Flagstaff, AZ 86001	928.358.4366	john@theboboteam.com
HomeSmart Lifestyles	Stephanie Sandoval	12625 N Saguaro Blvd #116	Fountain Hills AZ 85268	480.999.3866	broker@homesmartlifestyles.com
HomeSmart Pros	Joette Schenck, Patrick Sedillo, Pam White	101 S La Canada # 63	Green Valley, AZ 85614	520.495.4740	joette@homesmartpros.com
HomeSmart Professionals	John Bobo, Felice Katz-Bobo	1695 Mequite Ave #202	Lake Havasu AZ 86403	928.358.4366	john@theboboteam.com
HomeSmart Professionals	John Bobo, Felice Katz-Bobo	4720 W Maverick Lane, #106	Lakeside, AZ 85929	928.358.4366	john@theboboteam.com
HomeSmart Success	Ted Anderson, Pete Marino, Dayv Morgan	19756 N Maricopa Road Ste 100	Maricopa, AZ 85139	520.350.1474	petemarino@live.com, tedanderson25@gmail.com
HomeSmart Success	Ted Anderson, Pete Marino, Dayv Morgan	6260 S 35th Ave	Phoenix, AZ 85041	520.350.1474	petemarino@live.com, tedanderson25@gmail.com
HomeSmart Fine Homes and Land	Michael Dougherty, Lori Shaw	140 N. Montezuma St. # 201	Prescott, AZ 86301	928.442.2121	mdougherty8@gmail.com
HomeSmart Lifestyles	Stephanie Sandoval	21820 S	Queen Creek, AZ	480-390-6683	broker@homesmartlifestyles.com

		Ellsworth Rd # 104	85142		
HomeSmart Advantage Group	Andy McDonald	5425 N Oracle Road #135	Tucson, AZ 85704	520.505.3000	andy@andymcdonald.net
HomeSmart Advantage Group	Andy McDonald	2910 N. Swan Road #203	Tucson, AZ 85704	520.505.3000	andy@andymcdonald.net
~~HomeSmart Lifestyles~~	~~Stephanie Sandoval~~	~~21820 S Ellsworth Rd # 102~~	~~Queen Creek, AZ 85142~~	~~480-390-6683~~	~~broker@homesmartlifestyles.com~~
		~~16626 E Avenue of the Fountains~~	~~Fountain Hills AZ 85268~~	~~480-390-6683~~	
~~HomeSmart Professionals~~	~~John Bobo, Felice Katz-Bobo~~	~~4720 W Maverick Lane, #106~~	~~Lakeside, AZ 85929~~	~~928.358.4366~~	~~john@theboboteam.com~~
		~~403 N. Agassiz~~	~~Flagstaff, AZ 86001~~	~~928.358.4366~~	~~john@theboboteam.com~~
		~~1695 Mesquite Ave #202~~	~~Lake Havasu AZ 86403~~	~~928.358.4366~~	~~john@theboboteam.com~~
~~HomeSmart Pros~~	~~Joette Schenck, Patrick Sedillo, Pam White~~	~~101 S La Canada # 63~~	~~Green Valley, AZ 85614~~	~~520.495.4740~~	~~joette@homesmartpros.com~~
~~HomeSmart Success~~	~~Ted Anderson, Pete Marino, Dayv Morgan~~	~~19756 N. Maricopa Road, Suite 100~~	~~Maricopa, AZ 85137~~	~~520.350.1474~~	~~petemarino@live.com~~
		~~719 E Cottonwood Lane #3~~	~~Casa Grande, AZ 85122~~	~~520.350.1474~~	~~tedanderson25@gmail.com~~
		~~6260 S 35th Ave~~	~~Phoenix, AZ 85041~~	~~520.350.1474~~	~~petemarino@live.com~~
CALIFORNIA					
HomeSmart Optima Realty	Michael Awadalla	5167 Lone Tree Way	Antioch, CA 94531	925.270.0520	michael@michaelawadalla.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	948-B Lincoln Way	Auburn, CA 95603	916.993.8680	isom@hsicarerealty.com
~~HomeSmart Advantage~~	~~Peter Robertson~~	~~818~~	~~Santa Rosa, CA~~	~~707.495.5337~~	~~probertson@prioritylenders.com~~

~~Realty~~		~~Mendocino Ave, #100~~	~~95401~~		
~~HomeSmart Bay Area~~	~~Michael Young~~	~~100 Pine St, # 1250 #A77~~	~~San Francisco, CA 94111~~	~~888.880.7708~~	~~myoung@blue-propertygroup.com~~
~~HomeSmart Evergreen Realty~~	~~Randy Rector, Tina Rector~~	~~9901 Irvine Center Drive~~	~~Irvine, CA 92618~~	~~949.753.7888~~	~~randy.rector@evergreenrealty.net~~
		~~26840 Aliso Viejo Parkway # 120~~	~~Aliso Viego, CA 92656~~	~~949.600.8930~~	~~tina.rector@evergreenrealty.net~~
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	3040 Saturn St, # 101	Brea, CA 92821	714.990.0770	tina.rector@evergreenrealty.net
HomeSmart Realty West	Abe Hamideh, Roger Lee	300 Carlsbad Village Dr., #217	Carlsbad CA 92008	760.607.5900	ahamideh@homesmartsd.com rlee@homesmartsd.com
HomeSmart Realty West	Abe Hamideh, Roger Lee	2776 Gateway Rd	Carlsbad, CA 92009	760.607.5900	ahamideh@homesmartsd.com rlee@homesmartsd.com
HomeSmart Optima Realty	Michael Awadalla	3350 Clayton Rd., Suite 100	Concord, CA 94519	925.270.0520	michael@michaelawadalla.com
HomeSmart Realty Group	Shannon Daniele	8141 E 2nd St #502	Downey CA 90241	562.912.7770	sdaniele@realtygroups.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	9355 E. Stockton Blvd #170	Elk Grove, CA 95624	916.993.8680	isom@hsicarerealty.com
HomeSmart Legends	Skip Bettarel, Luis Jubany	701 S Main Avenue	Fallbrook, CA 92028	760.451.1600	skip@homesmartca.com
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	6535 North Palm Ave, Ste. 103	Fresno, CA 93704	209.544.2500	rob@homesmartpva.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	10015 Alta Sierra Dr. #3	Grass Valley, CA 95949	916.993.8680	isom@hsicarerealty.com
		~~144 N Glendale Ave~~	~~Glendale CA 91206~~	~~626.239.1700~~	
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	2130 Main Street, #170	Huntington Beach, CA 92648	714.465.2000	randy.rector@evergreenrealty.net
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	9901 Irvine Center Drive	Irvine, CA 92618	949.753.7888	randy.rector@evergreenrealty.net

HomeSmart Realty Group	Shannon Daniele	3880 Kilroy Airport Way, #101	Long Beach, CA 90806	562.912.7770	sdaniele@realtygrouphs.com
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	735 N. Main St.	Manteca CA 95336	209.544.2500	rob@homesmartpva.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	27802 Vista Del Lago, # E2	Mission Viejo, CA 92692	949.365.1888	randy.rector@evergreenrealty.net
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	301 Banner Court	Modesto, CA 95356	209.544.2500	tpriest@homesmartpva.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	134 W Olive Ave	Monrovia CA 91016	626.239.1700	randy.rector@evergreenrealty.net
HomeSmart Executives	Richard Ledezma Peter Reyes	24318 Hemlock Ave. Ste. A-5	Moreno Valley, CA 92507	951.571.6510	richardledezma@outlook.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	18860 Nordhoff St #204	Northridge CA 91324	909.527.8252	randy.rector@evergreenrealty.net
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	145 N 2nd St	Oakdale CA 95361	209.544.2500	rob@homesmartpva.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	1891 E Roseville Parkway, Ste 180	Roseville, CA 95661	916.993.8680	isom@hsicarerealty.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	3461 Fair Oaks Blvd, Ste 125	Sacramento, CA 95864	916.993.8680	isom@hsicarerealty.com
HomeSmart ICARE	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba	2260 Del Paso Road	Sacramento, CA 95864	916.993.8680	isom@hsicarerealty.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	1397 Calle Avanzado ~~134 W Olive~~	San Clemente, CA 92673 ~~Monrovia CA 91016~~	909.527.8252 ~~626.239.1700~~	randy.rector@evergreenrealty.net

