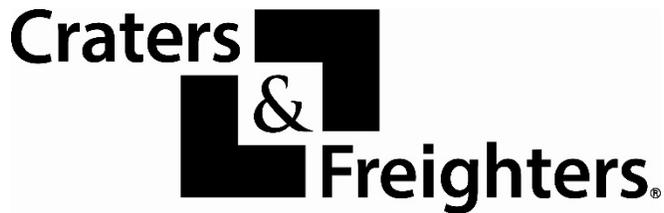


# FRANCHISE DISCLOSURE DOCUMENT



Craters & Freighters Franchise Company  
A Colorado Corporation  
331 Corporate Circle, Suite J  
Golden, CO 80401  
303-399-8190  
cinfo@cratersandfreighters.com  
www.cratersandfreighters.com

The franchise offered is for a business of shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products for individuals and companies (the “**Franchise**”). The packaging and crating techniques are specifically designed for the product. The focus of the business is to accommodate companies or individuals in assuring sufficient packaging and delivery to arrive on time and safely. The Franchisee will not participate in any other business.

The total estimated investment necessary to begin operation of a Craters & Freighters franchised business is \$176,850 to \$276,500. This includes \$35,000 that must be paid to the franchisor or its affiliate(s). If you request, and we approve, a territory with a population of more than 1,000,000 people, then you will be required to pay us a supplemental territory fee of \$0.015 per additional person in the territory.

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

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 Craters & Freighters Franchise Company at 331 Corporate Circle, Suite J, Golden, CO 80401 or at 303-399-8190.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire 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, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance date: April 16, 2019**

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN COLORADO. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN COLORADO THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT REQUIRES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOU ARE REQUIRED TO MAKE MINIMUM ROYALTY PAYMENTS REGARDLESS OF YOUR SALES LEVELS. FAILURE TO MAKE THE REQUIRED PAYMENTS WILL RESULT IN TERMINATION OF THE FRANCHISE AND LOSS OF YOUR INVESTMENT.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

## FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES IN DESIGNATED STATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, exempt from registration, or otherwise effective in the following states having franchise registration and disclosure (or business opportunity\*) laws as of the dates listed:

California	Effective date: May 18, 2018
Florida	Effective date: August 30, 2017
Hawaii	Effective date: Not registered
Illinois	Effective date: July 18, 2018
Indiana	Effective date: Not registered
Kentucky*	Effective date: June 4, 2013
Maryland	Effective date: Not registered
Michigan	Effective date: Not registered
Minnesota	Effective date: August 9, 2018
Nebraska*	Effective date: June 8, 2001
New York	Effective date: September 18, 2018
North Dakota	Effective date: Not registered
Rhode Island	Effective date: Not registered
South Dakota	Effective date: Not registered
Texas*	Effective date: June 12, 2001
Utah	Effective date: Not registered
Virginia	Effective date: Not registered
Washington	Effective date: Not registered
Wisconsin	Effective date: Not registered

In all non-registration states, the effective date of this Franchise Disclosure Document is **April 16, 2019**.

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### **Exhibits**

A	List of State Agencies and Agents for Service of Process
B	Table of Contents of Operations Manuals
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D	List of Former Franchisees
E	Financial Statements
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G	State Addendum
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ITEM 1  
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Franchisor” and “Craters & Freighters” and “we” and “our” mean Craters & Freighters Franchise Company. “You” and “Franchisee” mean the person, corporation, partnership or other business entity that buys the Franchise. “You” and “Franchisee” also mean your owners or partners if you are a business entity.

Our principal business address is 331 Corporate Circle, Suite J, Golden, Colorado 80401. We do business under the names “Craters & Freighters Franchise Company” and “Craters & Freighters.” We were formed on September 23, 1991, as a Colorado corporation and started franchising on that date. We have been offering franchises since then. We have not conducted business in any other line of business, nor have we offered franchises in any other line of business. We have no parent or predecessors. Our agent for service of process is Dianna S. Gibson, 331 Corporate Circle, Suite J, Golden, CO 80401. Our other agents for service of process are disclosed on **Exhibit A**.

We have two affiliates (“**Affiliates**”), Craters & Freighters Franchise Company International (“**International**”) and Craters & Freighters Platinum, Inc. (“**Platinum**”).

International is a Colorado corporation that was incorporated on January 23, 2013. International does not operate any Craters & Freighters Centers. International has not offered franchises for Craters & Freighters Centers as of the date of this Franchise Disclosure Document, but intends to offer franchises for Craters & Freighters Centers outside the United States in the future. International has not offered franchises in other lines of business. International’s principal business address is 331 Corporate Circle, Suite J, Golden, Colorado 80401.

Platinum is a Colorado corporation that was incorporated on September 19, 2014. Platinum administers our national accounts program. Platinum does not operate any Craters & Freighters Centers. Platinum has not offered franchises in this or any other lines of business. Platinum’s principal business address is 331 Corporate Circle, Suite J, Golden, Colorado 80401.

**Our Business**

We are in the business of granting Franchises for the operation of centers offering a variety of shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products for individuals and companies (each, a “**Craters & Freighters Center**”). Craters & Freighters Centers utilize the shipping services of private carriers and offers such services as, but not limited to: custom shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding, and the sale of packaging and crating materials. We do not operate any Craters & Freighters Centers.

Craters & Freighters Centers operate under our distinctive business format, systems, methods, procedures, designs, layouts, and specifications, which we may improve, further develop, or otherwise modify from time to time (“**System**”). We own, are the licensee of, use, promote and sublicense certain trade names, trademarks, service marks and other commercial symbols, including the trade and service mark, “**Craters & Freighters™**” and associated logos, and may hereafter create, use and license additional trademarks, service marks, and commercial symbols in conjunction with the operation of Craters & Freighters Centers.

### **Franchise Rights Offered**

As described in this Disclosure Document, we will offer and sell to qualified persons a single-unit Franchise to operate a Craters & Freighters Center located at Franchisee's business Premises in accordance with our System standards and utilizing our trademarks pursuant to the terms and conditions of the Craters & Freighters Franchise Company Franchise Agreement, a copy which is a part of this Disclosure Document (see ITEM 22). This Disclosure Document describes relevant information about the Franchise.

We offer one type of territory ("**Territory**") which will have a population of approximately 1,000,000 people. If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee equal to \$0.015 per additional person in the Territory. All population determinations will be based upon the latest United States Census information available for the various territories.

We will not operate Craters & Freighters Centers or grant franchises for Craters & Freighters Centers in your territory unless you fail to generate the minimum annual revenue required for your territory in any year of the term of the Franchise Agreement. Your failure to satisfy your minimum performance standards may result in the reduction or elimination of your territory or the termination of your Franchise Agreement.

### **Competition**

Due to the entry of a growing number of private parties into the market for freight forwarding services, and the growth and proliferation of businesses offering packaging and shipping products and services, the market for the products and services, which a Craters & Freighters Center offers, is developing rapidly, changing constantly, and becoming increasingly competitive. A Craters & Freighters Center will offer services to both residential and business consumers and will have to compete directly or indirectly with freight and custom packaging, crating services, freight forwarding and related businesses.

### **Regulations**

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to the packaging and shipping industry and may require, in certain instances, that you obtain certain licenses and permits. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Craters & Freighters Center, and you should consider both their effect and the cost of compliance. You may also be required to register your business location with a state agency.

You must obtain all required licenses and permits and ensure that your employees and others providing services and products to customers on behalf of your Craters & Freighters Center have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement.

### **Former Affiliate**

We developed a national account program through a former affiliate, Craters & Freighters Global Logistics, Inc. The solicitation of business (packaging, crating, shipping, insurance, delivery, and other services) was solicited through Craters & Freighters Global Logistics, Inc., but the work was performed by Craters & Freighters franchisees.

In June of 2007, Dianna S. Gibson, who was the owner of Craters & Freighters Global Logistics, Inc., sold the company to Lisa A. Barenberg. Craters & Freighters Global Logistics, Inc. no longer solicits business from national accounts for franchisees, as that function is now performed by Platinum.

## **ITEM 2 BUSINESS EXPERIENCE**

### Dianna S. Gibson, Chief Executive Officer and Chairman of the Board

Dianna Gibson is our founder and has served as the Chief Executive Officer since our formation in 1991. Ms. Gibson is responsible for franchise development, operations, and our strategic direction. Ms. Gibson has served as the Chairman of the Board of International since its formation in January 2013 and of Platinum since its formation in September 2014. Ms. Gibson has served as the President of International since August 2013 and the President of Platinum since September 2014.

### Matthew Schmitz, Chief Operating Officer

Matthew Schmitz has been our Chief Operating Officer since August 2013. Mr. Schmitz worked as a Consultant for Dogtopia, located in Highlands Ranch, Colorado, from January 2013 to July 2013. While Mr. Schmitz was working for Dogtopia, he also did consulting work for Westword Energy, an oil and gas company. Mr. Schmitz worked for the Rocky Mountain Clothing Company, located in Denver, Colorado, serving as the Vice President of Sales and Marketing from June 2011 to December 2012, and the Director of Sales from April 2006 to June 2011.

### Robert Molnar, Chief Business Development Officer

Robert Molnar has been our Chief Business Development Officer since December 2011. From January 1996 until December 2011, Mr. Molnar served as our Chief Operating Officer.

## **ITEM 3 LITIGATION**

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 \$35,000 (See ITEM 12). If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a supplemental territory fee (“**Supplemental Territory Fee**”) of \$0.015 per additional person in the Territory. The Initial Franchise Fee and the Supplemental Territory Fee, if applicable, are due to us in a lump sum at the time you sign the Franchise Agreement and are non-refundable for any reason once paid. The range of Initial Franchise Fees collected in 2018 ranged from \$35,000 and \$70,000.

We participate in the VetFran program. Under this program, qualified veterans of the United States armed forces receive a \$5,000 discount on the Initial Franchise Fee. To qualify, you must show evidence of an honorable discharge.

**ITEM 6  
OTHER FEES**

Type of Fee (1)	Amount	Due Date	Remarks
<b>Royalty Fee (2)</b>	Greater of (a) 5% of total Adjusted Gross Sales or (b) the Minimum Monthly Royalty. Volume bonus based on Adjusted Gross Sales. See Section 5 of the Agreement.	Due on the 10 <sup>th</sup> day of the month for the prior month. Weekly payments may be required if failure to pay on due date on two or more occasions per any calendar year. Payable includes all revenues from the Franchise on or off the Craters & Freighters Center location. Adjusted Gross Sales do not include state sales tax, use tax or refunds.	Adjusted Gross Sales include all revenues from sales by you in the business. Adjusted Gross Sales do not include state sales tax, use tax or refunds. The Minimum Monthly Royalty is \$0 for the first year of operation, \$1,250 for the second year of operation, and \$1,875 for the third year of operation.
<b>Advertising Fund</b>	1% of total Adjusted Gross Sales.	Same as Royalty Fee.	Same as Royalty Fee. The Individual Advertising Expense is not offset by this Advertising Fund. Payable to the Advertising Fund account and is non-refundable.
<b>Individual Advertising Expense</b>	Greater of (a) \$400, or (b) one percent (1%) of your Adjusted Gross Sales for the prior month.	As incurred.	Each month, you must spend this amount on advertising and promotion of your Center in your Territory.

Type of Fee (1)	Amount	Due Date	Remarks
<b>Crate Builders and Packers Liability Insurance</b>	Greater of (a) \$1,100 per year, or (b) your pro-rata allocation of the annual insurance premium. This pro-rata allocation is determined through an annual audit by the insurance company in which a determination is made about the amount of exposure/liability from your business activities in the prior year in comparison to our other franchisees. Currently, this pro-rata allocation would not exceed \$10,000 per year, but this could increase based on insurance rates and your business activities.	Same as Royalty Fee.	Same as Royalty Fee. Payable to us. Payments are due as follows: 25% is due when the insurance policy renews each year, and the remainder is due in 9 equal payments.
<b>Technology Fee</b>	\$180 per month.	Payable monthly to us.	This fee can be changed at any time by us.
<b>Training Fee</b>	\$500 per person after the first two people.	Prior to opening.	Two people are trained at no charge.
<b>Transfer</b>	\$10,000	Prior to consummation of transfer.	Payable to us when you sell your Franchise, but no charge if Franchise is transferred by you to a corporation which you control.
<b>Audit</b>	Cost of audit plus expenses.	On billing.	Payable to us only if audit shows an understatement of at least 5% of Adjusted Gross Sales for any reporting period.
<b>Successor Fee</b>	\$2,000.	Payable at time of signing successor franchise agreement.	Payable to us.
<b>Attorney Fees</b>	Actual cost.	On billing.	If we are forced to seek action to collect fees owed, you will be charged attorney fees.
<b>Interest</b>	1.5% per month.	As due.	Interest will be charged on past due royalty fees.

Type of Fee (1)	Amount	Due Date	Remarks
<b>Convention Attendance Fee</b>	\$95 per person.	As incurred.	Payable to us if you attend our annual convention. We reserve the right to change this fee at any time.
<b>Additional Training</b>	Will vary under circumstances (Currently, \$400 per day, plus reimbursement for all travel and lodging expenses)	As incurred.	Payable to us if we provide you with additional on-site visits at your reasonable request or if such assistance is determined to be necessary in our discretion.

Notes:

1. Type of Fee. Unless otherwise indicated above, all of the fees listed above are uniformly imposed by, payable to, and collected by us and are non-refundable.

2. Royalty Fee. You may participate in an incentive program established by us (“**Incentive Program**”) which may result in a royalty rebate as long as you meet all of the criteria established by us from time to time which may include, but not be limited to, complying with all terms of the Franchise Agreement, including all directives, documents and operations procedures set forth in the Operations Manuals and any other directives issued by us relating to the protection of the Marks, prompt payment of all amounts due to us and third parties relating to your obligations under the Franchise Agreement, passing of all financial and operational audits, conference and regional meeting attendance, and employment of the current technology and techniques provided by us. To determine the rebate, if any, that you could receive under the Incentive Program, we will consider only the Adjusted Gross Sales for which you have paid Royalties. If you believe you have qualified for a rebate in a calendar year, you must notify us in writing within 30 days of the end of that calendar year because we do not track or monitor which, if any, franchisees have qualified for a rebate. We reserve the right to modify or disband the Incentive Program at any time with no obligation owed to you (See Franchise Agreement, Section 9.3).

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$35,000	\$35,000	Cash	Upon Execution of Franchise Agreement	Us
Travel (two trainees for training course)	\$2,500	\$4,500	Cash	As Incurred	Vendors
Leasehold Improvements (3)	\$3,000	\$5,000	Varies	Prior to Opening of the Franchise	Contractors & Suppliers

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Warehouse Tools & Equipment (manual & powered tools, material handling equipment)	\$40,000	\$60,000	Varies	Prior to Opening of the Franchise	Vendors
Office Furniture, Fixtures & Equipment	\$5,000	\$8,000	Varies	Prior to Opening of the Franchise	Vendors
Monthly Rent (4)	\$3,500	\$7,000	Cash	Lease Execution	Landlord
Lease Security Deposit (5)	\$5,000	\$8,000	Cash	Lease Execution	Landlord
Vehicle Lease/Purchase (6)	\$30,000	\$65,000	Varies	Prior to Opening of the Franchise	Vendor
Organizational Expenses	\$2,100	\$3,000	Varies	As incurred	Vendors or third parties
Insurance (7)	\$7,000	\$12,000	Varies	As incurred	Insurance providers
Grand Opening Advertising	\$750	\$2,000	Varies	Varied times	Vendors
Deposits	\$1,000	\$3,000	Varies	As incurred	Vendors or third parties
Miscellaneous Expense	\$2,000	\$4,000	Varies	As incurred	Vendors or third parties
Additional Funds for First Three Months (8)	\$40,000	\$60,000	As incurred	As incurred	Vendors or third parties
Total Estimated Initial Investment (9 & 10)	\$176,850	\$276,500			

Notes:

- (1) All fees imposed by us are non-refundable unless otherwise noted. 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) You must pay us an Initial Franchise Fee of \$35,000 (See ITEM 12). If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee of \$0.015 per additional person in the Territory.
- (3) This item includes the estimated costs for constructing and furnishing the leasehold improvements for the Craters & Freighters Center, such as worktables and storage units. The variations in costs of leasehold improvements are attributable to various factors, including; size, configuration and condition of the Premises, construction, labor and installation costs, and geographic location. In some cases, the landlord may agree to pay all or certain leasehold improvement expenses. In such cases, the cost to you will be zero.

- (4) If you do not already own or lease a suitable location for the Craters & Freighters Center, then you must purchase or lease suitable facilities. We estimate that you will require Premises of 3,500 square feet of office/warehouse space or greater. It is recommended to lease said space with a loading dock, although one is not required as long as you have a dock door that enables you to ship out and to receive large items of freight. If the dock door opens to ground level, you must have a forklift, the cost of which is accounted for under warehouse tools and equipment.
- (5) In the event you elect to lease space in which to locate the Craters & Freighters Center, it may be necessary to secure the lease with a security deposit.
- (6) Minimum vehicle requirement is one sixteen-foot box truck, 87” height clearance, 4,000 lb. GVW, with hydraulic liftgate with 2,000 lb. capacity.
- (7) You are required to have insurance covering your Craters & Freighters Center’s operations, in such amounts and on such terms, as prescribed by the Operations Manuals. As of the date of this Franchise Disclosure Document, this insurance will be a combination of, and not limited to, Cargo Insurance, Packers Legal Liability of \$1,000,000, General Liability of \$1,000,000, Commercial Auto, and Workers Compensation, and any other coverage which covers all operations and shipments from point of handling and shipping to final destination.
- (8) This amount includes estimated operating expenses you should expect to incur during the first three months of operations. It includes royalty fees, advertising, payroll costs, deposits, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, real estate leasing costs that may be payable during the first three months of operation, and other operational expenses. These figures do not include any taxes or other permitting or licensing fees that you may pay. You should check with your local and state governmental agencies for any taxes and other permitting and licensing fees that may be assessed.
- (9) We do not currently offer, either directly or indirectly, any financing to you for the above items. The availability and terms of financing from independent third parties will depend on factors such as the availability of financing generally, the credit worthiness of you, other security and collateral you may have, and policies of lenders.
- (10) These figures are estimates only. We relied on our experience to compile these estimates. This is only an estimate of your initial investment and is 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.

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

You must establish and operate your Craters & Freighters Center in compliance with your Franchise Agreement and the standards and specifications contained in our Operations Manuals.

We have standards and specifications for your insurance policies, and you must purchase certain insurance policies from our designated insurance supplier. You are required to have insurance covering your Craters & Freighters Center's operations, in such amounts and on such terms, as prescribed by the Operations Manuals. As of the date of this Franchise Disclosure Document, this insurance will be a combination of, and not limited to, Cargo Insurance, Packers Legal Liability of \$1,000,000, General Liability of \$1,000,000, Commercial Auto, and Workers Compensation, and any other coverage which covers all operations and shipments from point of handling and shipping to final destination.

To maintain the high standards of our system and to fulfill the quality packing and shipping of products, you must purchase various equipment, products, and other items or services that meet or exceed minimum requirements and specifications that we establish. Such requirements and specifications may appear in our Operations Manuals and include the following: warehouse tools and equipment (e.g., power tools such as saws, nail guns, and drills); warehouse equipment (e.g. packing systems, forklift, and a scale); hardware and fasteners (e.g., nails, staples, screws, gloves, and utility knives); packing material (e.g., lumber, corrugated, and foams); hardware and software, Internet connection and service, dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment to operate the computer, Proprietary Program, and select software we provide you (See ITEM 12), as well as fax machine and telephone; office furniture; office and miscellaneous supplies; and a 16' box truck.

We may revise these requirements and specifications from time to time. We are not an approved supplier, but we reserve the right to become an approved supplier at any time in our discretion. None of our Affiliates is an approved supplier. None of our officers or directors owns an interest in an approved supplier. We did not derive any revenue in 2018 from franchisee purchases or leases of products and services from our designated suppliers, but we reserve the right to do so in the future. The precise basis by which we may derive revenue in the future is undetermined at this time. If we derive revenue in the future from your purchases or leases of products and services from our designated suppliers, the precise basis by which we will do so will be disclosed to you.

If you desire to use suppliers other than those which have been approved by us, you must submit your request to us in writing. We will then review the request and notify you of our approval or disapproval within 30 days. We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and dependability and general reputation of the supplier. If we develop additional criteria for supplier approval, those criteria will be made available to you. We may revoke our approval of an alternative supplier in the event that we receive complaints from franchisees, customers or other sources.

We estimate that the purchase of products and services from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 0% of your total cost to establish a Craters & Freighters Center, and 2% to 3% of your total cost of operating a Craters & Freighters Center.

We have purchasing cooperatives with certain suppliers as of the date of this 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 on volume discounts 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 designated or approved suppliers and distributors. There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers and distributors as the result of franchisee purchases.

We also have a national accounts program ("**National Accounts Program**") in conjunction with our Affiliate, Platinum, which is entirely owned by Dianna S. Gibson, our Chief Executive Officer and Chairman of the Board. Under the National Accounts Program, you are required to accept business and perform the work at the

prices negotiated for that work. If you fail or refuse to perform the work, or if we determine that you do not meet certain requirements for the work, we reserve the right to perform the work ourselves, or assign the work to other franchisees or third parties. However, your failure or refusal to perform the business referred to you under the National Accounts Program will not constitute grounds for default and termination under the Franchise Agreement. We reserve the right to establish mandatory policies and procedures relating to the National Accounts Program in the Operations Manual.

We own all business records, accounts, books, data, licenses, reports, and contracts (“**Business Records**”) with respect to customers, and other service professionals of, and related to, the Center including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the databases, and all other Business Records created and maintained by you. You will authorize us to access all such Business Records from such reporting systems and associated equipment, including the Proprietary Program, whether by inspection on the Premises or via retrieval by modem or other method of retrieval, as we deem necessary. All such reporting systems and associated equipment must be accessible to us twenty-four (24) hours per day, for every day of the year, including Sundays and holidays, for electronic access, and during normal business hours for personal access, and you agree not to inhibit our access to the reporting system or associated equipment. There is no contractual limitation on our right to receive or use information through the Proprietary Program or any other reporting system and associated equipment.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

**The following table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation		Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Section 3.1 of Franchise Agreement	Items 9, 11
b.	Pre-opening purchases/leases	Sections 3, 4 of Franchise Agreement	Items 9, 11
c.	Site development and other pre-opening requirements	Section 3.1 of Franchise Agreement	Items 9, 11
d.	Initial and ongoing training	Section 4 of Franchise Agreement	Item 11
e.	Opening	Section 3.5 of Franchise Agreement	Item 11
f.	Fees	Sections 8, 9, 10, & 11 of Franchise Agreement	Item 5, 6
g.	Compliance with standards and policies/Operations Manual	Sections 6, 14 of Franchise Agreement	Item 9
h.	Trademarks and proprietary information	Section 7 of Franchise Agreement	Item 13, 14
i.	Restrictions on products/services offered	Section 3.4 of Franchise Agreement	Item 8
j.	Warranty and customer service requirements	Section 2, 14 of Franchise Agreement	Item 16

Obligation		Section in Agreement	Disclosure Document Item
k.	Territorial development and sales quotas	Sections 2, 2.1 of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Sections 3.3, 3.4, 14.1, 14.2 & 19 of Franchise Agreement	Items 8, 9
m.	Maintenance, appearance, and remodeling requirements	Section 3.3 of Franchise Agreement	Item 9
n.	Insurance	Section 12 of Franchise Agreement	Item 9
o.	Advertising	Sections 11 of Franchise Agreement	Item 11
p.	Indemnification	Sections 7 & 19 of Franchise Agreement	Item 13
q.	Owner's participation/management/staffing	Sections 4, 13 & 19 of Franchise Agreement	Item 15
r.	Records and reports	Sections 6 & 17 of Franchise Agreement	Item 11
s.	Inspections and audits	Section 16 of Franchise Agreement	Item 11
t.	Transfer	Section 20 of Franchise Agreement	Item 7
u.	Renewal	Section 23 of Franchise Agreement	Item 7
v.	Post-termination obligations	Sections 7.1, 13, 25 & 27 of Franchise Agreement	Item 7
w.	Non-competition covenants	Sections 13 & 27 of Franchise Agreement	Item 7
x.	Dispute resolution	Sections 29 & 30 of Franchise Agreement	Item 9
y.	Other	Not applicable	Not applicable

## ITEM 10 FINANCING

Neither we nor any agent or any Affiliate currently offers financing, either direct or indirect. We do not guarantee any of your notes or leases or any other financial obligations. We may offer financing or assist franchisees in obtaining financing in the future.

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

**Except as listed below, Craters & Freighters is not required to provide you with any assistance.**

### Pre-Opening Obligations

Before you open your business, we (or our designee) will provide the following assistance and services to you:

- (1) Designate your Territory (See Section 2.0 of the Franchise Agreement).

(2) We will use reasonable efforts to assist you with locating a suitable site (“**Premises**”) for your Craters & Freighters Center. (See Section 3.1 of the Franchise Agreement).

(3) We will review your construction plans and specifications for your Craters & Freighters Center. (See Section 3.3 of the Franchise Agreement).

(4) We will provide you with initial training. (See Section 18.1 of the Franchise Agreement).

(5) After the initial training, we will spend three (3) business days with you at your Craters & Freighters Center within ninety (90) days of the Center’s initial opening. (See Section 18.4 of the Franchise Agreement).

(6) We will furnish you with a promotional and grand opening package for your initial opening. (See Section 18.6 of the Franchise Agreement).

(7) We will provide you with a copy of the Operations Manuals, which includes a Center Opening Handbook that provides you with recommendations relating to equipment, opening inventory, and supplies and other startup operations. (See Section 18.3 of the Franchise Agreement and Table of Contents for Operations Manuals).

### **Continuing Obligations**

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

(1) We will keep you up-to-date on any changes in operational issues, and up-to-date on information on carrier tariffs and vendors as needed. (See Section 18.2 of the Franchise Agreement).

(2) In addition to the on-site visit described in Pre-Opening Obligation (5) above, we will provide you with one (1) additional on-site visit in the first year of operations for your Craters & Freighters Center at no charge. After that visit, we will provide you with additional on-site visits at your reasonable request or if such assistance is determined to be necessary in our discretion. If you request such assistance, or such assistance is required by us, you must pay our travel and living expenses and the current daily per-diem fee as set forth in the Operations Manuals. (See Section 18.5 of the Franchise Agreement).

(3) We will notify you of any educational opportunities pertaining to the business. We may hold educational seminars on the nature of the business and other matters pertaining to shipping and handling. (See Section 18.7 of the Franchise Agreement).

(4) We will develop and maintain a business management system that assists you in the quoting of packaging, shipping, and insurance costs. (See Section 18.8 of the Franchise Agreement).

(5) We will advise you from time to time of operating problems of the Craters & Freighters Center disclosed by reports submitted to or inspections made by us or our representative and will furnish, to you, guidance in connection with: (a) methods, standards and operating procedures utilized by Craters & Freighters Center; (b) purchasing required fixtures, equipment, signs, materials and supplies; (c) advertising and promotional programs; (d) merchandising services; and (e) administrative, bookkeeping, accounting, and general operating and management procedures. Such guidance shall, in our discretion, be furnished in the form of our Operations Manuals, other written manuals and materials, telephonic conversations and/or consultations at our offices or at the Center. Any obligations of ours relating to this matter will be performed prior to the

opening of the Craters & Freighters Center and/or during the operation thereof from time to time throughout the term of the Franchise Agreement.

### **Site Selection Criteria**

You must select the area and Premises for the Craters & Freighters Center subject to our consent. You must select a suitable site for the Craters & Freighters Center within sixty (60) days after you sign the Franchise Agreement. If you and we are unable to agree on a suitable site within this sixty (60) day period, we will extend the time period for selecting the site. However, if you and we do not agree on a suitable site within six (6) months from the signing of the Franchise Agreement, we may terminate the Franchise Agreement and retain all monies received. The factors that we consider in selecting and approving your site include the following: the site should have at least 3,500 square feet of warehouse space, be located in an industrial area, have highway access, and have an overhead door. It is recommended to lease said space with a loading dock, although one is not required as long as you have a dock door that enables you to ship out and to receive large items of freight. If the dock door opens to ground level, you must have a forklift. The physical appearance and location of the Craters & Freighters Center must meet our standards and specifications.

### **Schedule for Opening**

We estimate that there will be an interval of sixty (60) days between the execution of the Franchise Agreement and the opening of your Craters & Freighters Center, but the interval may vary based upon such factors as the location and condition of the site, the construction schedule for the Craters & Freighters Center, and the extent to which an existing location must be upgraded or remodeled. You may not open the Craters & Freighters Center for business until you have complied with all of your obligations under the Franchise Agreement and we have been furnished with copies of all required insurance policies or such other evidence of coverage and payment as we request. You are required to open your Craters & Freighters Center for business within fifteen (15) days after we have notified you that your pre-opening obligations under the Franchise Agreement have been satisfied. Any of our obligations relating to the Craters & Freighters Center's opening will be performed prior to the opening of the Craters & Freighters Center.