		~~Ave~~			
~~18429 Nordhoff St, Suite A~~	~~Northridge CA 91325~~			~~661.253.4480~~	
		~~3011 Rancho Vista Blvd~~	~~Palmdale CA 93551~~		
		~~1397 Calle Avanzado~~	~~San Clemente, CA 92673~~	~~909.527.8252~~	
		~~28361 Constellation Rd, Suite A~~	~~Santa Clarita CA 91355~~	~~661.295.1000~~	
		~~450 N. Mountain Ave., Ste. A~~	~~Upland, CA 91786~~	~~909.527.8252~~	
~~HomeSmart Executives~~	~~Richard Ledezma Peter Reyes~~	~~24318 Hemlock Ave. Ste. A-5~~	~~Moreno Valley, CA 92507~~	~~951.571.6510~~	~~richardledezma@outlook.com~~
~~HomeSmart ICARE~~	~~Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba~~	~~3461 Fair Oaks Blvd, Ste 125~~	~~Sacramento, CA 95864~~	~~916.993.8680~~	~~isom@hsicarerealty.com~~
		~~10015 Alta Sierra Dr. #3~~	~~Grass Valley, CA 95949~~	~~916.993.8680~~	
		~~1891 E Roseville Pkwy~~	~~Roseville, CA 95661~~	~~916.993.8680~~	
		~~2260 Del Paso Road~~	~~Sacramento, CA 95834~~	~~916.993.8680~~	
		~~9355 E Stockton Blvd~~	~~El Grove, CA 95624~~	~~916.993.8680~~	
		~~948-B Lincoln Way~~	~~Auburn, CA 95603~~	~~916.993.8680~~	
~~HomeSmart Legends~~	~~Skip Bettarel, Luis Jubany~~	~~41823 Enterprise Circle N~~	~~Temecula, CA 92590~~	~~951.491.7800~~	~~skip@homesmartca.com~~
		~~701 S Main Avenue~~	~~Fallbrook, CA 92028~~	~~760.451.1600~~	
~~HomeSmart Optima Realty~~	~~Michael Awadalla~~	~~3350 Clayton Rd~~	~~Concord, CA 9452019~~	~~925.270.0520~~	
		~~5139 Lone Tree Way~~	~~Antioch, CA 94531~~	~~925.270.0520~~	
~~HomeSmart PV & Associates~~	~~Todd Priest, Rob Vossoughi~~	~~301 Banner Court~~	~~Modesto, CA 95356~~	~~209.544.2500~~	~~tpriest@homesmartpva.com~~
		~~6535 North Palm Ave, Ste. 103~~	~~Fresno, CA 93704~~	~~209.544.2500~~	~~rob@homesmartpva.com~~

		~~735 N. Main Street~~	~~Manteca, CA 95336~~	~~209.544.2500~~	
~~HomeSmart Realty Group~~	~~Shannon Daniele~~	~~8141 E 2nd Street~~	~~Downey, CA 90241~~	~~562.912.7770~~	~~sdaniele@realtygroupħs.com~~
		~~3521 Lomita Blvd, Suite 102~~	~~Torrance CA 90505~~	~~714.752.5731~~	
		~~3880 Kilroy Airport Way, #101~~	~~Long Beach, CA 90806~~	~~714.752.5731~~	
~~HomeSmart Realty West~~	~~Abe Hamideh, Roger Lee~~	~~2776 Gateway Rd~~	~~Carlsbad, CA 92009~~	~~760.607.5900~~	~~ahamideh@homesmartsd.com~~
		~~16769 Bernardo Center Dr, # K-28~~	~~San Diego, CA 92128~~	~~760.607.5900~~	
HomeSmart Realty West	Abe Hamideh, Roger Lee	2878 Camino Del Rio S., Ste. 100	San Diego, CA 92108	619.255.9600	ahamideh@homesmartsd.com rlee@homesmartsd.com
HomeSmart Realty West	Abe Hamideh, Roger Lee	~~300 Carlsbad Village Drive~~16769 Bernardo Center Dr, # K-28	~~Carlsbad, CA 92008~~San Diego, CA 92128	760.607.5900	ahamideh@homesmartsd.com rlee@homesmartsd.com
HomeSmart Bay Area	Michael Young	100 Pine St, # 1250 #A77	San Francisco, CA 94111	888.880.7708	myoung@blue-propertygroup.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	28361 Constellation Rd, Suite A	Santa Clarita CA 91355	661.295.1000	randy.rector@evergreenrealty.net
HomeSmart Advantage Realty	Peter Robertson	818 Mendocino Ave, #100	Santa Rosa, CA 95401	707.495.5337	probertson@prioritylenders.com
HomeSmart Legends	Skip Bettarel, Luis Jubany	41823 Enterprise circle N, Ste 130	Temecula, CA 92590	951.491.7800	skip@homesmartca.com
HomeSmart Realty Group	Shannon Daniele	3521 Lomita Blvd, Suite 102	Torrance CA 90505	714.752.5731	sdaniele@realtygroupħs.com
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	3061 College Green Dr, Suite B	Turlock CA 95348	209.544.2500	rob@homesmartpva.com

HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	415 E Olive Ave	Turlock CA 95380	209.544.2500	rob@homesmartpva.com
HomeSmart Evergreen Realty	Randy Rector, Tina Rector	450 N. Mountain Ave., Ste. A	Upland, CA 91786	909.527.8252	randy.rector@evergreenrealty.net
COLORADO					
HomeSmart Preferred Realty	Sam Banning	1202 Royal Gorge Blvd	Canon City CO 81212	719.582.1064	sam@banningteam.com
HomeSmart Realty Partners	Brian Marincic	431 Colorado Avenue	Grand Junction CO 81501	970.644.5002	brian@homesmartrp.com
HomeSmart Preferred Realty	Sam Banning	635 W Corona Ave #~~200~~100	Pueblo CO 81004	719.582.1064	sam@banningteam.com
		~~1032 Royal George Blvd~~	~~Canon City CO 81212~~	~~719.582.1064~~	
HomeSmart Preferred Realty ~~Partners~~	~~Brian Marincic~~Sam Banning	~~431 Colorado Avenue~~3 Bassick Place	~~Grand Junction, CO 81501~~Westcliffe, CO 81252	~~970.644.5002~~719.783.0995	~~brian@ch4rg.com~~sam@banningteam.com
FLORIDA					
HomeSmart Real Estate Associates	Roger Herman	7777 W Glades Rd	Boca Raton, FL 33434	720.530.6100	roger@milehighnexus.com
HomeSmart Horizons	Josh Farber, Neva Trust - Wilson Enriquez	110 Front Street~~,~~ #~~330~~300	Jupiter, FL 33477	~~561.529.9110~~561-529-9110	~~neva@homesmarthoirzonas~~josh@homesmarthorizons.com, neva@homesmarthorizons.com
HomeSmart Sunshine Realty	Rick Musto	305 W Gregory Street	Pensacola, FL 32502	404.419.1004	rmusto@homesmartrealtypartners.com
HomeSmart Coastal Realty	Susan Nieroda	1680 Highway A1A, Suite 5	Satellite Beach, FL 32937	~~321.626.2049~~321-348-9528	susannieroda@gmail.com
GEORGIA					
HomeSmart Realty Partners	Richard Musto	9755 Dogwood Rd #250	Roswell GA 30075	404.419.1004	~~dancbowden@gmail~~rmusto@homesmartrealtypartners.com
HAWAII					
HomeSmart Island Homes	Shay Robinson, Tiffany Robinson	1888 Kalakaua Ave C-312	Honolulu HI 96815	808.799.8968	tiffanysellshawaii@gmail.com
IDAHO					
HomeSmart Premier Realty	Elias Trejo, Kelly Cammack	190 W Burnside, Suite E	Chubbuck ID 83202	208.521.1868	elias@208group.com

HomeSmart Premier Realty	Elias Trejo, ~~Anthony Elizondo, Katie Robinson,~~ Kelly Cammack~~, Derek Staley, Nancy Elizondo~~	586 1st Street	Idaho Falls ID 83201	208.521.1868	elias@208group.com
HomeSmart Premier Realty	Elias Trejo, Kelly Cammack	~~190 W Burnside~~3319 E Overland Road	~~Chubbuck, ID 83202~~Meridian ID 83642	208.521.1868	elias@208group.com
ILLINOIS					
HomeSmart Connect	Bill Flemming	2380 Esplanade Dr, Suite 201	Algonquin IL 60102	847.366.8477	bill@billflemming.com
HomeSmart Leading Edge	Kate Bak, Scott Eberle	931 Main St	Antioch IL 60002	224.801.4283	bill@billflemming.com
HomeSmart Connect	Bill Flemming	3030 Salt Creek Lane, # 145	Arlington Heights, IL 60005	847.495.5000	bill@billflemming.com
		~~2380 Esplanade Dr, Suite 201~~	~~Algonquin IL 60102~~	~~847.366.8477~~	
		~~7240 W Devon Ave~~	~~Chicago, IL 60631~~	~~847.495.5000~~	
HomeSmart Connect	Bill Flemming	701 N Milwaukee Ave	Chicago IL 60642	847.495.5000	bill@billflemming.com
HomeSmart Realty Group	Dan Bowden	220 N. Green Street	Chicago, IL 60607	312.588.9300	dancbowden@gmail.com
HomeSmart Connect	Bill Flemming	7240 W Devon Ave	Chicago, IL 60631	847.495.5000	bill@billflemming.com
HomeSmart Connect	Bill Flemming	25 S. Grove ~~Ave~~Avenue	Elgin, IL 60120	847.495.5000	bill@billflemming.com
HomeSmart Connect	Bill Flemming	150 E Cook Ave	Libertyville IL 60048	847.495.5000	bill@billflemming.com
HomeSmart Realty Group	Dan Bowden	651 N Washington	Naperville IL 60563	630.578.0002	dancbowden@gmail.com
HomeSmart Realty Group	Dan Bowden	9755 W 143rd St	Orland Park, IL 60462	855.438.1762	dancbowden@gmail.com
HomeSmart Connect	Bill Flemming	1003 W Main St	St. Charles, IL 60174	847.495.500	bill@billflemming.com