### **Advertising and Promotion**

Each month, you must spend the greater of (a) \$400, or (b) one percent (1%) of your Adjusted Gross Sales for the prior month, on advertising and promotion of your Craters & Freighters Center in your Territory ("**Individual Advertising Expense**"). You must submit monthly reports to us reflecting your advertising expenditures. These funds are reserved only for marketing, promotions and advertising of your Craters & Freighters Center. This expense will be incurred in addition to your required contributions to the Advertising Fund, as described below. You may not advertise outside your Territory without our approval, which may be withheld in our sole discretion.

We have established and will maintain and administer a national and/or regional advertising fund ("**Advertising Fund**") for advertising and marketing programs. You must pay us an Advertising Fund fee ("**Advertising Fund Fee**") equal to one percent (1%) of monthly Adjusted Gross Sales. You must pay the Advertising Fund Fee at the same time that you pay your monthly royalty fee. Company-owned or Affiliate-owned Craters & Freighters Centers must contribute to the Advertising Fund at the same percentage rate as franchisees. The Advertising Fund will be administered by us and we may use a professional advertising agency or media buyer to assist us in doing so.

We and our authorized representatives may be reimbursed from the Advertising Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that we and our authorized representatives may incur relating to programs

funded by the Advertising Fund. Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Advertising Fund on any terms we deem reasonable. Since the Advertising Fund is not audited, audited financial statements are not available to franchisees. We will make available to you an annual accounting for the Advertising Fund that shows how the Advertising Fund proceeds have been spent for the previous year.

We may use the Advertising Fund for the creation, production and placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; administering multi-regional advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; engaging one or more public relations firms or conducting our own public relations campaigns; market research; and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional or national media of our choice, including print, direct mail, radio or television. We do not guarantee that advertising expenditures from the Advertising Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We reserve the right to use the contributions to the Advertising Fund to operate one or more call centers for the purpose of receiving calls from prospective customers and placing calls to prospective customers. If such a call center is established, we would allocate business originating from calls to such call center to the franchisees within the System. We do not spend any of funds collected by the Advertising Fund on directly soliciting new franchisees.

An annual financial statement of the Advertising Fund is available to any Franchisee upon request. During our last fiscal year ending December 31, 2018, expenditures from the Advertising Fund were as follows: 77% on advertising, including electronic placement, 3.6% on production expenses, 2.7% on administrative expenses, including telephone, dues and subscriptions, and printing, and 16.7% on other expenditures relating to national account sales payroll and support, including national trade shows, production expenses, internet expenses, and website maintenance.

We are not required to spend an amount on advertising in the territory where you are or will be located. We do not have any local or regional advertising cooperatives.

We have a franchise advisory council ("**Franchise Advisory Council**") composed of franchisees that advises us on advertising policies. The Franchise Advisory Council has five (5) members, consisting of five (5) franchise representatives who are elected by our franchisees. We reserve the right to form, change, or dissolve the Franchise Advisory Council.

You may develop advertising media for your own use, at your own cost providing all media is in compliance with current branding and system standards. We must approve the advertising materials in advance and in writing.

We have the sole right to market on the Internet and use our trademarks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing our trademarks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using our trademarks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of our trademarks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify from time to time.

## **Computer Systems and Software**

You will be loaned a desktop computer, our proprietary business software program (“**Proprietary Program**”), and select software. You will be responsible for purchasing any additional hardware, upgrades, software, Internet connection and service, dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment. Currently, we require you to purchase data processing software (e.g., Microsoft Office suite products) and an accounting software program (e.g., QuickBooks Pro) to go along with our Proprietary Program. You will be responsible for maintaining a high-speed internet access for the computer system. You will be responsible for maintaining the e-mail address that is assigned to you by us. You will use this e-mail address at all times when communicating within the System and to the public.” We currently estimate the costs of purchasing these items to range from approximately \$1,500 to \$3,000, but these estimated costs may change over time as technology changes.

You will be responsible for maintaining the computer system and software programs in good repair at your expense. We anticipate that you may be required to upgrade or update the computer system during the term of the franchise, and there are no contractual limitations on the frequency and cost of the obligation. We are not obligated to provide you with ongoing maintenance, repairs, upgrades or updates to your computer system. It is difficult to estimate the cost of maintaining, updating or upgrading your computer system or software as it will depend on your repair history, local cost of such services in its area and technological advances, which we cannot predict at this time. Nevertheless, we currently estimate these costs to range from \$500 to \$1,000 per year, although these costs could change frequently and significantly over time as technology changes.

We reserve the right to independently access your electronic information and data through a proprietary data management and intranet system, and to collect and use your electronic information and data in any manner we choose to promote the development of the franchise system and the sale of franchises. Such information will include Business Records with respect to customers, and other service professionals of, and related to, the Center, including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the data management and intranet system, all of which we own. There is no contractual limitation on our right to receive or use such 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.

## **Operations Manuals**

We will loan to you, during the term of the Franchise Agreement, one (1) copy of each of the Operations Manuals (collectively, the “**Operations Manuals**”). The Operations Manuals contain mandatory and suggested specifications, standards and operating procedures that we prescribe from time to time and information relating to your obligations. The Operations Manuals may be modified from time to time to reflect changes in the image, specifications, standards, procedures, products and System standards for Craters & Freighters Centers, provided that no such addition or modification shall alter your fundamental status and rights under the Franchise Agreement. However, no changes to the Operations Manuals will be made which would impose an unreasonable economic burden on you or unreasonably increase your obligation. You must keep your copy of the Operations Manuals current. In the event of a dispute relating to the Operations Manuals, the master copy that we maintain at our principal office will be controlling. You may not, at any time, copy any part of the Operations Manuals. If your copy of the Operations Manuals is lost, destroyed, or damaged, you will be obligated to obtain, from us, at our then applicable charge, a replacement copy of the Operations Manuals. Any obligations of ours relating to this matter will be performed prior to the opening of the Craters & Freighters Center and/or during the operation thereof from time to time throughout the term of the Franchise Agreement.

The Operations Manuals shall be part of the Franchise Agreement. There are 1297 total pages in the Operations Manuals. The Table of Contents for the Operations Manuals is attached to this Franchise Disclosure Document as **Exhibit B**.

**Training**

After the execution of the lease for the Craters & Freighters Center and prior to the opening of the Craters & Freighters Center, we will provide an initial training program regarding the operations of a Craters & Freighters Center. We conduct the initial training program on an as needed basis, as we determine, based on the schedules of incoming franchisees and our team members who conduct the program. Approximately nine (9) days of training will be furnished at our corporate headquarters in Golden, Colorado. Up to two (2) individuals (including you) are entitled to participate, and you (or a principal owner thereof) and the manager of your Craters & Freighters Center must complete the training program to our satisfaction and participate in all other activities required by us to open your Craters & Freighters Center. You must replace any manager who does not satisfactorily complete the initial training program. You will be responsible for all travel and living expenses incurred in connection with the training program. Approximately three (3) days of additional training will be provided at your Craters & Freighters Center during normal business hours after the opening of your Craters & Freighters Center. If you fail to complete the initial training program to our satisfaction, we may terminate the Franchise Agreement.

We may require you and/or a previously trained and experienced manager to attend periodic courses with respect to new methods, techniques, equipment, services, and procedures at such time and locations that we designate. You will be responsible for all travel and living expenses incurred in connection with any such courses.

The initial training program will be conducted by our Chief Business Development Officer, Robert Molnar, and other staff members who have at least three years of industry experience. Mr. Molnar has over 24 years of experience in the industry of packaging, wood and corrugated containers, freight forwarding, transportation, and franchising. Mr. Molnar joined us in 1996 to further develop the Craters & Freighters concept and to expand the franchise network. Mr. Molnar’s responsibilities include field operations, franchise training, franchise support, carrier contracts, and our proprietary software and website. He began his career in the crating and shipping industry as an owner operator of a retail pack and ship business in Boulder, Colorado. Following the sale of that business, he opened and operated a crating/packaging and freight forwarding business in Denver, Colorado. The Operations Manuals serve as our primary instructional material during the training program, and we also use training videos.

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Business Basics Crating and Packaging	8	0	Golden, CO
Crating & Packaging	0	10.5	Golden, CO
Transportation	8	0	Golden, CO
Business Management	8	0	Golden, CO
Management Review	3	0	Golden, CO

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
System Standards	4	0	Golden, CO
Accounting & Bookkeeping	3	0	Golden, CO
Security & Safety	1	0	Golden, CO
Industrial Crating	1	1.5	Golden, CO; Your Center
Cargo Insurance	4	0	Golden, CO
Marketing	6	2	Golden, CO; Your Center
“On-The-Job” Training	0	12-30	Your Center
TOTAL	46	26-44	

**ITEM 12  
TERRITORY**

You will receive an exclusive territory (“**Territory**”) in which to operate your Craters & Freighters Center. You are required to locate your Craters & Freighters Center within your Territory. Your Territory will be delineated by counties, and we have the exclusive right to determine the counties in your Territory. A Territory will have a population of approximately 1,000,000 people. If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee equal to \$0.015 per additional person in the Territory. You will not be entitled to any additional counties or an expansion of your geographic boundaries if the population decreases in your Territory.

We will not operate Craters & Freighters Centers or grant franchises for Craters & Freighters Centers in your Territory unless you fail to generate the minimum annual revenue required for your Territory (“**Minimum Performance Standards**”) in any year of the term of the Franchise Agreement. The following chart indicates the Minimum Performance Standards for years 1-3 of this Agreement:

Year of Operation	Minimum Performance Standard	Minimum Monthly Royalty
1	\$200,000	\$0
2	\$300,000	\$1,250
3	\$450,000	\$1,875

At the end of year 3, we will determine the Minimum Performance Standards and Minimum Monthly Royalties for years 4-15 of the Franchise Agreement and you will be provided with an amendment to your Franchise Agreement. We will base our decision on population, demographic factors, economic factors, competition, market penetration, the growth rate of other Craters & Freighters Centers, and other relevant factors.

Your failure to satisfy your Minimum Performance Standards may result in the reduction or elimination of your Territory or the termination of your Franchise Agreement. These Minimum Performance Standards are not, and should not be considered, financial performance representations for your Craters & Freighters Center.

You may only solicit business in the Territory for the purpose of obtaining customers who reside or operate within the Territory. However, you are not required to verify that your customers reside or conduct business within the Territory. Accordingly, it is possible that you may provide services to customers who reside or conduct business outside of the Territory. At the same time, it is also possible that another Craters and Freighters Center may provide services to customers who reside or conduct business within the Territory.

You may be granted, in our sole discretion, express permission to promote and advertise your Craters & Freighters Center to customers in an unsold territory adjacent to your Territory (“**Adjacent Territory**”). If we permit you do to so, you must agree that if the Adjacent Territory is granted to another Craters & Freighters franchisee, you will, upon receipt of written notice from us, cease all promotional and advertising efforts within the Adjacent Territory, return to us all customer data and prospect information related to the Adjacent Territory, and cease providing products and services to customers in the Adjacent Territory.

If you receive information regarding business (“**Referral**”) from a potential customer who resides or operates outside the Territory (“**Referred Customer**”), you must inform the Craters & Freighters franchisee whose territory includes the location at which such Referred Customer resides or operates (“**Primary Franchisee**”). If you fail or refuse to notify the Primary Franchisee regarding the Referral and Referred Customer and, instead, you subsequently provide services to the Referred Customer through your Center, you will have materially breached your Franchise Agreement, which will provide us the right to terminate the Franchise Agreement. However, you may obtain approval to provide services to a Referred Customer but only if you and the corresponding Primary Franchisee enter into an agreement and you notice us of that agreement.

You do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory. If you receive information on prospective business outside of your Territory, you must relay the information to the owner of the Franchise who owns the Territory where the business is located. In areas where there are no Franchises, you may provide services to the prospective client.

You will not receive options, rights of first refusal, or similar rights to acquire additional franchises. You may relocate your Craters & Freighters Center to another location within your Territory upon our prior written approval.

We reserve the right, among others:

(1) to own, franchise, or operate Craters & Freighters Centers at any location outside of your Territory, regardless of the proximity to the boundaries of your Territory. We will not establish within your Territory another franchisee or company-owned outlet which may also use our trademarks;

(2) to use our trademarks and system to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of your Territory, including to national accounts. This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for us. We are not required to compensate you if we solicit or accept orders from your Territory. You may not independently use alternative channels of distribution to make sales within or outside your Territory without our prior written approval;

(3) 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 our trademarks, whether in alternative channels of distribution or in the operation of a business offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, at any location, including within the Territory, which may be similar to or different from the business operated by you;

(4) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Craters & Freighters Center, wherever located;

(5) to acquire and convert to the System operated by us any businesses offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, including such 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

(6) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere (national accounts). 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 right to use our logo and trademarks (“Marks”). This intellectual property has been filed for registration, and trademarks have been granted by the United States Patent and Trademark Office (“USPTO”). We have filed or intend to file all required affidavits and renewals for the trademarks listed below.

Mark	Registration Number	Registration Date	Register
	3,363,644	January 1, 2008  Renewed: July 28, 2017	Principal
CRATERS & FREIGHTERS	1,744,835	January 5, 1993  Renewed: August 6, 2012	Principal

We may also use a number of additional unregistered, common law trademarks, including the following:

Mark	Application Filing Date	Status	Serial No.
EXPERTISE THAT DELIVERS	N/A	COMMON LAW	N/A

We do not have a federal registration for the trademark identified in the table above. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use the 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. Guidelines regarding proper trademark use and notices are in the Operations Manuals and will be updated periodically in our discretion. You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

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 the 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 the Marks.

We will protect your right to use the Marks. You must notify us of any challenges to the Marks. Your Franchise Agreement requires us to take affirmative action when notified of any challenges or any trademark that is similar or confusing to the public. We will defend the Marks at our expense and as we determine. We reserve the right to control any litigation related to the Marks.

You must modify or discontinue the use of a Mark if we modify or discontinue the use of such Mark. If this happens, we will reimburse you for your tangible out-of-pocket cost of compliance (for example, changing letterhead and business cards). You must not directly or indirectly contest our right to the Marks, trade secrets or business techniques.

In 2010, we initiated litigation against Daisychain Enterprises (dba Freight & Crate), Cathy Benz and Fred Benz (“**Defendants**”) for trademark infringement. The Defendants were using the name “Freight & Crate” in the operation of a business in California similar to a Craters & Freighters Center. On May 5, 2010, the United States District Court for the Northern District of California issued a permanent injunction against the Defendants. The court permanently restrained and enjoined them from (a) using the infringing mark “Freight & Crate” in conjunction with any shipping or packaging services; (b) using the infringing mark “Freight & Crate” in conjunction with any web-based advertisement or print advertisement; (c) using the infringing mark “Freight & Crate” at any call center to suggest that Freight & Crate is affiliated with Craters & Freighters; (d) identifying themselves anywhere or any time, by their initiative or in response to questions by others, as “Craters & Freighters” or as affiliated with Craters & Freighters; (e) using Craters & Freighters’ copyrighted materials in advertisements and promotions; and (f) using the registered trademark “Craters & Freighters” for any purpose whatsoever.