~~HomeSmart Leading Edge~~	~~Kate Bak, Scott Eberle~~	~~931 Main St~~	~~Antioch IL 60002~~	~~224.801.4283~~	
~~HomeSmart Realty Group~~	~~Dan Bowden~~	~~9755 W 143rd St~~	~~Orland Park, IL 60462~~	~~855.438.1762~~	~~dancbowden@gmail.com~~
		~~220 N. Green Street~~	~~Chicago, IL 60607~~	~~312.588.9300~~	
		~~651 N Washington~~	~~Naperville IL 60563~~	~~630.578.0002~~	
		~~TBD~~	~~TBD~~		
INDIANA					
HomeSmart Realty Group	Phillip Hawkins	7620 US 31S	Indianapolis, IN 46227	317.889.9999	realestatehawk@gmail.com
HomeSmart Realty Group	Phillip Hawkins	8313 W 10th Street	Indianapolis, IN 46234	317.889.9999	realestatehawk@gmail.com
HomeSmart Legacy	Dan Bowden	833 W Lincoln Hwy, Suite 109E	Schererville, IN 46375	~~708.320.0002~~219.472.2004	~~dancbowden~~Dancbowden@gmail.com
KANSAS					
HomeSmart Legacy	Tim Ray	14300 Kenneth Rd #220	Leawood KS 66224	913.274.1041	tim@hslegacy.com
HomeSmart Legacy	Tim Ray	7912 Floyd Street	Overland Park KS 66204	913.274.1041	tim@hslegacy.com
		~~14300 Kenneth Rd~~	~~Leawood, KS 66204~~	~~913.274.1041~~	
LOUISIANA					
HomeSmart Realty South	Vickye Slater	2315 Florida Street, Bldg #200, Ste 130	Mandeville LA 70448	985.869.7653	vickyeslater@gmail.com
HomeSmart Realty South	Vickye Slater	145 W Harrison Ave, # B	New Orleans, LA 70124	504.908.7653	vickyeslater@gmail.com
		~~2315 Florida Street~~	~~Mandeville LA 70448~~	~~504.908.7653~~	~~vickyeslater@gmail.com~~
MAINE					
HomeSmart ~~Real Estate Network~~	~~Dean DeTonnancourt~~Matt Widdows	120 Center Street, Suite 108	Auburn ME 04210	207.292.2800	bsanchez@hsmove.com
MASSACHUSETTS					
HomeSmart	Dean	N/A (they use	Attleboro, MA	401.921.5011	dean@leadingyouhome.com

Professionals Real Estate	deTonnancourt	the RI office)			
HomeSmart Heritage Realty	Jason Araujo	162 N Main Street	Fall River, MA 02720	508.287.2428	jaraujoco@gmail.com
HomeSmart Heritage Realty	Jason Araujo	22 Steeple Street	Mashpee, MA 02649	508.287.2428	jaraujoco@gmail.com
HomeSmart First Class Realty	Ryan Cook	670 Depot St, Suite #1	North Easton, MA 02356	~~508.524.1754~~508.297.7270	ryan@homesmartfirstclassrealty.com
HomeSmart ~~Heritage~~First Class Realty	~~Jason Araujo~~Ryan Cook	~~162 N Main Street~~10 Court St	~~Fall River, MA 02720~~Taunton, MA 02780	~~508.287.2428~~508.297.7270	~~jaraujoco@gmail~~ryan@homesmartfirstclassrealty.com
MINNESOTA					
HomeSmart Sapphire Realty	Jeff Byrd, Debra O'Donnell	7400 Metro Blvd, ~~Sutie~~Suite 270	Edina MN 55439	612.223.6319	jeffbyrd@hssapphire.com
MISSOURI					
HomeSmart Legacy	Tim Ray	131 S Water St	Liberty, MO 64068	913.274.1041	tim@hslegacy.com
NEVADA					
HomeSmart Encore	Todd Larkin, Randel Aleman~~,~~ Sr.	7272 S~~.~~ El Capitan Way	Las Vegas NV 89148	702.579.3300	rwaleman@encorehs.com
HomeSmart Encore	Todd Larkin, Randel Aleman Sr.	8985 SE Ave	Las Vegas NV 89123	702.579.3300	rwaleman@encorehs.com
HomeSmart Encore	Todd Larkin, Randel Aleman Sr.	6955 N Durango Dr Unit #1002	Las Vegas NV 89149	702.579.3300	rwaleman@encorehs.com
NEW HAMPSHIRE					
HomeSmart Success Realty	Munise Ulker	169 S River Rd	Bedford NH 03110	603.932.9300	munise@homesmartsuccessrealty.com
HomeSmart Success Realty	Munise Ulker	150 Myrtle St.	Manchester, NH 03104	603.932.9300	munise@homesmartsuccessrealty.com
HomeSmart First Choice Realty	Michael Gagne	293 Main Street	Tilton, NH 03276	603.630.0316	michaelgagne1973@gmail.com
NEW JERSEY					
HomeSmart Momentum Real Estate	Bill Halick	16 Orange Street, Suite 175	Bloomfield NJ 07003	973.858.5284	bhalick@homesmartmre.com
HomeSmart First Advantage Realty	Hakan Karahan	498 N Kings Hwy	Cherry Hill, NJ 08034	856.435.3400	hsfirstadvantage@gmail.com

HomeSmart First Advantage Realty	Hakan Karahan	4338 Route 9 South	Howell, NJ 07724	856.666.3000	hsfirstadvantage@gmail.com
HomeSmart First Advantage Realty	Hakan Karahan	3310 Long Beach Blvd	Long Beach Township, NJ 08008	609-494-2560	hsfirstadvantage@gmail.com
HomeSmart Nexus Realty Group	Bill Kratz, Ken Bello	103 Carnegie Center, Suite 300	Princeton NJ 08540	215.909.7355	kenb@homesmartnrg.com
HomeSmart First Advantage Realty	Hakan Karahan	215 Fries Mill Road	Turnerville NJ 08012	856.666.3000	hsfirstadvantage@gmail.com
HomeSmart First Advantage Realty	Hakan Karahan	9 White Horse Road East	Voorhees, NJ 08043	856.435.3400	hsfirstadvantage@gmail.com
		~~498 N Kings Hwy~~	~~Cherry Hill, NJ 08034~~	~~856.435.3400~~	
		~~215 Fries Mill Road~~	~~Turnerville NJ 08012~~	~~856.666.3000~~	
~~HomeSmart Nexus Realty Group~~	~~Bill Kratz, Kevin Kravcak, Ken Bello~~	~~103 Carnegie Center, Suite 300~~	~~Princeton NJ 08540~~	~~215.909.7355~~	~~kevink@homesmartnrg.com~~
~~HomeSmart First Advantage Realty North Jersey~~	~~Bill Havick~~	~~16 Orange Street~~	~~Bloomfield, NJ 07003~~	~~732.857.0280~~	~~bhalick@homesmartmre.com~~
NEW MEXICO					
HomeSmart Realty Pros	Camille Victour	6700 Jefferson St NE, ~~Ste~~Suite A-2	Albuquerque~~,~~ NM 87109	505.962.2121	camille~~@homesmart-realtypros~~.victour@gmail.com
HomeSmart Realty Pros	Camille Victour	1660 Old Pecos Trail #1660-C	Santa Fe, NM 87505	509.962.2121	camille.victour@gmail.com
NEW YORK					
HomeSmart Premier Living Realty	Richard Raspantini	234-21 41st Ave. 2nd Floor	Douglaston, NY 11363	929.487.4001	rraspantini@hspremierliving.com
HomeSmart Premier Living Realty	Richard Raspantini	538 E Meadow Ave	East Meadow NY 11554	516.234.7244	rraspantini@hspremierliving.com
~~HomeSmart CrossIsland~~	~~Arthur Briscoe~~	~~242-14 Merrick Blvd~~	~~Rosedale, NY 11422~~	~~718.341.9800~~	~~crossislandre@gmail.com~~
HomeSmart CrossIsland	Arthur Briscoe	42 Guy Lombardo Ave., Ste# 205	Freeport~~,~~ NY 11520	~~718.341.9800~~516.548.7994	crossislandre@gmail.com
HomeSmart Premier	Richard Raspantini	535	Melville, NY	631.629.3600	rraspantini@hspremierliving.com

Living Realty		Broadhollow Road # B46	11747		
HomeSmart Homes and Estates	Chris Carbone	400 Rella Blvd # #165	Montebello, NY 10901	845.547.0005	carbonehometeam@gmail.com
HomeSmart Homes and Estates	Chris Carbone	1 Hawkins Drive	Montgomery, NY 12549	845.547.0005	carbonehometeam@gmail.com
HomeSmart CrossIsland	Arthur Briscoe	242-14 Merrick Blvd	Rosedale, NY 11422	718.341.9800	crossislandre@gmail.com
HomeSmart Premier Living Realty	Richard Raspantini	1239 N Country Road, Suite 1B	Stony Brook, NY 11790	631.762.3611	rraspantini@hspremierliving.com
		~~777 Westchester Ave~~	~~White Plains, NY 10604~~	~~845.547.0005~~	
		~~400 Rella Blvd # #165~~	~~Montebello, NY 10901~~	~~845.547.0005~~	
HomeSmart Homes and Estates	Chris Carbone	17-19 West Street	Warwick NY 10990	845.547.0005	carbonehometeam@gmail.com
HomeSmart Homes and Estates	Chris Carbone	445 Hamilton Ave	White Plains, NY 10601	845.547.0005	carbonehometeam@gmail.com
HomeSmart Premier Living Realty	Richard Raspantini	489A Willis Ave	Williston Park, NY 11596	516.535.9692	rraspantini@hspremierliving.com
		~~538 E Meadow Ave~~	~~East Meadow NY 11554~~	~~516.234.7244~~	
		~~535 Broadhollow Road # B46~~	~~Melville, NY 11747~~	~~631.629.3600~~	
		~~1239 N Country Road~~	~~Stonybrook, NY 11790~~	~~516.535.9692~~	~~rraspantini@hspremierliving.com~~
		~~34-18 Northern Blvd~~	~~Astoria, NY 11101~~	~~516.535.9692~~	~~rraspantini@hspremierliving.com~~
~~HomeSmart Interstate Realty~~	~~Irina Martin~~	~~315 Ocean Parkway~~	~~Brooklyn, NY 11218~~	~~718.440.7075~~	~~broker@homesmartinterstate.com~~
NORTH CAROLINA					
HomeSmart Expert Realty	Jonathan Edmiston	~~1340 Environ Way~~7072 NC Hwy Suite 101	Chapel Hill NC ~~27517~~27707	919.583.7711	jedmiston31@gmail.com
OHIO					
HomeSmart Real Estate Momentum	Marianne Drenik, Gregory Pernus	~~8518 Mentor Ave~~24500 Chagrin Blvd,	~~Mentor OH 44060~~Beachwood, OH 44122	~~440.578.8058~~444.578.8058	marianne@homesmartohio.com

		Suite ~~C~~#365			
HomeSmart Real Estate Momentum	Marianne Drenik, Gregory Pernus	108 Cherry Ave.	Chardon, OH 44024	440.578.8058	marianne@homesmartohio.com
HomeSmart HomeKind Realty	Matthew Elam	7373 Dayton Springfield Road	Enon, OH 45323	937.468.4663	broker@hskrealty.com
HomeSmart Real Estate Momentum	Marianne Drenik, Gregory Pernus	8518 Mentor Ave, Suite C	Mentor OH 44060	440.578.8058	marianne@homesmartohio.com
HomeSmart Top Professionals	Brian Walsh	~~901 Canterbury Rd, # D~~24461 Detroit Rd #312	Westlake, OH 44145	440.925.2000	bgw@rmxpros.com
OKLAHOMA					
HomeSmart ~~HomeKind~~TuCasa Realty	~~Matthew Elam~~Tomas Barrientos	~~7373 Dayton Springfield Rd~~5505 E 51st Street	~~Enon, OH 45353~~Tulsa, OK 74135	~~937.626.4558~~918.960.8492	~~broker@hshkrealty~~tomas@tucasarealtyllc.com
OREGON					
HomeSmart Realty Group	Jim Sparkman, Mark Farrow	728 Northwest Kings Blvd	Corvallis, OR 97330	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Realty Group	Jim Sparkman, ~~Don Sturgeon,~~ Mark Farrow	3240 Commercial St SE, Ste. 100	Salem, OR 97302	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Realty Group	Jim Sparkman, Mark Farrow	7455 SW Bridgeport Rd, # E-235	Tualatin OR 97224	971.599.5865	owners@hsmartrealtygroup.com
		~~728 Northwest Kings Blvd~~	~~Corvallis, OR 97330~~	~~971.599.5865~~	
		~~582 East Washington Street~~	~~Stayton, OR 97383~~	~~971.599.5865~~	
PENNSYLVANIA					
~~HomeSmart Nexus Realty Group~~	~~Kevin Kravcak, Ken Bello~~	~~501 Corporate Drive~~	~~Langhorne, PA 19047~~	~~215.909.7355~~	~~kevink@homesmartnrg.com~~
HomeSmart Nexus Realty Group	Ken Bello	488 Norristown Rd, Suite 240	Blue Bell PA 19422	215.909.7355	kenb@homesmartnrg.com
HomeSmart Realty	Robert Foglio | Bill	600	Exton PA 19341	215.604.1191	rob@homesmartrealtyadvisors.com

Advisors	Kratz	Eagleview Rd, Sutie 300			bill@homesmartrealtyadvisors.com
HomeSmart Nexus Realty Group	Ken Bello	501 Corporate Drive	Langhorne, PA 19047	215.909.7355	kenb@homesmartnrg.com
HomeSmart Realty Advisors	Robert Foglio | Bill Kratz	2424 E York St, # 213	Philadelphia, PA 19125	215.604.1191	rob@homesmartrealtyadvisors.com bill@homesmartrealtyadvisors.com
		~~600 Eagleview Rd, Sutie 300~~	~~Exton PA 19341~~	~~215.604.1191~~	
RHODE ISLAND					
HomeSmart Professionals Real Estate	Dean de Tonnancourt	936 Aquidneck Ave, Suite 1A	Middletown RI 02842	401.921.5011	dean@leadingyouhome.com
HomeSmart Professionals Real Estate	Dean de Tonnancourt	550 Douglas Pike	Smithfield RI 02917	401.921.5011	dean@leadingyouhome.com
HomeSmart Professionals Real Estate	Dean de Tonnancourt	100 Quaker Lane	Warwick, RI 02886	401.921.5011	dean@leadingyouhome.com
		~~550 Douglas Pike~~	~~Smithfield, RI 02917~~	~~401.921.5011~~	~~dean@leadingyouhome.com~~
		~~936 Aquidneck Ave, Ste 1A~~	~~Middleton, RI 02842~~	~~401.921.5011~~	~~dean@leadingyouhome.com~~
TEXAS					
HomeSmart Fine Properties	Chuck Poteet, Suzanne Poteet	9595 Six Pines Dr, Suite 8210	Houston TX 77380	713.461.1230	chuck@hsfine.com
HomeSmart Fine Properties	Chuck Poteet, Suzanne Poteet	770 S. Post Oak Lane #100	Houston, TX 77056	713.461.1230	chuck@hsfine.com
HomeSmart Fine Properties	Chuck Poteet, Suzanne Poteet	4217 N McColl Rd #100A	McAllen, TX 78504	713.461.1230	chuck@hsfine.com
HomeSmart Stars	Brenda Thompson	5717 Legacy Drive, Suite 250	Plano, TX 75024	972.798.5333	Brenda@HomeSmartStars.com
~~HomeSmart Stars~~	~~Brenda Thompson~~	~~5717 Legacy Drive, Suite 250~~	~~Plano, TX 75024~~	~~972.798.5333~~	~~brenda@homesmartstars.com~~
~~HomeSmart Fine Properties~~	~~Chuck Poteet, Suzanne Poteet~~	~~770 S. Post Oak Lane #100~~	~~Houston, TX 77056~~	~~713.461.1230~~	~~chuck@hsfine.com~~
		~~9595 Six Pines Dr, Suite 8210~~	~~Houston TX 77380~~	~~713.461.1230~~	
		~~4217 N McColl~~	~~McAllen, TX 78504~~	~~713.461.1230~~	~~dendea@hsrgv.com~~

		~~Rd #100A~~			
WASHINGTON					
HomeSmart Real Estate Associates	Teri Jones	11900 NE 1st St, # 300	Bellevue, WA 98004	206.523.7653	teri@hsreassociates.com
HomeSmart One Realty	Darren Johnson	2425 E Bakerview RD #101	Bellingham, WA 98226	360.738.9086	darren@hsonerealty.com
HomeSmart ION Realty Group	Dave Pardee | Tom Rinow	~~4114 198th Street SW # 2~~16329 Cascadian Way	~~Lynnwood, WA 98036~~Bothell WA 98012	425.967.7175	dpardee3@gmail.com
		~~15906 Mill Creek Blvd, Suite 108~~	~~Mill Creek WA 98012~~	~~425.967.7175~~	
HomeSmart One Realty	Darren Johnson	~~4164 Meridian St #104~~ 713 SE Everett Mall Way, Suite E	~~Bellingham, WA 98226~~ Everett WA 98208	~~360.778.9044~~ 360.778.9044	darren@hsonerealty.com
HomeSmart Elite Brokers	Jeff Smart | Dave Shinabarger	636 N Colorado Street	Kennewick, WA 99336	509.371.9285	jeff@thesmartrealty.com dave@tricities.com
HomeSmart Real Estate Associates	Teri Jones	~~6900 E. Green Lake Way N., # A2~~309 NE 103rd St	Seattle, WA ~~98115~~98125	206.523.7653	teri@hsreassociates.com
		~~11900 NE 1st St, # 300~~	~~Bellevue, WA 98004~~	~~206.523.7653~~	~~teri@hsreassociates.com~~
HomeSmart Real Estate Associates	Teri Jones	1201 Pacific Avenue, # 600	Tacoma, WA 98402	~~206.523.7653~~253.627.7653	teri@hsreassociates.com
HomeSmart Realty Group	~~Mark Farrow,~~ Jim Sparkman, ~~Don Sturgeon~~Mark Farrow	237 NE Chkalov Dr. Ste 201	Vancouver, WA 98684	971.599.5865	~~owners@hsmartrealtygroup.com~~owners@hsmartrealtygroup.com
WISCONSIN					
HomeSmart Leading Edge	Kate Bak, Scott Eberle	3812 Roosevelt Road	Kenosha WI 53142	262.747.1100	scottberlesells@gmail.com
WYOMING					
HomeSmart CH4	Brian Marincic	1432 E 2nd	Casper WY 82601	307.382.9180	brian@ch4rg.com