In early 2014, it came to our attention that the Defendants were violating the permanent injunction and using our name to advertise products online. In February 2014, we sent the Defendants a letter to demand that they cease from using the words “Crate & Freight” and that they comply with the permanent injunction. In March 2014, we sought for the Defendants to be held in civil and criminal contempt for violating the permanent injunction. The Defendants were ordered to appear in court in May 2015 to show cause why they should not be held in contempt for failure to comply with the permanent injunction. In August 2015, the Defendants, proceeding pro se, filed an appeal relating the multiple judgments we have obtained against them thus far, which currently total more than \$100,000 and are collecting interest at the maximum amount allowed under California law. We submitted our Answering Brief in September 2015, and the United States Court of Appeals for the Ninth Circuit in D.C. No. 14-17497 rendered a decision that the lower District Court’s Orders Stand – i.e., we (Craters & Freighters Franchise Company) are the prevailing party.

Subsequently, it came to our attention that the Defendants started a Colorado-based company called Craters & Freighters, a Colorado corporation, in violation of the Ninth Circuit’s Permanent Injunction, which prohibited

any such use of our marks. In or about December 2016, we filed a Complaint in the United States District Court for the District of Colorado alleging civil conspiracy, false designation of origin and false representation, violation of the Lanham Act, violation of the Colorado Consumer Protection Act, unfair competition, and common law trademark and trade name infringement. As of the issuance date of this Franchise Disclosure Document, this matter remains active and is identified as case no.: 1:16-cv-02951-JLK; Craters & Freighters Franchise Company v. Kathy Benz, individually; Fred R. Benz, individually; Tyler F. Benz, individually; Steve Barnard, individually, and as an officer of Craters & Freighters, a Colorado corporation; and Craters & Freighters, a Colorado corporation.

On or about January 5, 2017, Defendant Steve Barnard entered a pro se appearance on behalf of himself and Craters & Freighters, a Colorado corporation, by submitting an Answer to our Complaint. Mr. Barnard's Answer was stricken on or about January 20, 2017. In or about April 2017, counsel entered an appearance on behalf of Steve Barnard and Craters & Freighters, a Colorado corporation. After Defendant Barnard dissolved Craters & Freighters, a Colorado corporation, counsel filed a Motion to Dismiss Steve Barnard and Craters & Freighters, a Colorado corporation. On or about February 7, 2018 this Motion to Dismiss was granted without prejudice to us. We have the right to re-file, and our management team is taking this into consideration. All other Defendants (except as described above) remain in the case except Tyler Benz, who paid us to settle out of court. Defendants Kathy Benz and Fred R. Benz have evaded service. Meanwhile, motion practice continued as opposing counsel submitted a Motion for Attorney's Fees and Costs as to the dismissal of Defendant Barnard. Our management team reviewed this Motion and has decided not to pursue an appeal at this time. All defendants, except Tyler Benz (who settled out of court) have been dismissed without prejudice (meaning Craters & Freighters Franchise Company may reinstate the lawsuit).

Other than as described above, we do not know of any infringing uses that could materially affect your use of the Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to the trademarks with superior rights to our rights. Before opening your Craters & Freighters Center, you should research this possibility, using telephone directories, trade directories, and Internet directories to avoid the possibility of having to change your business name.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

The information contained in the Operations Manuals is proprietary and is protected by copyright and other laws. The Operations Manuals and the limitations of the use of it by you and your employees are described in Item 11 and the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, as well as any other writings, recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manuals, the trademarks, our website, our computer software programs, the advertising materials, or 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 Craters & Freighters Center, 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 Manuals, electronic information and communications, sales and promotional materials, 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 Craters & Freighters Centers, and training techniques used to provide services, information concerning product and service sales,

operating results, financial performance and other financial data of Craters & Freighters Centers 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 Manuals. 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 Craters & Freighters Center 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 other Craters & Freighters Centers during the term of the Franchise Agreement.

You must notify us within three 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, in our sole and absolute discretion, 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 discretion 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 any and 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 do not have any pending patent applications that are material to the franchise.

We own and have the right to inspect, copy and use all records with respect to the customers, suppliers, and other service providers of, and related in any way to your Craters & Freighters Center. This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, 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 such other purposes, as we deem appropriate, in our sole discretion.

You must disclose to us all ideas, techniques and products concerning the development and operation of the Craters & Freighters Centers you, your manager 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, manager or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of the Craters & Freighters Center that you, your manager or your employees

conceive or develop during the term of the Franchise Agreement in all Craters & Freighters Centers 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**

We do not grant our approval or disapproval to the hiring of your personnel for your Craters & Freighters Center. We recommend that the Craters & Freighters Center be under your direct on-Premises supervision. Under the System standards specified in the Operations Manuals, the Craters & Freighters Center must be under the direct on-Premises supervision of a manager who has completed Craters & Freighters initial training program at all times. As noted in Item 11 of this Disclosure Document, both you and the manager of the Craters & Freighters Center must complete the initial training program to our satisfaction prior to opening the Craters & Freighters Center. As also noted in Item 11 of this Disclosure Document, you and your manager may also be required to attend periodic courses with respect to new methods, techniques, equipment, services, and procedures. You are required to inform us of the identity of your Craters & Freighters Center's managers and assistant manager. You are responsible for the training of additional managers and assistant managers and must adopt such reasonable procedures, which we prescribe to prevent the unauthorized use or disclosure of the proprietary information and aspects of the System.

You are an independent contractor and not our representative, partner, joint venturer, agent or employee of ours. You have no authority to make any contract, agreement, warranty or representation or to create any obligation binding on us. As the owner of franchise rights, you will control the manner and means of operating the business and exercise complete control over your employees. You alone are responsible for all employment decisions of the business, including hiring, firing, training, promotion, wage and hour requirements, recordkeeping, supervision and discipline of employees. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from you to us. You must prominently display appropriate notices to inform the public that you independently own and operate the business under license from us and are not our agent.

Each individual who owns an interest in the franchisee entity must sign the Owner's Guaranty and Assumption of Franchisee's Obligations that is attached to the Franchise Agreement.

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

The only restrictions or conditions that may limit your access to customers involve our requirement that you must follow our policies, procedures, methods, and techniques, and you may not deviate from our standards or specifications without our prior written consent. For instance, you must offer for sale, use, sell, and provide through your Craters & Freighters Center only those products and services that we authorize or require for the System. You may not offer for sale, use, sell, or provide any products or services that we have not authorized. You must discontinue selling and offering for sale any unapproved products and services, or any products and services which we may, in our discretion, disapprove in writing at any time. We reserve the right to change the types of products and services you sell without any limitations and we may require you to provide additional products or services in the future. We reserve the right to establish maximum resale prices as part of any national or regional promotion, multi-area marketing program, or special price promotion.

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

**THE FRANCHISE RELATIONSHIP**

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

Item	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 23.1	Term is 15 years
b.	Renewal or extension of the term	Section 23.2	If you are in good standing, you can add additional terms equal to a successor term of 15 years.
c.	Requirements for franchisee to renew or extend	Sections 23.2, 23.3, 23.4, 23.5	Sign our then-current Franchise Agreement, remodel and sign release upon expiration of current signed agreement. May be asked to sign a contract with materially different terms and conditions than original contract. Pay successor fee.
d.	Termination by franchisee	Not Applicable	Not applicable
e.	Termination by franchisor without cause	Not Applicable	Not applicable
f.	Termination by franchisor with cause	Section 24	We can terminate only if you are in default of any terms of Franchise Agreement.
g.	“Cause” defined – curable defaults	Section 24.1	Curable Defaults: You have 30 days to cure any default involving your non-payment of fees owed to us; you have 90 days to cure any other default not listed in Section 24.3.
h.	“Cause” defined – non-curable defaults	Section 24.1	Non-Curable Defaults: charged with or convicted of a felony, repeated defaults even if cured; abandonment; misuse of trademark(s); unapproved transfers; intentional understatement of gross receipts; violating our policies regarding Referrals established in Section 2.4.
i.	Franchisee’s obligations on termination/non-renewal	Section 25	Pay all amounts due, remove identifications, return signs and materials containing mark. Cancel all assumed names involving mark.

<b>Item</b>	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
j.	Assignment of contract by franchisor	Section 20.1	No restriction on our right to assign.
k.	“Transfer” by franchisee – defined	Section 20.2	Includes transfer of contract or assets or ownership changes.
l.	Franchisor’s approval of transfer by franchisee	Section 20.2	We have the right to approve all rights to transfer but will not unreasonably withhold approval.
m.	Conditions for franchisor’s approval of transfer	Section 20.4	New Franchisee qualifies, all fees are paid. Agreement approved, training arranged, releases executed by you and current Agreement signed by new Franchisee.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 22.2	Franchisor has the first right of refusal on the sale of the franchise by the Franchisee, and has 30 days to evaluate the offer by the potential purchaser and make an offer to the Franchisee.
o.	Franchisor’s option to purchase franchisee’s business	Not applicable	Not applicable
p.	Death or disability of franchisee	Section 22	Franchise must be assigned by estate or approved Buyer in six months.
q.	Non-competition covenants during the term of the franchise	Sections 13 and 27.1	No involvement in competing business in any metropolitan statistical area in which we are operating.
r.	Non-competition covenants after the franchise is terminated or expires	Section 27.2	No competing business for two years within any statistical marketing area of terminated Franchisee.
s.	Modification of the agreement	Section 28	No modifications except by agreement but Operations Manuals subject to change.
t.	Integration/merger clause	Section 28	Only the terms of the Franchise Agreement are binding (subject to state laws). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 29	Except for certain claims, all disputes may be arbitrated in Denver, Colorado.

Item	Provision	Section in Franchise Agreement	Summary
v.	Choice of forum	Section 31	Litigation must be in Colorado, subject to applicable state law.
w.	Choice of law	Section 31	Colorado law applies, subject to applicable state law.

**ITEM 18  
PUBLIC FIGURES**

There is no compensation or other benefits given or promised to any public figure arising from either the use of the public figure in the name or symbol of the Franchise or the endorsement or recommendation of the Franchise by the public figure in advertisements. Also, you do not have any right to use the name of a public figure or celebrity in your promotional efforts and advertising.

**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 provided 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 outlet. We also do not authorize our employees or representative 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 our Chief Executive Officer, Dianna S. Gibson, Craters & Freighters Franchise Co., 331 Corporate Circle, Suite J, Golden, CO 80401, 303-399-8190, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2016-2018**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2016	64	64	0
	2017	64	60	-4
	2018	60	62	2
<b>Company-Owned*</b>	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
<b>Total Outlets</b>	<b>2016</b>	<b>64</b>	<b>64</b>	<b>0</b>
	<b>2017</b>	<b>64</b>	<b>60</b>	<b>-4</b>
	<b>2018</b>	<b>60</b>	<b>62</b>	<b>2</b>

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2016 to 2018**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Arkansas</b>	2016	0
	2017	0
	2018	1
<b>California</b>	2016	1
	2017	0
	2018	0
<b>Maryland</b>	2016	1
	2017	0
	2018	0
<b>North Carolina</b>	2016	2
	2017	0
	2018	0
<b>TOTAL</b>	<b>2016</b>	<b>4</b>
	<b>2017</b>	<b>0</b>
	<b>2018</b>	<b>1</b>

**Table No. 3****Status of Franchised Outlets  
For Years 2016 to 2018**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Arizona	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Arkansas	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
California	2016	7	0	0	0	0	0	7
	2017	7	0	2	0	0	0	5
	2018	5	2	2	0	0	0	5
Colorado	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
District of Columbia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Florida	2016	5	1	0	0	0	0	6
	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
Georgia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	2	1
	2018	1	1	0	0	0	0	2
Indiana	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Louisiana	2016	2	0	1	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Maryland	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Massachusetts	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Michigan	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Mississippi	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Missouri	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Nebraska	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nevada	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New Jersey	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
New York	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
North Carolina	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Ohio	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Oklahoma	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Oregon	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Pennsylvania	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
Puerto Rico	2016	0	0	0	0	0	0	
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Rhode Island	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Tennessee	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Texas	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
Utah	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Virginia	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Washington	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Wisconsin	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
TOTAL	2016	64	1	1	0	0	0	64
	2017	64	0	2	0	0	2	60
	2018	60	4	2	0	0	0	62

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2016 to 2018**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
TOTAL	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of**  
**December 31, 2018 for 2019**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
California	0	1	0
Minnesota	0	1	0
New York	0	1	0
<b>TOTAL</b>	<b>0</b>	<b>3</b>	<b>0</b>

The name of each of our franchisees and the address and telephone number of each of their outlets is set forth in **Exhibit C**. The name and last known address and telephone number of every franchisee who has had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2018, or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document is listed on **Exhibit D** to this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

No trademark-specific franchisee organization exists that is associated with the franchise system being offered.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as **Exhibit E** are our audited financial statements as of December 31, 2018, December 31, 2017 and December 31, 2016 and our unaudited financial statements as of March 31, 2019. Our fiscal year end is December 31<sup>st</sup>.

## **ITEM 22 CONTRACTS**

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

**Exhibit:**

- F. Franchise Agreement
- H. Form of Mutual Termination Agreement

## **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***

***List of State Agencies and Agents for Service of Process***

*Exhibit A*

*List of State Administrators and Agents for Service of Process*

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
<b>HAWAII</b>	Dept. of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	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
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
<b>LOUISIANA</b>	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
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
<b>MINNESOTA</b>	Minnesota Department of Commerce Securities Section 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1600	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	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
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
<b>NEW YORK</b>	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10271 212-416-8000	Secretary of State of New York 99 Washington Avenue Albany, New York 12231

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NORTH CAROLINA</b>	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
<b>NORTH DAKOTA</b>	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
<b>OHIO</b>	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
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
<b>OREGON</b>	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
<b>RHODE ISLAND</b>	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
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor and Regulation Division of Insurance, Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 605-773-3263	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
<b>TEXAS</b>	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>UTAH</b>	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
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
<b>WISCONSIN</b>	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 B***

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

*Exhibit B*

*Craters & Freighters Franchise Company  
Table of Contents for Operations Manuals*

**Operations Manual (269 pages)**

Transportation  
Network Shipments  
International  
Insurance Claims  
Bills of Lading & Ship Invoices  
Pick Up & Delivery  
Pricing  
Quoting  
Accounting  
Personnel  
Safety & Health Program  
Miscellaneous  
Shipping Formulas  
Glossary of Terms

**Manual Title: BOSs Users Guide**

**# of Pages: 33**

**Table of Contents**

1. Overview & Requirements
2. Getting Started
3. Advanced Set Up
4. Jobs & Quotes
5. Work Flow
6. Appointments
7. Invoices
8. Calls
9. To-Do's
10. Reports
11. Accounting
12. Help
13. FAQ

**Manual Title: Center Opening Handbook**

**# of Pages: 48**

**Table of Contents**

- Stage 1: Business Preparation
- Stage 2: Office and Warehouse Preparation
- Stage 3: Strategic Planning
- Stage 4: Education & Training
- Stage 5: Start Up Operations

**Manual Title: Forms Package**

**# of Pages: 42**

**Table of Contents**

1. General Operations Forms
2. International Operations Forms
3. Personnel Operations Forms
4. Accounting Forms
5. Insurance Forms
6. Marketing Section

**Manual Title: International Shipping Manual**

**# of Pages: 95**

**Table of Contents**

1. DON'T LET THIS HAPPEN TO YOU!
2. Export Quoting Checklist
3. Step by Step Worksheet
4. Quoting Air Export
5. Document Preparation
6. AES Filing
7. Airbill Preparation
8. Sending the Pre-Alert
9. Important Things to Remember
10. Quoting Ocean Export
11. Obtaining an EIN
12. What is an HS/Schedule B Number?
13. Filing EEI through the AES
14. Commerce Control List, ECCN's and Restricted Parties
15. Key U.S. Publications Affecting Exports
16. Specific Reasons for Control (CCL)
17. CCL, ECCN's and EAR Basics
18. Certain EAR99 items will require an export license
19. North America Free Trade Agreement (NAFTA)
20. What is a Carnet (or an ATA Carnet)?
21. Packing Considerations for International Shipments
22. Cargo Insurance Basics
23. Coverage Types/ What's Covered?
24. Compliance
25. Estimating Foreign Duties and Taxes
26. Transport Modes
27. Incoterms 2010
28. Exporting a Vehicle
29. Sample Documents
30. Commonly Used Acronyms
31. Glossary of Terms
32. Frequently Asked Questions
33. Helpful Links
34. National Vendors

**Manual Title: Marketing Manual**

**# of Pages: 220**

**Table of Contents**

- Chapter 1 Marketing Strategy
- Chapter 2 Prep Activities
- Chapter 3 Marketing Activities & Tactics
- Chapter 3A Marketing Activities by Category
- Chapter 3B Targeted Marketing Activities
- Chapter 3C General Marketing Tactics
- Chapter 3D Guerilla Marketing
- Chapter 4 eMarketing
- Chapter 5 Commercial/Industrial Marketing
- Chapter 6 Marketing Materials
- Chapter 7 Plan of Action

**Manual Title: Packaging Manual**

**# of Pages: 134**

**Table of Contents**

- 1. ..Packaging Introduction
- 2. ..Marks and Symbols
- 3. ..Transit Hazards
- 4. ..Innerpack
- 5. ..Exterior Pack
- 6. ..Selecting a Packaging Technique
- 7. ..The Corrugated Box
- 8. ..The Wooden Crate
- 9. Containers
- 10..How to Build a Custom Box
- 11..Box Styles
- 12..Corrugated Containers: Problems and Concerns
- 13..Crate Styles
- 14..How To Pack
- 15. Museum Crating
- 16. Export Crating
- 17. Glossary of Terms
- 18. Export Packaging and Loss Control

**Manual Title: Systems Standards Manual**

**# of Pages: 43**

**Table of Contents**

- 1. Introduction & Purpose
- 2. Consequences of System Standards Violations
- 3. Customer Service
- 4. Branding
- 5. Print & Internet Advertising
- 6. Containers & Packaging
- 7. Vehicles & Drivers
- 8. Network Shipments
- 9. Paperwork – House bills, communications, etc.
- 10. Insurance
- 11. National Accounts

12. Craters & Freighters National Freight Carrier Tariffs
13. Accounting
14. Royalty & Ad Fund
15. Office & Warehouse
16. Software & Hardware
17. Personnel
18. Safety & Health
19. Annual Meetings/Regionals
20. Craters & Freighters Network Arbitration Panel

**Manual Title: Commercial/Industrial Manual**

**#of Pages: 413**

**Table of Contents**

- Section 1: Style A-Mod Containers
- Section 2: Quotation Guidelines
- Section 3: AutoCAD Drawings
- Section 4: Specification Wood Boxes
- Section 5: Corrugated
- Section 6: Securement Methods
- Section 7: Closures
- Section 8: Storage & Finance
- Section 9: Hazardous Materials
- Section 10: Marking
- Section 11: Open-Wood Style Crates
- Section 12: Ramps
- Section 13: Saddles & Cradles
- Section 14: Method II Packaging (Barrier Bags & Desiccant)
- Section 15: Government Preservation & Packaging
- Section 16: Miscellaneous Information
- Section 17: Blocking & Bracing of Cargo Containers
- Section 18: Flat-Rack
- Section 19: Jigs, Templates, Spacers, Locators, Etc.
- Section 20: Plywood Recovery, Splicing, & Cleating
- Section 21: Mil-B-26195 Cut Sheet Guidelines
- Section 22: Mil-C-104
- Index

***EXHIBIT C***

***List of Current Franchisees***

*Exhibit C*

*List of Current Franchisees*

List of current franchisees as of the issuance date of this Franchise Disclosure Document:

**ALABAMA**

066 05/02/13 **Birmingham/Tuscaloosa, Alabama / Thomas Glover**  
Mailing: P. O. Box 71629, Tuscaloosa, AL 65407  
5477 Skyland Boulevard East, Suite. 5, Cottondale, AL 35453  
Phone: 205-633-9955 / Fax: 205-633-5111

**ARIZONA**

006 01/18/93 **Phoenix, Arizona / Dennis Davies**  
7248 S. Harl Ave., Ste. 104, Tempe, AZ 85283  
Phone: 480-966-9929 / Fax: 480-966-0992  
Email: phoenix@cratersandfreighters.com

**ARKANSAS**

042 06/01/00 **Little Rock, Arkansas / Bill Locke**  
7424 Lindsey Road, Little Rock, AR 72206  
Phone: 501-791-2860 / Fax: 501-791-2861

**CALIFORNIA**

011 12/10/93 **San Diego, California / Keith Blum**  
6500 Federal Boulevard, Lemon Grove, CA 91945  
Phone: 619-265-1896 / Fax: 619-265-0521

023 09/01/97 **Orange & Riverside Counties, California / Paul Eagleton**  
P. O. Box 492, Orange, CA 92856  
Phone: 949-252-1555 / Fax: 714-279-1558

034 01/29/98 **Santa Clara Valley, California / Monty & Jenni Smith**  
2124 Zanker Road, San Jose, CA 95131  
Phone: 408-392-9722 / Fax: 408-392-9752

045 08/22/01 **Los Angeles, California / Sako Berberian**  
264 Spazier Avenue, Burbank, CA 91502  
Phone: 818-244-4099 / Fax: 919-244-4108

052 11/14/03 **Eastern LA County / Sako & Rebecca Berberian**  
264 Spazier Avenue, Burbank, CA 91502  
Phone: 818-244-4099 / Fax: 919-244-4108

**Oakland-East Bay, California / Monty Smith**  
2124 Zanker Road, San Jose, CA 95131  
Phone: 818-244-4099 / Fax: 919-244-4108  
Email: bayarea@cratersandfreighters.com

**San Francisco, California / Monty Smith**  
2124 Zanker Road, San Jose, CA 95131  
Phone: 818-244-4099 / Fax: 919-244-4108  
Email: bayarea@cratersandfreighters.com

**COLORADO**

- 001 06/26/90 **Denver, Colorado / Dick & Sharon Simpson**  
4477 Glencoe Street, Denver, CO 80216  
Phone: 303-393-7633 / Fax: 303-393-1011
- 010 11/05/93 **Colorado Springs, Colorado / Reinhardt & Joel Broszat**  
500 Burbank Street, Unit C, Broomfield, CO 80020  
Phone: 719-444-8846 / Fax 303-661-0996
- 012 05/26/94 **Northern Colorado / Reinhardt & Joel Broszat**  
500 Burbank Street, Unit C, Broomfield, CO 80020  
Phone 303-661-0877 / Fax 303-661-0996

**DISTRICT OF COLUMBIA**

- 061 07/11/08 **Washington DC / David Levine**  
113 Executive Dr., Ste. 131, Sterling, VA 20166  
Phone: 202-237-7447 / Fax: 203-753-0707

**FLORIDA**

- 015 10/01/95 **Southwest Florida / Gary & Evelyn McKinley**  
1136 Pine Island Road, Suite #71, Cape Coral, FL 33909  
Phone: 941-772-3100 / Fax: 941-772-3180
- 027 11/12/97 **Jacksonville, Florida / Phil Golden**  
14476 Duval Place, West #705, Jacksonville, FL 32218  
Phone: 904-733-1959 / Fax: 904-733-1982
- 035 05/01/98 **Tampa, Florida / David & Maribeth Amos**  
5105 W. Knox St., Tampa, FL 33634  
Phone: 813-889-9008 / Fax: 813-884-8393  
Email: tampa@cratersandfreighters.com
- 043 03/05/01 **Orlando, Florida / Stan Baillargeon**  
2517 Shader Rd.,, Unit 3, Orlando, FL 32804  
Phone: 407-854-0404 / Fax: 407-854-0256
- 056 02/01/06 **Miami/Ft. Lauderdale / Russ Galik & Joe Gronas**  
2089 N. Powerline Road, #2, Pompano Beach, FL 33069  
Phone: 954-917-4929 / Fax: 954-917-7532
- 12/13/16 **Pensacola, Florida / Steven R. Shiver**  
1417 W. Cervantes St., Ste. B, Pensacola, FL 32501  
Phone: 850-471-8844 / Fax: 820-361-3434

## GEORGIA

004 08/27/92 **Atlanta, Georgia / Robert Yokley & Brett Stotler**  
1666 Roswell Rd., Bldg. #200, Marietta, GA 30062  
Phone: 678-819-5502 / Fax: 678-819-5506

## ILLINOIS

036 07/11/98 **Southern Chicago / Glenn Vanderveld**  
14411 Coil Plus Drive, Unit B 101, Plainfield, IL 60544  
Phone: 815-609-7201 / Fax: 815-609-7203  
Email: [sochicago@cratersandfreighters.com](mailto:sochicago@cratersandfreighters.com)

**Northern Chicago / Glenn Vanderveld**  
14411 Coil Plus Drive, Unit B 101, Plainfield, IL 60544  
Phone: 815-609-7201 / Fax: 815-609-7203  
Email: [sochicago@cratersandfreighters.com](mailto:sochicago@cratersandfreighters.com)

## INDIANA

063 09/21/11 **Indianapolis / Steve Miller**  
6870 Hawthorn Park Drive, Indianapolis, IN 46220  
Phone: 317-577-0800 / Fax: 317-578-8222

## LOUISIANA

007 02/22/93 **New Orleans, Louisiana / Jim Caradine**  
1417 Edward Avenue, Suite B, New Orleans, LA 70123  
Phone: 504-733-6180 / Fax: 504-733-3679

## MARYLAND

057 03/27/06 **Baltimore, MD / Dan Schaeffer**  
3630 Commerce Dr., Ste. 107-108, Halethorpe, MD 21227  
Phone: 410-987-0270 / Fax: 410-729-0711

## MASSACHUSETTS

051 08/13/03 **Boston / Rick Cannata**  
91 Kuniholm Drive, Holliston, MA 01746  
Phone 508-894-0123 / Fax 339-230-0481

062 10/29/09 **Worcester / Springfield / Dennis Burns**  
1226 Mendon Rd., Cumberland, RI 02864  
Phone: 401-334-3011 / Fax: 401-334-3012

## MICHIGAN

060 05/04/07 **Detroit / David Price**  
32588 Dequindre Road, Warren, MI 48092  
Phone: 586-268-4102 / Fax: 586-268-4170

## MISSISSIPPI

024 09/05/97 **Mobile, Alabama/Gulfport, Mississippi / Jim Caradine**  
1417 Edwards Avenue, Suite B, New Orleans, LA 70123  
Phone: 228-864-1465 / Fax: 228-864-7818

## MISSOURI

002 08/01/91 **St. Louis, Missouri / Dave Amos, Brett Stotler & Robert Yokley (new franchisee)**  
1083 N. Warson Rd., St. Louis, MO 63132  
Phone: 314-770-0855 / Fax: 314-770-2335  
stlouis@cratersandfreighters.com

019 06/09/97 **Kansas City, Missouri / Roy & Rebecca Newsom**  
300 West 23<sup>rd</sup> Avenue, N. Kansas City, MO 63044  
Phone: 816-505-2223 / Fax: 816-505-3363

## NEBRASKA

054 03/17/04 **Eastern Nebraska / Mike Jones & Roger Hill**  
4227 North 21<sup>st</sup> Street, Omaha, NE 68110  
Phone 402-334-5454 / Fax 402-334-5459

## NEVADA

020 07/08/97 **Las Vegas, Nevada / Paul Eagleton**  
1650 Helm Drive, # 700, Las Vegas, NV 89119  
Phone: 702-739-8900 / Fax: 702-739-8906

## NEW JERSEY

046 08/03/01 **Central New Jersey / Tom & Loree Raia, & Robert Poirier**  
333 Cedar Avenue, Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

049 11/01/02 **Northern New Jersey / Tom & Loree Raia, & Robert Poirier**  
333 Cedar Avenue, Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

## NEW YORK

059 05/03/07 **Manhattan / Queens / Tom & Loree Raia, & Robert Poirier**  
333 Cedar Avenue, Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

## NORTH CAROLINA

008 08/01/93 **Charlotte, North Carolina / Evan Lennon & John Lennon**  
733 Bealer Road, Charlotte, NC 28208  
Phone: 704-331-0080 / Fax: 704-331-0063  
Email: charlotte@cratersandfreighters.com

028 11/17/97 **Raleigh/Durham, North Carolina / Evan Lennon & John Lennon**  
4011 Atlantic Ave., Raleigh, NC 27604

Phone: 919-662-7283 / Fax: 336-852-7992  
Email: raldur@cratersandfreighters.com

029 11/17/97 **Winston-Salem, North Carolina / Evan Lennon & John Lennon**  
4011 Atlantic Ave., Raleigh, NC 27604  
Phone: 336-852-6628 / Fax: 336-852-7992  
Email: winsal@cratersandfreighters.com

### OHIO

017 08/05/96 **Cleveland, Ohio / Patti Hrabik**  
1277 East Schaaf Road, Suite 1, Brooklyn Heights, OH 44131  
Phone: 216-749-3390 / Fax: 216-749-3385

031 12/23/97 **Columbus Ohio / Dewey Allen**  
6575 Huntley Rd., Unit D, Columbus, OH 43229  
Phone: 614-899-7340 / Fax: 614-899-7532