		Street			
HomeSmart CH4	Brian Marincic	639 Pilot Butte Avenue, # B	Rocks Springs, WY 82901	307.371.3308	brian@ch4rg.com
		~~1432 E 2nd Street~~	~~Casper WY 82601~~	~~307.382.9180~~	

CORPORATE OWNED LOCATIONS AS OF ~~12/31/2019~~12/31/2020					
Location	**Owner**	**Address**	**City / State / Zip**	**Office #**	**Contact Email**
ARIZONA					
Corporate	Matt Widdows	8388 E Hartford Dr, Suite 100	Scotssdale AZ 85255	602.230.7600	bsanchez@HSMove.com
Arrowhead Branch	Matt Widdows	17215 North 72nd Drive, Bldg B, Suite 115	Glendale, AZ 85308	602.230.7600	bsanchez@HSMove.com
Biltmore Branch	Matt Widdows	3333 East Camelback Road, Suite 150	Phoenix, AZ 85018	602.230.7600	bsanchez@HSMove.com
Avila Satellite	Matt Widdows	1455 S 4th Ave, Suite 1	Yuma AZ 85364	602.230.7600	bsanchez@HSMove.com
Central Branch	Matt Widdows	5225 North Central Avenue, Suite 104	Phoenix, AZ 85012	602.230.7600	bsanchez@HSMove.com
Chandler Branch	Matt Widdows	6909 W Ray Road, Suite #21	Chandler, AZ 85050	602.230.7600	bsanchez@HSMove.com
Gilbert Branch	Matt Widdows	2680 South Val Vista Drive, Suite 101	Gilbert, AZ 85295	602.230.7600	bsanchez@HSMove.com
Goodyear Branch	Matt Widdows	13166 West McDowell Road, Suite B	Goodyear, AZ 85395	602.230.7600	bsanchez@HSMove.com
Graziano Satellite	Matt Widdows	8475 E McDonald Dr	Scottsdale AZ 85250	602.230.7600	bsanchez@HSMove.com
Griffin Satellite	Matt Widdows	34975 N North Valley Pkwy	Phoenix AZ 85086	602.230.7600	bsanchez@HSMove.com
Mesa Branch	Matt Widdows	~~1745~~1839 South Alma School Road, Suite ~~115~~141	Mesa, AZ 85210	602.230.7600	bsanchez@HSMove.com
NE Mesa Branch	Matt Widdows	2913 N Power Rd, Suite 101	Mesa AZ 85210	602.230.7600	bsanchez@HSMove.com
~~Rio Verde Satellite~~		~~25609 Danny Lane, Suite 4~~	~~Rio Verde, AZ 85263~~	~~602.230.7600~~	
Scottsdale Branch	Matt Widdows	10601 North Hayden Road, Suite I-100	Scottsdale, AZ 85260	602.230.7600	bsanchez@HSMove.com
Surprise Branch	Matt Widdows	15543 North Reems Road, Suite 139	Surprise, AZ 85374	602.230.7600	bsanchez@HSMove.com
Tamayo Satellite	Matt Widdows	10265 W Camelback Rd, Suite 130	Phoenix AZ 85037	602.230.7600	bsanchez@HSMove.com
Tate Satellite	Matt Widdows	4111 E Valley Auto Drive, Suite 210	Mesa AZ 85206	602.230.7600	bsanchez@HSMove.com
Tempe Satellite	Matt Widdows	4500 S Lakeshore Dr, Suite 349	Tempe AZ 85282	602.230.7600	bsanchez@HSMove.com
Terravita Branch	Matt Widdows	33725 N Scottsdale Rd #130	Scottsdale, AZ 85267	602.230.7600	bsanchez@HSMove.com
Tolleson Satellite Branch	Matt Widdows	7537 W Thomas Rd, Suite B16	Phoenix, AZ 85033	602.230.7600	bsanchez@HSMove.com

CALIFORNIA					
La Quinta Branch	Matt Widdows	47060 Washington Street, Suite #5101	La Quinta, CA 92253	760.844.7500	rich@hsprofessionals.com
HomeSmart Professionals	Matt Widdows	73-301 Fred Waring Drive	Palm Desert, CA 92260	760.844.7500	rich@hsprofessionals.com
~~La Quinta Branch~~		~~47060 Washington Street, Suite #5101~~	~~La Quinta, CA 92253~~	~~760.844.7500~~	
Palm Springs Branch	Matt Widdows	431 S. Palm Canyon Dr.	Palm Springs, CA 92262	760.844.7500	rich@hsprofessionals.com
Palm Springs Branch~~- Satellite~~	Matt Widdows	601 E Tahquitz Canyon Way	Palm Springs, CA 92262	760.844.7500	rich@hsprofessionals.com
COLORADO					
~~HomeSmart Cherry Creek~~	~~Matt Widdows~~	~~8300 E Maplewood Ave, Ste. 100~~	~~Greenwood Village, CO 80111~~	~~303.858.8100~~	~~lchute@hsrealtygroup.com~~
Aurora Branch	Matt Widdows	10800 Bethany Dr #100	Aurora, CO 80014	303.858.8100	lchute@hsrealtygroup.com
Boulder Branch	Matt Widdows	1790 38th St. Suite 106	Boulder, CO 80301	303.858.8100	lchute@hsrealtygroup.com
Castle Rock Branch	Matt Widdows	~~801 S Perry St #135~~240 Wilcox	Castle Rock, CO 80109	303.858.8100	lchute@hsrealtygroup.com
Colorado Springs Branch	Matt Widdows	7222 Commerce Center Dr, Suite 120	Colorado Springs, CO 80919	303.858.8100	lchute@hsrealtygroup.com
Fort Collins Branch	Matt Widdows	~~242 Linden Street~~323 S College Ave #6	Fort Collins, CO 80524	303.858.8100	lchute@hsrealtygroup.com
HomeSmart Cherry Creek	Matt Widdows	8300 E Maplewood Ave, Ste. 100	Greenwood Village, CO 80111	303.858.8100	lchute@hsrealtygroup.com
~~Boulder~~		~~1790 38th Street, Suite 106~~	~~Boulder, CO 80301~~	~~303.858.8100~~	
Lakewood Branch	Matt Widdows	445 Union Blvd, Suite 106	Lakewood, CO 80228	303.858.8100	lchute@hsrealtygroup.com
Littleton Branch	Matt Widdows	801 ~~West~~W. Mineral Ave~~, Suite~~ , #101	Littleton, CO 80120	303.858.8100	lchute@hsrealtygroup.com
Loveland Branch	Matt Widdows	~~201 East 4th Street~~1032 N Lincoln Ave, #200	Loveland, CO ~~80537~~20537	303.858.8100	lchute@hsrealtygroup.com
~~Westminster h~~		~~8774 Yates Dr #100~~	~~Westminster, CO 80031~~	~~303.858.8100~~	
Woodland Park Branch	Matt Widdows	800 E Hwy 24, Suite ~~320~~B	Woodland Park, CO 80863	303.858.8100	lchute@hsrealtygroup.com
FLORIDA					
Ft Lauderdale Branch	Matt Widdows	6750 N Andrews Avenue, Suite 200	Ft Lauderdale, FL 32801	407.476.0461	frodriguez@hsmove.com
Jacksonville	Matt Widdows	10151 Deerwood Park Blvd. Bldg 200, Suite 250	Jacksonville, FL 32256	407.476.0461	frodriguez@hsmove.com
Miami Lakes	Matt Widdows	7900 Oak Lane, Suite 400	Miami Lakes, FL 33016	407.476.0461	frodriguez@hsmove.com
Orlando Branch	Matt Widdows	618 E South St, Suite 500	Orlando, FL 32801	407.476.0461	frodriguez@hsmove.com

Tampa	Matt Widdows	8270 Woodland Center Blvd, Suite 156	Tampa, FL 33614	407.476.0461	frodriguez@hsmove.com
MARYLAND					
Bowie	Matt Widdows	4201 Mitchellville Rd. #401	Bowie, Maryland 20716	301.434.4065	bsanchez@HSMove.com
Columbia	Matt Widdows	6395 Dobbin Rd. #102	Columbia, Maryland 21045	301.434.4065	bsanchez@HSMove.com
Silver Spring	Matt Widdows	1600 Elton Rd	Silver Spring, Maryland 20903	301.434.4065	bsanchez@HSMove.com
Waldorf	Matt Widdows	2441 Crain Hwy.	Waldorf, Maryland 20601	301.434.4065	bsanchez@HSMove.com
~~Team VIVI Satellite~~		~~566 Inca Street~~	~~Denver, CO 80204~~		