037 07/19/98 **Cincinnati/Dayton, Ohio / Dewey Allen**  
6575 Huntley Rd., Unit D, Columbus, OH 43229  
Phone: 614-899-7340 / Fax: 614-899-7532

### OKLAHOMA

040 08/17/99 **Tulsa, Oklahoma / Rick & Todd Arlan**  
1515 West 36<sup>th</sup> Place, Tulsa, OK 74107  
Phone: 918-447-9600 / Fax: 918-447-9606  
Email: tulsa@cratersandfreighters.com

044 08/14/01 **Oklahoma City, Oklahoma / Scott, Rick & Todd Arlan**  
4232 Charter Avenue, Oklahoma City, OK 73108  
Phone: 405-943-3069 / Fax: 405-943-3074

### OREGON

038 04/27/99 **Portland, Oregon / Rob Herman**  
5849 NW Cornelius Pass Road, Hillsboro, OR 97124  
Phone: 503-439-9497 / Fax: 503-439-1755

### PENNSYLVANIA

009 08/01/93 **Philadelphia, Pennsylvania / Terry Schnable & Terry Hetrick**  
Mailing Address: P. O. Box 176, Perkiomenville, PA 18074  
Phone: 215-234-8090 / Fax: 610-397-0878

058 04/03/06 **Harrisburg, PA / Terry Schnable & Terry Hetrick**  
Mailing Address: P. O. Box 176, Perkiomenville, PA 18074  
Phone: 215-234-8090 / Fax: 610-397-0878

064 05/30/12 **Pittsburgh / Paul McMorrow**  
220 Commerce Park Drive, Cranberry Township, PA 16066  
Phone: 724-776-2728 / Fax: 724-776-2719

**Lehigh Valley, Pennsylvania/Brent Shoemaker & Terry Hetrick**  
P.O. Box 176, Perkoimenville, PA 18074  
Phone: 215-234-8090  
Email: [lehighvalley@cratersandfreighters.com](mailto:lehighvalley@cratersandfreighters.com)

**RHODE ISLAND**

055 04/08/05 **Providence, RI, Cape Cod, MA / Dennis Burns**  
1226 Mendon Road, Cumberland, RI 02864  
Phone 401-334-3011 / Fax 401-334-3012

**TENNESSEE**

021 08/02/97 **Nashville, Tennessee / Russ Connelly**  
131 Jones Boulevard, La Vergne, TN 37086  
Phone: 615-777-7447 / Fax: 615-777-7448

047 10/05/01 **Memphis, Tennessee / Cary & Kim Doehring**  
Mailing Address: P. O. Box 30995, Memphis, TN 38130  
Phone: 901-795-0009 / Fax: 901-795-2666

**TEXAS**

003 08/01/92 **Houston, Texas / Tony Alleman, Choyet Terro & Don Theriot**  
6100 West By Northwest Blvd., Suite 140, Houston, TX 77040  
Phone: 713-467-6311 / Fax: 713-467-1178

005 09/19/92 **Dallas, Texas / Tony Alleman, Choyet Terro & Don Theriot**  
2220 Merritt Drive, Suite 200, Garland, TX 75041  
Phone 972-840-8147 / Fax 972-840-3171

013 12/15/94 **Fort Worth, Texas / Tony Alleman, Choyet Terro & Don Theriot**  
2220 Merritt Drive, Suite 200, Garland, TX 75041  
Phone 817-496-5055 / Fax 972-840-3171

022 08/08/97 **Austin, Texas / Jackie & Clarke Erskine**  
421 Commercial Drive, Buda, TX 78610  
Phone: 512-326-1627 / Fax: 512-295-5194

030 11/26/97 **San Antonio, Texas / Jackie & Clarke Erskine**  
421 Commercial Drive, Buda, TX 78610  
Phone: 512-326-1627 / Fax: 512-295-5194

**UTAH**

026 11/04/97 **Salt Lake City, Utah / Mike Gygi & Ryan Gygi**  
3020 West 500 South, Unit 0, Salt Lake City, UT 84104  
Phone: 801-519-6922 / Fax: 801-931-5412  
Email: [utah@cratersandfreighters.com](mailto:utah@cratersandfreighters.com)

**VIRGINIA**

048 09/03/02 **Northern Virginia / David Levine**  
113 Executive Dr., Ste. 131, Sterling, VA 20166  
Phone: 703-796-0180 / Fax: 703-796-0181

050 06/30/03 **Southeast Virginia / Alan Foster**  
713 Fenway Avenue, Suite A, Chesapeake, VA 23323  
Phone 757-548-5557 / Fax 757-548-5559

053 12/30/03 **Richmond, VA / Paul Puletti**  
1616 Elmdale Avenue, Richmond, VA 23224  
Phone 804-778-4455 / Fax 804-777-9933

**WASHINGTON**

016 04/01/96 **Puget Sound, Washington / Kawaljit Singh**  
6649 South 216<sup>th</sup> Street, Kent, WA 98032  
Phone: 253-872-6869 / Fax: 253-872-6829

**WISCONSIN**

065 06/08/12 **Milwaukee / David & Patricia Mansmith**  
N69 W 25055 Indian Grass Lane, Ste. P, Sussex, WI 53089  
Phone: 262-246-0080 / Fax: 262-246-0083

***EXHIBIT D***

***List of Former Franchisees***

***Exhibit D***

***List of Former Franchisees***

List of franchisees who had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business during the fiscal year which ended December 31, 2018, or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document:

- |     |          |  |
|-----|----------|--|
| 014 | 10/10/95 | <b>San Francisco, California / Jeff Chandler</b><br>Phone: (415) 793-3947  |
| 032 | 12/30/97 | <b>East Bay, California / Jeff Chandler</b><br>Phone: (415) 793-3947   |
| 042 | 06/01/00 | <b>Little Rock, Arkansas / Jerry &amp; Cindy Petty</b><br>Phone: (501) 352-1890 or (501) 465-7223<br>(Transfer)    |
| 002 | 08/01/91 | <b>St. Louis, Missouri / Walter Hass (old franchisee)</b><br>Phone: 314-770-0855 / Fax: 314-770-2335<br>(Transfer) |

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

***EXHIBIT E***  
***Financial Statements***

# UNAUDITED FINANCIALS

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.**

**PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM**

## Craters &amp; Freighters Franchise Co.

## Balance Sheet

As of March 31, 2019

	<u>Mar 31, 19</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
Academy Bank	
FC Ops Checking	241,516.26
Money Mrkt Acct	2,251,470.34
Total Academy Bank	2,492,986.60
Chase Bank	
Chase FC Ops Acct	1,275,077.05
Total Chase Bank	1,275,077.05
FMV Adjustment	38,153.33
<b>Smith Barney Accounts</b>	
FMA Account	283,816.29
Stock Account	33,213.39
Total Smith Barney Accounts	317,029.68
Total Checking/Savings	4,123,246.66
<b>Accounts Receivable</b>	
Accounts Receivable	172,354.17
Total Accounts Receivable	172,354.17
<b>Other Current Assets</b>	
A/R Franchisee	
Franchisee Ad Fund	-4,392.93
Total A/R Franchisee	-4,392.93
Accounts Recv Allowance	-45,907.61
C&F Platinum, Inc.	272,134.51
C&F Technology Fund	162,765.75
Franchise - Accrued Receivab...	205,791.16
Lease Deposit	12,350.00
Loan - Short Term	27,829.80
Total Other Current Assets	630,570.68
Total Current Assets	4,926,171.51
<b>Fixed Assets</b>	
A/D Equipment	-80,613.64
A/D Furniture & Fixtures	-19,861.84
A/D Leasehold Improvements	-11,415.00
A/D Vehicles	-31,869.80
Equipment	80,612.99
Furniture & Fixtures	19,862.71
Leasehold Improvements	11,415.00
Total Fixed Assets	-31,869.58
<b>Other Assets</b>	
Company Car	127,479.15
Due from Related Parties	10,000.00
Due from Shareholder	633,858.70
Pre-Paid Expense	143,407.29
Total Other Assets	914,745.14
<b>TOTAL ASSETS</b>	<b>5,809,047.07</b>

**Craters & Freighters Franchise Co.**  
**Balance Sheet**  
As of March 31, 2019

	<u>Mar 31, 19</u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
Accounts Payable	29,775.62
<b>Total Accounts Payable</b>	29,775.62
<b>Other Current Liabilities</b>	
<b>Deposits Held</b>	
Deposits Held - Home Depot	392.93
Deposits Held - Other	8,269.29
<b>Total Deposits Held</b>	8,662.22
<b>Total Other Current Liabilities</b>	8,662.22
<b>Total Current Liabilities</b>	38,437.84
<b>Total Liabilities</b>	38,437.84
<b>Equity</b>	
<b>Capital Stock Issued</b>	100.00
<b>Officer Distribution</b>	-716,580.81
<b>Paid In Capital</b>	800.00
<b>Retained Earnings</b>	6,084,416.31
<b>Shareholder Withdrawl</b>	-88,179.19
<b>Unrealized Gain on Securities</b>	66,506.49
<b>Net Income</b>	423,546.43
<b>Total Equity</b>	5,770,609.23
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>5,809,047.07</u></b>

## Craters &amp; Freighters Franchise Co.

## Profit &amp; Loss

January through March 2019

	Jan - Mar 19
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Interest Income	3,714.03
<b>Royalties</b>	
Royalties - Current	946,719.88
Royalties - Interest	837.86
<b>Total Royalties</b>	947,557.74
<b>Total Income</b>	951,271.77
<b>Cost of Goods Sold</b>	
Franchise Support Fees	1,019.49
<b>Payroll</b>	
Health Insurance	10,648.12
Transfer to Payroll Account	255,142.01
<b>Total Payroll</b>	265,790.13
<b>Postage &amp; Shipping</b>	
Ground	39.42
Overnight Letter	123.50
<b>Total Postage &amp; Shipping</b>	162.92
<b>Total COGS</b>	266,972.54
<b>Gross Profit</b>	684,299.23
<b>Expense</b>	
Automobile Expense	2,602.37
<b>Dues and Subscriptions</b>	
Dues	175.00
Registration Fee	565.00
<b>Total Dues and Subscriptions</b>	740.00
Employee Relations	1,224.32
Equipment Leased	3,581.98
<b>Franchisee Support</b>	
Conference Call	434.76
Franchisee Supplies	-1,830.00
Franchisee Support - Other	686.00
<b>Total Franchisee Support</b>	-709.24
Gifts	79.46
<b>Insurance</b>	
Auto Insurance	3,777.00
Commercial Package	7,001.00
Workers Compensation	503.00
<b>Total Insurance</b>	11,281.00
Internet Expenses	2,226.60
<b>Legal</b>	
Legal Fees	
Franchise Co. Matters	1,986.90
<b>Total Legal Fees</b>	1,986.90
State Registrations	7,700.00
<b>Total Legal</b>	9,686.90

## Craters &amp; Freighters Franchise Co.

04/15/19

## Profit &amp; Loss

Accrual Basis

January through March 2019

	<u>Jan - Mar 19</u>
Office Supplies	
Software	1,494.26
Office Supplies - Other	1,332.20
	<hr/>
Total Office Supplies	2,826.46
Printing	191.97
Recruiting	45.00
Rent	
Office Rent	22,959.57
	<hr/>
Total Rent	22,959.57
Repairs	
Equipment Maintenance	2,822.54
Janitorial Exp	1,605.15
	<hr/>
Total Repairs	4,427.69
Research & Development	
Consulting Fees	20,250.00
Educational Classes	631.17
	<hr/>
Total Research & Developm...	20,881.17
Royalty Rebate	171,001.82
Taxes	
Penalty - Taxes	302.30
Property Taxes	402.94
	<hr/>
Total Taxes	705.24
Telephone	
Bob's Cell	523.58
CEO, COO Cell	135.78
Telephone - Other	1,252.75
	<hr/>
Total Telephone	1,912.11
Travel & Ent	
Entertainment	220.70
Lodging	750.56
Meals	1,062.13
Parking	28.00
Travel	320.57
	<hr/>
Total Travel & Ent	2,381.96
Utilities	
Security System	348.57
Utilities - Other	2,357.85
	<hr/>
Total Utilities	2,706.42
Total Expense	260,752.80
	<hr/>
Net Ordinary Income	423,546.43
	<hr/>
Net Income	<u><u>423,546.43</u></u>

**CRATERS & FREIGHTERS FRANCHISE COMPANY**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2018 and 2017**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Craters & Freighters Franchise Company  
Golden, Colorado

We have audited the accompanying financial statements of Craters & Freighters Franchise Company, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and comprehensive income, shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craters & Freighters Franchise Company, as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hughes & Company, LLC  
Denver, Colorado  
March 19, 2019

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

---

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,178,220	\$ 2,377,548
Marketable Securities, at Fair Market Value	322,777	355,183
Accounts Receivable (net of allowance for doubtful accounts of \$50,000 and \$83,258, respectively)	873,062	803,535
Prepaid Expenses	27,873	15,845
<b>Total Current Assets</b>	<b>5,401,932</b>	<b>3,552,111</b>
<b>PROPERTY AND EQUIPMENT AT COST</b>		
Equipment	80,613	80,613
Furniture and Equipment	19,863	19,863
Leasehold Improvements	11,415	11,415
Vehicles	127,479	127,479
	239,370	239,370
Less: Accumulated Depreciation	(156,509)	(143,761)
<b>Property and Equipment (Net)</b>	<b>82,861</b>	<b>95,609</b>
<b>OTHER ASSETS</b>		
Software Development (net accumulated amortization of \$175,676 and \$122,635, respectively)	72,883	80,005
Due from Related Party	272,135	690,859
Due from Shareholder	633,859	633,859
Deposits	12,350	12,350
<b>Total Other Assets</b>	<b>991,227</b>	<b>1,417,073</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,476,020</b>	<b>\$ 5,064,793</b>

The accompanying notes are an integral part of the financial statements.

**LIABILITIES AND SHAREHOLDER'S EQUITY**

	<b>2018</b>	<b>2017</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 696,147	\$ 565,718
Other Accrued Liabilities	24,379	27,374
	<b>720,526</b>	<b>593,092</b>
 <b>SHAREHOLDER'S EQUITY</b>		
Common Stock, No Par Value; 1,000,000		
Shares Authorized; 10,500 Issued and Outstanding	100	100
Additional Paid-in-Capital	800	800
Retained Earnings	5,719,264	4,404,295
Accumulated Other Comprehensive Income	35,330	66,506
	<b>5,755,494</b>	<b>4,471,701</b>
 <b>TOTAL LIABILITIES AND     SHAREHOLDER'S EQUITY</b>	<b>\$ 6,476,020</b>	<b>\$ 5,064,793</b>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		<u>2017</u>	
<b>REVENUES</b>				
Franchise Revenues	\$ 2,004,995		\$ 1,412,050	
Royalties	<u>3,654,146</u>		<u>3,166,274</u>	
<b>Total Revenues</b>	<b><u>5,659,141</u></b>	<b>100.0%</b>	<b><u>4,578,324</u></b>	<b>100.0%</b>
<b>COST OF REVENUES</b>				
Franchisee Support	1,668,770		1,495,777	
Advertising	1,443,939		1,274,718	
Technology Support	<u>21,812</u>		<u>30,360</u>	
<b>Total Cost of Revenues</b>	<b><u>3,134,521</u></b>	<b>55.4%</b>	<b><u>2,800,855</u></b>	<b>61.2%</b>
<b>GROSS PROFIT</b>	<b><u>2,524,620</u></b>	<b>44.6%</b>	<b><u>1,777,469</u></b>	<b>38.8%</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortization and Depreciation	65,789		62,238	
Bad Debt	50,876		11,519	
Bank Charges	987		4,404	
Charitable Donations	416,521		55,845	
Dues and Subscriptions	4,313		4,080	
Employee Benefits	11,516		9,137	
Equipment	35,874		38,245	
Insurance	21,420		17,123	
Legal and Accounting	112,988		147,850	
Meals and Entertainment	4,782		3,876	
Office Supplies	23,370		32,111	
Rent	90,601		84,983	
Repairs and Maintenance	9,822		5,292	
Software and Website	27,494		11,454	
Taxes and Licenses	1,113		1,350	
Telephone and Utilities	32,817		34,709	
Travel and Entertainment	<u>98,832</u>		<u>37,475</u>	
<b>Total General and Administrative Expenses</b>	<b><u>1,009,115</u></b>	<b>17.8%</b>	<b><u>561,691</u></b>	<b>12.3%</b>
<b>INCOME FROM OPERATIONS</b>	<b><u>1,515,505</u></b>	<b>26.8%</b>	<b><u>1,215,778</u></b>	<b>26.5%</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest Income	22,756		1,562	
Investment Income	10,226		11,711	
Investment Expenses	(3,761)		(3,455)	
(Loss) Gain on Sale of Marketable Securities	<u>(7,695)</u>		<u>3,265</u>	
<b>Total Other Income (Expense)</b>	<b><u>21,526</u></b>	<b>0.4%</b>	<b><u>13,083</u></b>	<b>0.3%</b>
<b>NET INCOME</b>	<b><u>1,537,031</u></b>	<b>27.2%</b>	<b><u>1,228,861</u></b>	<b>26.8%</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Unrealized Holding Gains (Losses) on Securities:				
Unrealized Gains (Losses) Arising During the Year	(38,871)		48,755	
Reclassification Adjustment for (Gains) Losses Included in Net Income	<u>7,695</u>		<u>(3,265)</u>	
<b>Total Other Comprehensive Income (Loss)</b>	<b><u>(31,176)</u></b>	<b>-0.6%</b>	<b><u>45,490</u></b>	<b>1.0%</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 1,505,855</u></b>	<b>26.6%</b>	<b><u>\$ 1,274,351</u></b>	<b>27.8%</b>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF SHAREHOLDER'S EQUITY**  
**For the years ended December 31, 2018 and 2017**

	<u>Common</u> <u>Shares</u>	<u>Stock</u> <u>Amount</u>	<u>Additional</u> <u>Paid In</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total</u> <u>Shareholder's</u> <u>Equity</u>
<b>Balance at December 31, 2016</b>	<b>10,500</b>	<b>\$ 100</b>	<b>\$ 800</b>	<b>\$ 3,642,128</b>	<b>\$ 21,016</b>	<b>\$ 3,664,044</b>
Net Income	-	-	-	1,228,861	-	1,228,861
Other Comprehensive Income	-	-	-	-	45,490	45,490
Shareholder's Distributions	-	-	-	(466,694)	-	(466,694)
<b>Balance at December 31, 2017</b>	<b>10,500</b>	<b>100</b>	<b>800</b>	<b>4,404,295</b>	<b>66,506</b>	<b>4,471,701</b>
Net Income	-	-	-	1,537,031	-	1,537,031
Other Comprehensive Loss	-	-	-	-	(31,176)	(31,176)
Shareholder's Distributions	-	-	-	(222,062)	-	(222,062)
<b>Balance at December 31, 2018</b>	<b><u>10,500</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ 800</u></b>	<b><u>\$ 5,719,264</u></b>	<b><u>\$ 35,330</u></b>	<b><u>\$ 5,755,494</u></b>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 1,537,031	\$ 1,228,861
Amortization Expense	53,041	49,490
Depreciation Expense	12,748	12,748
(Gain) Loss on Sale of Marketable Securities	7,695	(3,265)
(Increase) Decrease in Assets		
Accounts and Notes Receivable	(69,527)	(199,817)
Prepaid Expenses	(12,028)	(4,900)
Increase (Decrease) in Liabilities		
Accounts Payable	130,429	353,620
Accrued Liabilities	(2,995)	20,421
<b>Net Cash Flows from Operating Activities</b>	<u><b>1,656,394</b></u>	<u><b>1,457,158</b></u>
<b>Cash Flows from Investing Activities</b>		
Investment in Software Development	(45,919)	(56,388)
Proceeds from the Sale of Investments	113,994	77,001
Purchase of Investments and Reinvested Dividends	(120,459)	(85,258)
<b>Net Cash Flows from Investing Activities</b>	<u><b>(52,384)</b></u>	<u><b>(64,645)</b></u>
<b>Cash Flows From Financing Activities</b>		
Repayment from (Advances to) Related Parties	418,724	(89,860)
Net Advances to Shareholder	-	(459,359)
Shareholder's Distributions	(222,062)	(466,694)
<b>Net Cash Flows from Financing Activities</b>	<u><b>196,662</b></u>	<u><b>(1,015,913)</b></u>
<b>Net Increase in Cash</b>	<b>1,800,672</b>	<b>376,600</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u><b>2,377,548</b></u>	<u><b>2,000,948</b></u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u><b>\$ 4,178,220</b></u></u>	<u><u><b>\$ 2,377,548</b></u></u>

The accompanying notes are an integral part of the financial statements.

# CRATERS & FREIGHTERS FRANCHISE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies and Nature of Business

#### Nature of Business

Craters & Freighters Franchise Company (the Company) was formed in September of 1991 in Colorado. The Company is a freight and shipping company that was organized to sell and administer franchises that offer a variety of packaging, crating, and freight forwarding services throughout the United States.

#### Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Revenue and Cost Recognition

The Company recognizes revenues in accordance with FASB ASC 952-605, *Revenue Recognition*. The Company's recognizes franchise fee revenue from individual franchise sales when it has substantially satisfied all material services or conditions relating to the sale. Substantial performance has occurred when the franchisor has; no remaining obligation or intent to refund any cash received or to forgive any unpaid notes or receivable, performed all of the initial services required by the franchise agreement and has met all other material conditions or obligations. Substantial performance generally occurs when the franchisee begins operations. During the years ended December 31, 2018 and 2017, the Company received initial franchise fee revenue totaling \$170,000 and zero, respectively.

#### Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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.

#### Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the years incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation and amortization of property and equipment is computed using the straight-line method over their estimated useful lives.

The useful lives of property and equipment for purposes of computing depreciation are:

<u>Asset Group</u>	<u>Years</u>
Equipment	5-10
Furniture and Equipment	5-10
Leasehold Improvements	7-15
Vehicles	5-10

#### Comprehensive Income

FASB ASC 220, *Comprehensive Income*, requires "Total Comprehensive Income" be reported in the financial statements. Total Comprehensive Income is presented on the Statements of Income and Comprehensive Income and the Accumulated Other Comprehensive Income is presented as a separate component of Shareholder's Equity. The Company's only element of comprehensive income that is not part of net income is unrealized gains and losses on marketable securities.

## **Income Taxes**

The Company reports income for income tax purposes using the cash method rather than the accrual method as in the financial statements. Additionally, accelerated methods are used to depreciate property and equipment for income tax purposes while straight-line methods are used for financial statements. These result in an income tax temporary difference.

The Company has elected to be taxed under the S-Corporation provisions of the Internal Revenue Code. No provision for income taxes is reflected in the financial statements since this is a personal liability of the shareholders.

## **Uncertain Tax Positions**

The Company is a pass-through entity and any changes as the result of an examination by the IRS or the Colorado Department of Revenue would not have an impact at the entity level.

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and authoritative rulings.

The Company's evaluation on December 31, 2018 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

## **Cash and Cash Equivalents**

For the purposes of these financial statements, the Company considers all investments with a maturity of three months or less when purchased and other highly liquid financial instruments to be cash and cash equivalents.

## **Investments**

Investments are classified as securities available-for-sale and are valued at market value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholder's equity.

## **Financial Instruments**

The Company's balance sheets include the following financial instruments: cash and cash equivalents, investments, accounts and notes receivable, and accounts payable. The Company considers the carrying amounts in the financial statements to approximate fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

## **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, investments and accounts receivables.

The Company has cash balances in a financial institution in excess of FDIC insured limits. Accounts receivable are generally diversified among various franchise owners and are contractual agreements. The Company maintains the ability to revoke franchise agreements if collection problems should arise.

## **Accounts and Notes Receivable**

Accounts and notes receivable consist of current and past due franchise support fees and royalties. The Company records accounts receivable at the estimated collectible amount with an allowance for doubtful accounts of \$50,000 and \$83,258 at December 31, 2018 and 2017, respectively. Franchisees with past due balances had converted balances totaling \$172,720 and \$82,430 at December 31, 2018 and 2017,

respectively. All balances are due within one year as of December 31, 2018 and 2017. The past due balances were converted into notes receivable with payment terms between twenty-four and thirty-six months, accruing interest at six percent. Default on notes receivable will result in a termination of the related franchise agreements between the Company and Franchisee.

### Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

### Advertising

Advertising costs, which are included in cost of goods sold, are expensed as incurred. Advertising expense was \$1,443,939 and \$1,274,718 for the years ended December 31, 2018 and 2017, respectively.

### Date of Management's Review

Subsequent events have been evaluated through the independent auditors' report date, which is the date the financial statements were available to be issued.

## 2. Securities Available-For-Sale

Investments are primarily debt and equity securities and mutual funds classified as available-for-sale.

### 2018

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Market Value</u>
Available-for-Sale				
Money Market Funds	\$ 11,393	\$ -	\$ -	\$ 11,393
Mutual Funds	24,184	-	(2,789)	21,395
Equities and Other Funds	<u>251,870</u>	<u>53,412</u>	<u>(15,293)</u>	<u>289,985</u>
Total	<u>\$ 287,447</u>	<u>\$ 53,412</u>	<u>\$ (18,082)</u>	<u>\$ 322,777</u>

### 2017

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Market Value</u>
Available-for-Sale				
Money Market Funds	\$ 1,429	\$ -	\$ -	\$ 1,429
Mutual Funds	36,511	1,846	(1,742)	36,615
Equities and Other Funds	<u>250,737</u>	<u>69,531</u>	<u>(3,129)</u>	<u>317,139</u>
Total	<u>\$ 288,677</u>	<u>\$ 71,377</u>	<u>\$ (4,871)</u>	<u>\$ 355,183</u>

The change in net unrealized holding gains (losses) for 2018 and 2017 was (\$31,176) and \$45,490, respectively.

The Company used the specific identification method to determine realized gain or loss on the sale of securities. For the years ended December 31, 2018 and 2017, the gross proceeds on the sale of securities available-for-sale are \$113,994 and \$77,001, respectively.

For the years ended December 31, 2018 and 2017, the Company had a net realized gain (loss) from the sale of securities of (\$7,695) and \$3,265, respectively.

### 3. Fair Value Measurement

The Company adopted SFAS No. 157. SFAS No. 157, *Fair Value Measurements*, subsequently renamed FASB ASC 820-10, establishes a framework for measuring fair value. That framework provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**Level 2:** Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Marketable Securities: Level 1 measurements are used in determining the fair value of marketable securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### 4. Property and Equipment

A summary of the investment in property and equipment, at December 31, 2018 and 2017 is as follows:

<u>2018</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Equipment	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	<u>127,479</u>	<u>44,618</u>	<u>82,861</u>
	<u>\$ 239,370</u>	<u>\$ 156,509</u>	<u>\$ 82,861</u>

<u>2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Equipment	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	<u>127,479</u>	<u>31,870</u>	<u>95,609</u>
	<u>\$ 239,370</u>	<u>\$ 143,761</u>	<u>\$ 95,609</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$12,748.

#### 5. Due from/to Shareholder

The Shareholder will from time to time make advances to or pay expenses on behalf of the Company. Due to the short term nature of these advances, interest is not accrued. As of December 31, 2018 and 2017, the Company did not owe anything to the shareholder. As of December 31, 2018 and 2017, the shareholder owed the Company \$633,859.

#### 6. Retirement Plan

The Company maintains a Savings Incentive Match Plan for Employees (SIMPLE), whereby the Company makes a matching contribution up to 3% of electing employees' compensation upon meeting age and length of service requirements. Contributions are made at the discretion of the Board of Directors. For the years ended December 31, 2018 and 2017 the Company elected to contribute \$6,956 and \$12,435, respectively

#### 7. Leases

Prior to the year ended December 31, 2016, The Company amended and extended its original lease dated February 14, 2005. Minimum monthly rental payments under this lease average \$6,036 per month and the renewed lease terminates September 2020. Rent paid, during the years ended December 31, 2018 and 2017 was \$90,601 and \$84,983, respectively.

2019	\$ 99,390
2020	<u>81,900</u>
	<u>\$ 181,290</u>

#### 8. Working Capital

	<u>2018</u>	<u>2017</u>
Working Capital (current assets less current liabilities)	<u>\$ 4,681,406</u>	<u>\$ 2,959,019</u>
Current Ratio (current assets divided by current liabilities)	<u>7.50 to 1</u>	<u>5.99 to 1</u>

#### 9. Claims and Contingencies

The Company is periodically involved in litigation arising in the ordinary course of business. Management is of the opinion that the ultimate resolution of any such matters will not have a material adverse effect on the Company's financial position or results of operation.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2017 and 2016**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Craters & Freighters Franchise Company  
Golden, Colorado

We have audited the accompanying financial statements of Craters & Freighters Franchise Company, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and comprehensive income, shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craters & Freighters Franchise Company, as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hughes & Company, LLC  
Denver, Colorado  
April 11, 2018

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

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**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,377,548	\$ 2,000,948
Marketable Securities, at Fair Market Value	355,183	298,171
Accounts Receivable (net of allowance for doubtful accounts of \$83,258 and \$94,000, respectively)	803,535	534,983
Prepaid Expenses	15,845	10,945
<b>Total Current Assets</b>	<b>3,552,111</b>	<b>2,845,047</b>
<b>PROPERTY AND EQUIPMENT AT COST</b>		
Equipment	80,613	80,613
Furniture and Equipment	19,863	19,863
Leasehold Improvements	11,415	11,415
Vehicles	127,479	127,479
	239,370	239,370
Less: Accumulated Depreciation	(143,761)	(131,013)
<b>Property and Equipment (Net)</b>	<b>95,609</b>	<b>108,357</b>
<b>OTHER ASSETS</b>		
Software Development (net accumulated amortization of \$122,635 and \$73,145, respectively)	80,005	73,107
Notes Receivable - Long-Term	-	68,735
Due from Related Party	690,859	600,999
Due from Shareholder	633,859	200,000
Deposits	12,350	12,350
<b>Total Other Assets</b>	<b>1,417,073</b>	<b>955,191</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,064,793</b>	<b>\$ 3,908,595</b>

The accompanying notes are an integral part of the financial statements.