Franchisees whose Franchise Agreements were transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year.						
Company Name	**Owner Name**	**Address**	~~**City**~~	**City, State and Zip**		**Phone**
HomeSmart Interstate Realty	Irina Martin	315 Ocean Parkway		Brooklyn, NY 11218		718.400.8878
HomeSmart Executives	Richard Ledezma/Peter Reyes	24318 Hemlock Ave, Suite A-5		Moreno Valley, CA 92557		951.757.0075
~~HomeSmart Platinum Living~~	~~Christina Nguyen~~	~~1900 Camden Ave, # 101~~	~~San Jose~~	~~CA~~	~~94125~~	~~408.733.2600~~
~~HomeSmart Properties~~	~~Omar Bitar, Mike Bitar~~	~~115 Cayuga Street, # #102~~	~~Salinas~~	~~CA~~	~~93901~~	~~831.578.5456~~
~~HomeSmart United~~	~~Matt Carmean~~	~~1885 W. Redlands Blvd # 8C~~	~~Redlands~~	~~CA~~	~~92373~~	~~714.655.0555~~
~~Realty Partners - Grand Junction~~	~~Brian Marincic~~	~~431 Colorado Ave.~~	~~Grand Junction~~	~~CO~~	~~81501~~	~~307-371-3308~~
~~HomeSmart HomeFinders~~	~~Dominic Hughes~~	~~3949 Park Drive~~	~~Louisville~~	~~KY~~	~~40216~~	~~502.309.4450~~
~~HomeSmart Genesis~~	~~Kase Knochenhauer~~	~~616 S Beechtree~~	~~Grand Haven~~	~~MI~~	~~49417~~	~~606.333.5577~~

~~**Franchisees who Signed a Franchise Agreement in 2019 but did not open as of December 31, 2019**~~					
~~**Location**~~	~~**Owner**~~	~~**Address**~~	~~**City/State/Zip**~~	~~**Office #**~~	~~**Contact Email**~~
~~NEW HAMPSHIRE~~	~~Munise Ulker~~	~~169 South River Road, Unit 3~~	~~Bedford, NH 03110~~	~~603.932.9300~~	~~munise@homesmartsuccessrealty.com~~
~~NEW JERSEY~~	~~Hakan Karahan~~	~~TBD~~	~~Howell, NJ~~	~~TBD~~	~~hakankarahan@comcast.net~~
~~NEW JERSEY~~	~~Hakan Karahan/Bill Halick~~	~~TBD~~	~~Mountainside, NJ~~	~~TBD~~	~~bhalick@njhomesmart.com~~
~~NEW JERSEY~~	~~Hakan Karahan/Bill Halick~~	~~TBD~~	~~Bergen County, NJ~~	~~TBD~~	~~bhalick@njhomesmart.com~~
~~NEW JERSEY~~	~~Hakan Karahan/Bill Halick~~	~~TBD~~	~~Bergen County, NJ~~	~~TBD~~	~~bhalick@njhomesmart.com~~
~~NEW JERSEY~~	~~Hakan Karahan/Bill Halick~~	~~341 Broad Street~~	~~Clifton, NJ 07013~~	~~973.354.5000~~	~~bhalick@njhomesmart.com~~
~~NEW JERSEY~~	~~Hakan Karahan/Bill Halick~~	~~16 Orange Street~~	~~Bloomfield, NJ 07003~~	~~973.354.5000~~	~~bhalick@njhomesmart.com~~
~~NEW JERSEY~~	~~Hakan Karahan~~	~~4338 Route 9~~	~~Howell, NJ~~	~~TBD~~	~~hakankarahan@comcast.net~~
~~NORTH CAROLINA~~	~~Stewart Ramirez~~	~~TBD~~	~~Wilmington, NC~~	~~773.988.1710~~	~~stewartramirez66@gmail.ccom~~

~~NEW HAMPSHIRE~~	~~Munise Ulker~~	~~169 South River Road, Unit 3~~	~~Bedford, NH 03110~~	~~603.932.9300~~	~~munise@homesmartsuccessrealty.com~~

Franchisees Who Signed a Franchise Agreement in 2020 but did not open as of December 31, 2020:					
Franchise Name	Owner	Date Signed	City/State	Office #	Contact Email
HomeSmart PV & Associates	Todd Priest, Rob Vossoughi	12/9/2020	Lodi/Stockton, CA	916.993.8680	tpriest@homesmartpva.com, rob@homesmartpva.com
HomeSmart Realty Partners	Brian Marincic	10/1/2020	Loveland, CO	307.371.3308	brian@ch4rg.com
HomeSmart Realty Partners	Brian Marincic	10/1/2020	Fort Collins, CO	307.371.3308	brian@ch4rg.com
HomeSmart Homes and Estates	Chris Carbone	10/22/2020	Danbury, CT	845.547.0005	carbonehometeam@gmail.com
HomeSmart Homes and Estates	Chris Carbone	10/22/2020	Bridgeport, CT	845.547.0005	carbonehometeam@gmail.com
HomeSmart Homes and Estates	Chris Carbone	10/22/2020	Stamford, CT	845.547.0005	carbonehometeam@gmail.com
HomeSmart Premier Realty	Elias Trejo	6/16/2020	Meridian, ID	208.521.1868	elias@208group.com
HomeSmart Premier Realty	Elias Trejo	10/15/2020	Twin Falls, ID	208.521.1868	elias@208group.com
HomeSmart First Class Realty	Ryan Cook	8/18/2020	Westwood, MA	508.297.7270	ryan@homesmartfirstclassrealty.com
HomeSmart First Class Realty	Ryan Cook	8/18/2020	Plymouth, MA	508.297.7270	ryan@homesmartfirstclassrealty.com
HomeSmart Expert Realty	Jonathan Edmiston	9/16/2020	Cary, NC	919.583.7711	jedmiston31@gmail.com
HomeSmart Premier Realty	Elias Trejo	7/1/2020	Salt Lake, UT	208.521.1868	elias@208group.com
HomeSmart One Realty	Darren Johnson	7/6/2020	Mount Vernon, WA	360.738.9086	darren@hsonerealty.com

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Frankfort, KY 40602 502-696-5389	
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1230 “O” Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8285	New York Secretary of State 99 Washington Avenue Albany, NY 12231-0001 (518) 473-2492
NORTH CAROLINA	Secretary of State’s Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State’s Office Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-3563	Director Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-3563
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
WASHINGTON	Department of Financial Institutions	Director, Dept. of Financial Institutions

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

Exhibit E to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATE-SPECIFIC ADDENDA

STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT

The Franchise Disclosure Document and the Franchise Agreement dated ______________, 20___ are amended as specified for each state as follows:

CALIFORNIA

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.

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

The Franchise Agreement contains a covenant not to compete which, in the case of the Franchise Agreement extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims if you transfer your franchise or your Area Development Agreement. 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).

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Department of Business Oversight before we ask you to consider a material modification of the Franchise Agreement.

Neither the Franchisor, any person or franchise broker in ITEM 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling persons from membership in association or exchange.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and the following).

The Franchise Agreement requires binding arbitration. The arbitration will occur in Scottsdale, Arizona and each party will bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. *Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.*

The Franchise Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

The following URL address is for the Franchisor's website:

www.homesmartinternational.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

Item 5 of the Franchise Disclosure Document is amended for California residents or HomeSmart businesses located in California as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the California Department of Business Oversight due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the California Department of Business Oversight due to Franchisor's current financial condition.

HAWAII

Special Risk(s) to Consider About This Franchise

The following is added to the Cover Page:

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

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

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT

OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

The following list reflects the status of the franchise registrations of the Franchisor in the states that require registration:

1. This proposed registration is effective in the following states:

2. This proposed registration is or will shortly be on file in the following states: California, Florida, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Utah, Washington, and Wisconsin.

3. States which have refused, by order or otherwise, to register these franchises are:

None

4. States that have revoked or suspended the right to offer the franchises are:

None

5. States in which the proposed registration of these franchises has been withdrawn are:

None

ITEM 5 of the Franchise Disclosure Document and Section 6.1 of the Franchise Agreement are amended to provide that payment of Initial Franchise Fees are deferred until after Franchisor's pre-opening obligations are met and Franchisee's Business is open and operating, as imposed by the State of Hawaii Department of Commerce and Consumer Affairs based on Franchisor's financial condition.

ILLINOIS

Illinois law shall apply to and govern the Franchise Agreement.

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.

Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

INDIANA

The “Summary” column in ITEM 17(r) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in ITEM 17(t) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in ITEM 17(v) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Arizona. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in ITEM 17(w) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Arizona law applies.

Section 14.2(b) of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

14.2(b) Non-Competition. Upon termination or expiration of the Term or any renewal Terms, or the transfer, sale or assignment of this Agreement by the Franchisee, neither the Franchisee, the Designated Business Manager or the Franchisee’s owners will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any Competitive Business in the Territory.

Section 20.1 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and the Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, will be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. “Persons in privity” with or claiming through, on behalf of or in the right of the Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration will be governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration will be held in the state of Arizona. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against the Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues will be submitted to a court within the State of Indiana. The parties expressly consent to personal jurisdiction in the State of Indiana and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The first sentence in Section 21.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement will be interpreted under the laws of the State of Arizona, and any dispute between the parties will be governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law.

Section 6, first paragraph of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating in the Territory.

Section 11 of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

11. Governing Law. Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this instrument will be governed by and construed under the laws of the state of Arizona.

Section 12 of the Nondisclosure and Noncompetition Agreement, "Jurisdiction and Venue," is deleted in its entirety and the following is substituted in its place:

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Indiana, and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Indiana. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Indiana. Notwithstanding the foregoing, in the event that the laws of the state

where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's law will control.

MARYLAND

ITEM 17 of the Franchise Disclosure Document and the Franchise Agreement are amended to the effect that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement is amended by the addition of the following language:

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

Representations in the Statement of Franchisee and the Acknowledgement therein are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

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.).

~~DATED this ________ day of ________________________, 20__.~~

~~**FRANCHISOR**~~	~~**FRANCHISEE**~~
~~HOMESMART INTERNATIONAL, LLC~~	
~~By:~~	~~By:~~
~~Title:~~	~~Title:~~

MICHIGAN

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

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

(a) A prohibition on your right to join an association of franchisees.

(b) 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 will not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause includes 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.

(d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration 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 10 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.

(e) 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.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This will not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) 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 includes, but is not limited to:

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) 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 to 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 us 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 Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, as provided for in Minn. Rule 2860.4400J, nothing in the Franchise Disclosure Document or Franchise Agreement requires a franchisee to waive any of his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or, to consent to liquidated damages, termination penalties, or judgment notes; provided that the requirement to arbitrate, as set forth in Section 20 of the Franchise Agreement is enforceable. The franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

ITEM 5 of the Franchise Disclosure Document is amended as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

<u>Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following</u>:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

ITEM 13 of the Franchise Disclosure Document and Section 11.3(a) the Franchise Agreement are amended to state that we will protect you against claims of infringement or unfair competition regarding your use of the Marks when your right to use the Marks requires protection.

The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Franchise Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

NEW YORK

~~ITEM 3~~1. The following information is added to the cover page of the Franchise Disclosure Document~~ is modified to read as follows~~:

~~Neither HomeSmart International, LLC~~

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

~~Neither HomeSmart International, LLC, its predecessor, a person identified in ITEM 2, or an Affiliate offering franchises under HomeSmart International, LLC's principal trademark~~D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a ~~federal~~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 ~~injunction~~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, ~~an action~~actions affecting a license as a real estate broker or sales agent.

~~ITEM 4 of the Franchise Disclosure Document is modified to read as follows:~~

~~Neither HomeSmart International, LLC, its Affiliate, its predecessor, officers or general partner during the ten (10) year period immediately before the date of the Franchise 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 or 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 during or within 1 year after the officer or general partner of the Franchisor held this position in the company or partnership.~~

3. The following~~ sentence~~ is added to the end of the ~~first paragraph of ITEM 5 of the Franchise Disclosure Document:~~

~~We use the proceeds from your payment of the Initial Franchise Fee to defray our costs and expenses for providing training and assistance to you and for other expenses.~~

~~The first paragraph of ITEM 17 of the Franchise Disclosure Document is modified to read as follows:~~

~~THESE TABLES LIST CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.~~

~~ITEM 17(w) of the Franchise Disclosure Document is revised to read as follows:~~

~~The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by the GBL of the State of New York, Article 33. This language has been included in this Franchise Disclosure Document as a condition of registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other~~

~~documents signed by them, including but not limited to, all venue, choice of law provisions and other dispute resolution provisions.~~

~~Section 13.3 is added to the Franchise Agreement as follows:~~

~~Notwithstanding Section 13.2, Franchisee will not be required to indemnify Franchisor for any liabilities that arose as a result of Franchisor's breach of this Agreement or other civil wrongs committed by Franchisor.~~

~~The following is added to the end of Section 21.1 of the Franchise Agreement:~~

~~Provided however, that~~"Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

> However, to the extent required by applicable law, all rights ~~enjoyed by the Franchisee~~you enjoy and any causes of action arising in ~~the Franchisee's~~your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder ~~will~~shall remain in force; it being the intent of this proviso that the non-waiver ~~provision~~provisions of ~~GBL~~General Business Law Sections 687.4 and 687.5 be satisfied.

~~However, the~~

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

> You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

> The foregoing choice of law ~~will~~should not be considered a waiver of any right conferred upon ~~Franchisee by the provisions of~~the franchisor or upon the franchisee by Article 33 of the ~~New York State~~ General Business Law~~. This language has been included in this Franchise Disclosure Document as a condition of registration. Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. Franchisor and Franchisee intend to fully enforce all~~ of the ~~provisions~~State of ~~the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice of law provisions and other dispute resolution provisions.~~
>
> ~~FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE PROSPECTUS ANY MATERIAL FACT, NOR DOES THE PROSPECTUS CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT~~New York.

NORTH DAKOTA

Sections of the Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement and Non-Disclosure and Non-Competition Agreement, contain a covenant not to compete, which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

<u>Item 5 of the Franchise Disclosure Document is amended for North Dakota residents or HomeSmart businesses located in North Dakota as follows</u>:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

<u>Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following</u>:

Franchisee will pay a non-recurring initial franchise fee of $20,000 (“**Initial Franchise Fee**”) The Initial Franchise Fee will be paid by means of cashier’s check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee’s application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Franchise Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA

Item 5 of the Franchise Disclosure Document is amended for South Dakota residents or HomeSmart businesses located in South Dakota as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

VIRGINIA

Item 5 of the Franchise Disclosure Document is amended for Virginia residents or HomeSmart businesses located in Virginia as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owned by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

The following sentence is added to the end of Section 6.1 of the Franchise Agreement:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owned by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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.

<u>The following sentence is added to Item 5 of the Franchise Disclosure Document and the end of Section 6.1 of the Franchise Agreement</u>

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

The undersigned does hereby acknowledge receipt of this addendum.

~~DATED this ________ day of ______________________, 20__.~~

~~**FRANCHISOR**~~	~~**FRANCHISEE**~~
~~HOMESMART INTERNATIONAL, LLC~~	
~~By: ____________________~~	~~By: ____________________~~

~~Title:~~ ~~______________________________~~ ~~Title:~~ ~~______________________________~~

Exhibit F to Franchise Disclosure Document
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The SmartSite 2.0 website offers a vast amount of marketing tools to enhance your business and includes CMA, SEO, and CRM. This document will guide you through each section of the SmartSite 2.0 Admin Panel.

AGENT LOG IN

This log in is for the back end of your SmartSite 2.0 where you can edit and customize your personal agent web site.

You can access your SmartSite 2.0 Admin Portal by logging into your RSA panel, clicking on the Marketing button and then on My SmartSite 2.0.

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The Broker Site 2.0 website offers a vast amount of marketing tools to enhance your business and includes CMA, SEO, and CRM. This document will guide you through each section of the Admin Panel.

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Exhibit G to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
NONDISCLOSURE AND
NONCOMPETITION AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into this ____ day of ______________________, 20__ by and between HomeSmart International, LLC, an Arizona limited liability company ("Company"), located at 8388 East Hartford Drive., Suite 100, Scottsdale, Arizona 85255, and ______________________________ ("Associate"), who resides or has a principal place of address at ____.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of a business offering real estate brokerage services ("Franchise Business"). The Franchise Business is operated under the Company's trademark "HOMESMART™" and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "Marks");

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company's distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company ("Confidential Information" and "Trade Secrets") and any Confidential Information and Trade Secrets as may be further developed from periodically by the Company;

C. The Company and its Affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, manager, employee, Designated Business Manager or as a beneficial owner of the Franchise Business, or is an immediate family member of a principal owning an interest in the Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company's willingness to allow Associate to engage in a business relationship with Company or a franchisee of the Company using the Company's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) "**Associate**" means the individual or entity described on page 1 of this Agreement and the Associate's managers, officers, beneficial owners, directors, employees, partners, members, principals and immediate family members.

(b) "**Competitive Business**" as used in this Agreement means any business operating in competition with or similar to the Franchise Business; provided, however, Associate will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) "**Confidential Information**" means all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information which the Company or its Affiliates designates as confidential including all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its Affiliates, which may be changed or supplemented from periodically.

(d) "**Franchise Agreement**" means the franchise agreement between Company and ______________________________ dated _________________ as amended or renewed from periodically.

(e) "**Territory**" has the meaning defined in the Franchise Agreement.

(f) "**Term**" has the meaning defined in the Franchise Agreement.

(g) "**Trade Secret(s)**" means information, including a formula, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. **Confidential Information and Trade Secrets**. Associate and the Company acknowledge that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Franchise Business are unique and the exclusive property of the Company or its Affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its Affiliates. Associate further acknowledges that the Company or its Affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its Affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. **Nondisclosure of Confidential Information and Trade Secrets**. During the Term and any renewal Term of the Franchise Agreement and for a period of 2 years after the expiration or termination of the Franchise Agreement (unless the information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as the information constitutes a Trade Secret), Associate will not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information or Trade Secrets of the Company or its Affiliates.

4. **Exceptions to Disclosing Confidential Information**. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a)

information that was in the public domain before being communicated to the Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession free of any obligation of confidence at the time it was communicated to the Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings if the Associate is legally compelled to disclose the information, if the Associate has notified the Franchisor before disclosure and used the Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. **Noncompetition Covenant**. Associate acknowledges that the Company must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with the Company. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the Franchise Business licensed under the Franchise Agreement, Associate will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchise Business, the Company's business, the business of any Affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. **Injunction**. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company will be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain this injunctive relief without posting a bond or bonds. Associate's sole remedy, in the event of the entry of injunctive relief, will be dissolution of the injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any injunction are expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives any defenses Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose any Confidential Information and Trade Secrets in any circumstances.

7. **Effect of Waiver**. The waiver by Associate or the Company of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

8. **Binding Effect**. This Agreement is binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. **Entire Agreement**. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. **Governing Law**. This instrument is governed by and will be construed under the laws of the State of Arizona.

11. **Jurisdiction and Venue**. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Arizona, and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Arizona. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Arizona. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then that other state's laws will control.

12. **Severability**. If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, that holding, declaration or pronouncement will not affect adversely any other provisions of this Agreement which will otherwise remain in full force and effect.

13. **Attorneys' Fees**. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in the litigation, as determined by the court in a final judgment or decree, will pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by the successful party or parties (including without limitation those costs, expenses and fees on any appeals), and if the successful party recovers judgment in any action or proceeding, the costs, expenses and attorneys' fees will be included as part of the judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY	**ASSOCIATE:**
HOMESMART INTERNATIONAL, LLC	______________________________
By:______________________________	By:______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

Exhibit H to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATEMENT OF FRANCHISEE

STATEMENT OF FRANCHISEE

[Note: Dates and Answers Must be Completed in the Prospective Franchisee's Own Handwriting]

To make sure that no misunderstanding exists between you, the Franchisee, and us, HomeSmart International, LLC (also called "HomeSmart," the "Franchisor" or "we"), and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

	Date	Initials	
1.	______________________, 20___	_____	The date on which I received a Franchise Disclosure Document regarding the HomeSmart Real Estate Brokerage Business.
2.	______________________, 20___	_____	The date of my first meeting with Marketing Representative to discuss a possible purchase of a HomeSmart Real Estate Brokerage Business.
3.	______________________, 20___	_____	The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.
4.	______________________, 20___	_____	The date on which I signed the Franchise Agreement.
5.	______________________, 20___	_____	The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor.

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and HomeSmart, except as follows:

____

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of HomeSmart, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, income, profits, cash flow, tax effects or otherwise (or from which these items might be ascertained) from the HomeSmart Real Estate Brokerage Businesses, was made to me by any person or entity, nor have I relied in any way on any claim or representation, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written Addendum signed by me and HomeSmart:

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of these individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, before signing any binding documents or paying any sums, and HomeSmart has strongly recommended that I obtain this independent advice. I have also been strongly advised by HomeSmart to discuss my proposed purchase of a HomeSmart Real Estate Brokerage Business with any existing HomeSmart franchisees before signing any binding documents or paying any sums and HomeSmart has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk of loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a HomeSmart Real Estate Brokerage Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any HomeSmart Real Estate Brokerage Business, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

8. I understand that HomeSmart has Affiliates, including, Continental Residential Investments, LLC, VirtuSmart LLC, HomeSmart Holdings, LLC (our parent company), HSDEN, LLC, HomeSmart Mortgage, L.L.C., and HomeSmart University, LLC, some of which operate a HomeSmart Real Estate Brokerage Business, and I have not been provided with any financial or operating information about any Affiliate of HomeSmart, nor have I relied upon any other information I may have obtained from any other source with regard to the financial or operating conditions of any Affiliate of HomeSmart.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform HomeSmart (Phone: (602) 889-2100) and our ~~CEO~~President Ashley Bowers.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, income, profits, cash flow, tax effects or otherwise (or information from which these items might be ascertained), from Affiliate-owned, franchised or non-franchised units, that no results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE: ~~**MARKETING REPRESENTATIVE:**~~

___________________________ ____________
Date ~~Date~~

REVIEWED BY FRANCHISOR:

By: _____________________________________

Its: _____________________________________

Date: ___________________________________

Exhibit I to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FORM OF GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is executed on ___________________________ by __________________________________ ("**Franchisee**") and ___________________ ("**Guarantors**") as a condition of [PICK ONE: the transfer of a HomeSmart franchise between Franchisee and HomeSmart International, LLC ("**HomeSmart**") [or] the transfer or renewal of a HomeSmart Franchise Agreement dated ________________ ("**Franchise Agreement**") between Franchisee and HomeSmart [or] between Franchisee and HomeSmart [or] the termination of the HomeSmart Franchise Agreement dated __________________ ("**Franchise Agreement**") between Franchisee and HomeSmart.

1. **Release by Franchisee and Guarantors**. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Franchisee Releasors") freely and without any influence forever release and covenant not to sue HomeSmart and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively "HomeSmart Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any HomeSmart Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

> 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.

2. **Risk of Changed Facts**. Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment**. Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue**. Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either

affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense**. Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns**. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of HomeSmart and each Franchisee Releasor.

7. **Governing Law**. This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. HomeSmart, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where HomeSmart's principal offices are located. HomeSmart may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

F. This Release constitutes the entire, full and complete agreement between the parties concerning the release of Claims by the parties and supersedes all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

G. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

H. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

I. All terms not defined in this Release shall have the meaning given to them in the

J. Franchise Agreement.

K. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

L. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.

FRANCHISEE:

(IF FRANCHISEE IS AN ENTITY)

Signature:____

Print Name: _______________________________________

Title:____

Date: ____

(IF FRANCHISEE IS AN INDIVIDUAL)

Signature____

Print Name: _______________________________________

Date: ____

GUARANTOR:

Signature____

Print Name: _______________________________________

Date: ____

GUARANTOR:

____

Signature____

Print Name: _______________________________________

Date: ____

[Attach additional signature pages as needed]

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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	~~3/25/2020~~
Hawaii	~~4/13/2020~~
Illinois	~~3/18/2020~~
Indiana	~~4/30/2020~~
Maryland	~~Pending~~
Michigan	~~3/18/2020~~
Minnesota	~~4/9/2020~~
New York	~~Pending~~
North Dakota	~~3/24/2020~~
Rhode Island	~~4/18/2020~~
South Dakota	~~4/25/2020~~
Virginia	~~5/28/2020~~
Washington	~~5/22/2020~~
Wisconsin	~~3/16/2020~~

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit K to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
RECEIPTS

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 franchisor 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.

If franchisor 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 appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

The issuance date for this Franchise Disclosure Document is **March ~~11~~12, ~~2020~~2021**. I have received a disclosure document dated **March ~~11~~12, ~~2020~~2021** that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. List of Current Franchisees/Who Have Left The System
D. List of State Agencies and Administrators
E. State-Specific Addenda
F. Operations Manual Table of Contents
G. Nondisclosure and Noncompetition Agreements
H. Statement of Franchisee
I. General Release
J. Receipts

____________________________	____________________________
Prospective Franchisee (Print Name)	Prospective Franchisee (Print Name)
____________________________	____________________________
Signature	Signature
____________________________	____________________________
Date	Date

<u>Instructions for returning the receipt</u>: If the disclosure document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to the franchisor: Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255.

Franchise Seller's Name:	HomeSmart International, LLC
Attention:	**Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address:	8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email:	bbrooks@hsmove.com
Telephone Number:	**(602) 230-7600**

Franchise Seller's Name: ________________________________
Attention: ________________________________
Principal Business Address: ________________________________
Email: ________________________________

(Retain this copy for your records)

Telephone Number: ____

(Retain this copy for your records)

RECEIPT

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

If franchisor 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.

If franchisor 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 appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

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G. Nondisclosure and Noncompetition Agreements
H. Statement of Franchisee
I. General Release
J. Receipts

______________________________	______________________________
Prospective Franchisee (Print Name)	Prospective Franchisee (Print Name)
______________________________	______________________________
Signature	Signature
______________________________	______________________________
Date	Date

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Franchise Seller's Name:	HomeSmart International, LLC
Attention:	**Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address:	8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email:	bbrooks@hsmove.com
Telephone Number:	**(602) 230-7600**

Franchise Seller's Name: ______________________________
Attention: ______________________________
Principal Business Address: ______________________________
Email: ______________________________

(Return this copy to HomeSmart International, LLC)

Telephone Number: ____

(Return this copy to HomeSmart International, LLC)

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Document comparison by Workshare 10.0 on Wednesday, March 31, 2021 8:47:31 AM

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Document 2 ID	PowerDocs://GK_DOCS/8448250/5
Description	GK_DOCS-#8448250-v5-2021_HomeSmart_FDD
Rendering set	Standard

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~~Moved from~~	
Moved to	
Style change	
Format change	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count

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Deletions	1025
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