## LIABILITIES AND SHAREHOLDER'S EQUITY

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 565,718	\$ 212,098
Other Accrued Liabilities	27,374	6,953
Due to Shareholder	-	25,500
	<u>593,092</u>	<u>244,551</u>
<b>Total Current Liabilities</b>		
	<u>593,092</u>	<u>244,551</u>
<b>SHAREHOLDER'S EQUITY</b>		
Common Stock, No Par Value; 1,000,000		
Shares Authorized; 10,500 Issued and Outstanding	100	100
Additional Paid-in-Capital	800	800
Retained Earnings	4,404,295	3,642,128
Accumulated Other Comprehensive Income	66,506	21,016
	<u>4,471,701</u>	<u>3,664,044</u>
<b>Total Shareholder's Equity</b>		
	<u>4,471,701</u>	<u>3,664,044</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>\$ 5,064,793</u></u>	<u><u>\$ 3,908,595</u></u>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>		<u>2016</u>	
<b>REVENUES</b>				
Franchise Revenues	\$ 1,412,050		\$ 1,404,709	
Royalties	<u>3,166,274</u>		<u>2,918,359</u>	
<b>Total Revenues</b>	<u><b>4,578,324</b></u>	<u><b>100.0%</b></u>	<u><b>4,323,068</b></u>	<u><b>100.0%</b></u>
<b>COST OF REVENUES</b>				
Franchisee Support	1,495,777		1,338,086	
Advertising	1,274,718		1,216,306	
Technology Support	<u>30,360</u>		<u>32,409</u>	
<b>Total Cost of Revenues</b>	<u><b>2,800,855</b></u>	<u><b>61.2%</b></u>	<u><b>2,586,801</b></u>	<u><b>59.8%</b></u>
<b>GROSS PROFIT</b>	<u><b>1,777,469</b></u>	<u><b>38.8%</b></u>	<u><b>1,736,267</b></u>	<u><b>40.2%</b></u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortization and Depreciation	62,238		81,721	
Bad Debt	11,519		11,375	
Bank Charges	4,404		2,178	
Charitable Donations	55,845		52,129	
Dues and Subscriptions	4,080		3,203	
Employee Benefits	9,137		9,309	
Equipment	38,245		35,966	
Insurance	17,123		4,267	
Legal and Accounting	147,850		105,887	
Meals and Entertainment	3,876		3,468	
Office Supplies	32,111		32,022	
Rent	84,983		89,645	
Repairs and Maintenance	5,292		4,785	
Software and Website	11,454		9,584	
Taxes and Licenses	1,350		6,922	
Telephone and Utilities	34,709		26,242	
Travel and Entertainment	<u>37,475</u>		<u>63,306</u>	
<b>Total General and Administrative Expenses</b>	<u><b>561,691</b></u>	<u><b>12.3%</b></u>	<u><b>542,009</b></u>	<u><b>12.5%</b></u>
<b>INCOME FROM OPERATIONS</b>	<u><b>1,215,778</b></u>	<u><b>26.5%</b></u>	<u><b>1,194,258</b></u>	<u><b>27.7%</b></u>
<b>OTHER INCOME (EXPENSES)</b>				
Interest Income	1,562		477	
Investment Income	11,711		9,515	
Investment Expenses	(3,455)		(2,939)	
Loss on Obsolete Software Development	-		(7,094)	
Gain (Loss) on Sale of Marketable Securities	<u>3,265</u>		<u>(12,481)</u>	
<b>Total Other Income (Expense)</b>	<u><b>13,083</b></u>	<u><b>0.3%</b></u>	<u><b>(12,522)</b></u>	<u><b>-0.3%</b></u>
<b>NET INCOME</b>	<u><b>1,228,861</b></u>	<u><b>26.8%</b></u>	<u><b>1,181,736</b></u>	<u><b>27.4%</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Unrealized Holding Gains (Losses) on Securities:				
Unrealized Gains (Losses) Arising During the Year	48,755		20,056	
Reclassification Adjustment for (Gains) Losses Included in Net Income	<u>(3,265)</u>		<u>12,481</u>	
<b>Total Other Comprehensive Income</b>	<u><b>45,490</b></u>	<u><b>1.0%</b></u>	<u><b>32,537</b></u>	<u><b>0.8%</b></u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u><b>\$ 1,274,351</b></u></u>	<u><u><b>27.8%</b></u></u>	<u><u><b>\$ 1,214,273</b></u></u>	<u><u><b>28.2%</b></u></u>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Common Stock</u>		<u>Additional</u>		<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid In</u>	<u>Retained</u>	<u>Other</u>	<u>Total</u>
			<u>Capital</u>	<u>Earnings</u>	<u>(Loss) Income</u>	<u>Shareholder's</u>
						<u>Equity</u>
<b>Balance at December 31, 2015</b>	<b>10,500</b>	<b>\$ 100</b>	<b>\$ 800</b>	<b>\$ 2,874,387</b>	<b>\$ (11,521)</b>	<b>\$ 2,863,766</b>
Net Income	-	-	-	1,181,736	-	1,181,736
Other Comprehensive Income	-	-	-	-	32,537	32,537
Shareholder's Distributions	-	-	-	(413,995)	-	(413,995)
<b>Balance at December 31, 2016</b>	<b>10,500</b>	<b>100</b>	<b>800</b>	<b>3,642,128</b>	<b>21,016</b>	<b>3,664,044</b>
Net Income	-	-	-	1,228,861	-	1,228,861
Other Comprehensive Income	-	-	-	-	45,490	45,490
Shareholder's Distributions	-	-	-	(466,694)	-	(466,694)
<b>Balance at December 31, 2017</b>	<b>10,500</b>	<b>\$ 100</b>	<b>\$ 800</b>	<b>\$ 4,404,295</b>	<b>\$ 66,506</b>	<b>\$ 4,471,701</b>

The accompanying notes are an integral part of the financial statements.

**CRATERS & FREIGHTERS FRANCHISE COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 1,228,861	\$ 1,181,736
Amortization Expense	49,490	68,973
Depreciation Expense	12,748	12,748
Loss on Obsolete Software	-	7,094
(Gain) Loss on Sale of Marketable Securities	(3,265)	12,481
(Increase) Decrease in Assets		
Accounts and Notes Receivable	(199,817)	(62,017)
Other Assets	(4,900)	(7,257)
Advances	-	20,138
Increase (Decrease) in Liabilities		
Accounts Payable	353,620	(32,472)
Accrued Liabilities	20,421	3,989
<b>Net Cash Flows from Operating Activities</b>	<u>1,457,158</u>	<u>1,205,413</u>
<b>Cash Flows from Investing Activities</b>		
Investment in Software Development	(56,388)	(52,076)
Proceeds from the Sale of Investments	77,001	44,807
Purchase of Investments	(85,258)	(51,382)
<b>Net Cash Flows from Investing Activities</b>	<u>(64,645)</u>	<u>(58,651)</u>
<b>Cash Flows From Financing Activities</b>		
Advances to Related Parties	(89,860)	(558,415)
Net Advances to Shareholder	(459,359)	(193,506)
Shareholder's Distributions	(466,694)	(413,995)
<b>Net Cash Flows from Financing Activities</b>	<u>(1,015,913)</u>	<u>(1,165,916)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>376,600</b>	<b>(19,154)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,000,948</u>	<u>2,020,102</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,377,548</u>	<u>\$ 2,000,948</u>

The accompanying notes are an integral part of the financial statements.

# CRATERS & FREIGHTERS FRANCHISE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies and Nature of Business

#### Nature of Business

Craters & Freighters Franchise Company (the Company) was formed in September of 1991 in Colorado. The Company is a freight and shipping company that was organized to sell and administer franchises that offer a variety of packaging, crating, and freight forwarding services throughout the United States.

#### Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Revenue and Cost Recognition

The Company recognizes revenues in accordance with FASB ASC 952-605, *Revenue Recognition*. The Company's recognizes franchise fee revenue from individual franchise sales when it has substantially satisfied all material services or conditions relating to the sale. Substantial performance has occurred when the franchisor has; no remaining obligation or intent to refund any cash received or to forgive any unpaid notes or receivable, performed all of the initial services required by the franchise agreement and has met all other material conditions or obligations. Substantial performance generally occurs when the franchisee begins operations. During the years ended December 31, 2017 and 2016, the Company received initial franchise fee revenue totaling zero and \$47,554, respectively.

#### Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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.

#### Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the years incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation and amortization of property and equipment is computed using the straight-line method over their estimated useful lives.

The useful lives of property and equipment for purposes of computing depreciation are:

<u>Asset Group</u>	<u>Years</u>
Equipment	5-10
Furniture and Equipment	5-10
Leasehold Improvements	7-15
Vehicles	5-10

#### Comprehensive Income

FASB ASC 220, *Comprehensive Income*, requires "Total Comprehensive Income" be reported in the financial statements. Total Comprehensive Income is presented on the Statements of Income and Comprehensive Income and the Accumulated Other Comprehensive Income is presented as a separate component of Shareholder's Equity. The Company's only element of comprehensive income that is not part of net income is unrealized gains and losses on marketable securities.

## **Income Taxes**

The Company reports income for income tax purposes using the cash method rather than the accrual method as in the financial statements. Additionally, accelerated methods are used to depreciate property and equipment for income tax purposes while straight-line methods are used for financial statements. These result in an income tax temporary difference.

The Company has elected to be taxed under the S-Corporation provisions of the Internal Revenue Code. No provision for income taxes is reflected in the financial statements since this is a personal liability of the shareholders.

## **Uncertain Tax Positions**

The Company is a pass-through entity and any changes as the result of an examination by the IRS or the Colorado Department of Revenue would not have an impact at the entity level.

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and authoritative rulings.

The Company's evaluation on December 31, 2017 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2014 through 2016 tax years remain subject to examination by the IRS. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

## **Cash and Cash Equivalents**

For the purposes of these financial statements, the Company considers all investments with a maturity of three months or less when purchased and other highly liquid financial instruments to be cash and cash equivalents.

## **Investments**

Investments are classified as securities available-for-sale and are valued at market value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholder's equity.

## **Financial Instruments**

The Company's balance sheets include the following financial instruments: cash and cash equivalents, investments, accounts and notes receivable, and accounts payable. The Company considers the carrying amounts in the financial statements to approximate fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

## **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, investments and accounts receivables.

The Company has cash balances in a financial institution in excess of FDIC insured limits. Accounts receivable are generally diversified among various franchise owners and are contractual agreements. The Company maintains the ability to revoke franchise agreements if collection problems should arise.

## **Accounts and Notes Receivable**

Accounts and notes receivable consist of current and past due franchise support fees and royalties. The Company records accounts receivable at the estimated collectible amount with an allowance for doubtful accounts of \$83,258 and \$94,000 at December 31, 2017 and 2016, respectively. Franchisees with past due balances had converted balances totaling \$82,430 and \$200,491 at December 31, 2017 and 2016,

respectively. Of which, zero and \$68,735 was considered due after one year as of December 31, 2017 and 2016, respectively. The past due balances were converted into notes receivable with payment terms between twenty-four and thirty-six months, accruing interest at five percent. Default on notes receivable will result in a termination of the related franchise agreements between the Company and Franchisee.

### Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

### Advertising

Advertising costs, which are included in cost of goods sold, are expensed as incurred. Advertising expense was \$1,274,718 and \$1,216,306 for the years ended December 31, 2017 and 2016, respectively.

### Date of Management's Review

Subsequent events have been evaluated through April 11, 2018, which is the date the financial statements were available to be issued.

## 2. Securities Available-For-Sale

Investments are primarily debt and equity securities and mutual funds classified as available-for-sale.

### 2017

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Market Value</u>
Available-for-Sale				
Money Market Funds	\$ 1,429	\$ -	\$ -	\$ 1,429
Mutual Funds	36,511	1,846	(1,742)	36,615
Equities and Other Funds	<u>250,737</u>	<u>69,531</u>	<u>(3,129)</u>	<u>317,139</u>
Total	<u>\$ 288,677</u>	<u>\$ 71,377</u>	<u>\$ (4,871)</u>	<u>\$ 355,183</u>

### 2016

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Market Value</u>
Available-for-Sale				
Money Market Funds	\$ 5,651	\$ -	\$ -	\$ 5,651
Mutual Funds	38,423	-	(4,349)	34,074
Equities and Other Funds	<u>233,081</u>	<u>25,365</u>	<u>-</u>	<u>258,446</u>
Total	<u>\$ 277,155</u>	<u>\$ 25,365</u>	<u>\$ (4,349)</u>	<u>\$ 298,171</u>

The change in net unrealized holding gains (losses) for 2017 and 2016 was \$45,490 and \$32,537, respectively.

The Company used the specific identification method to determine realized gain or loss on the sale of securities. For the years ended December 31, 2017 and 2016, the gross proceeds on the sale of securities available-for-sale are \$77,001 and \$44,807, respectively.

For the years ended December 31, 2017 and 2016, the Company had a net realized gain (loss) from the sale of securities of \$3,265 and (\$12,481), respectively.

### 3. Fair Value Measurement

The Company adopted SFAS No. 157. SFAS No. 157, *Fair Value Measurements*, subsequently renamed FASB ASC 820-10, establishes a framework for measuring fair value. That framework provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**Level 2:** Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Marketable Securities: Level 1 measurements are used in determining the fair value of marketable securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### 4. Property and Equipment

A summary of the investment in property and equipment, at December 31, 2017 and 2016 is as follows:

<u>2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Equipment	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	<u>127,479</u>	<u>31,870</u>	<u>95,609</u>
	<u>\$ 239,370</u>	<u>\$ 143,761</u>	<u>\$ 95,609</u>

<u>2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Equipment	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	<u>127,479</u>	<u>19,122</u>	<u>108,357</u>
	<u>\$ 239,370</u>	<u>\$ 131,013</u>	<u>\$ 108,357</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$12,748.

#### 5. Due from/to Shareholder

The Shareholder will from time to time make advances to or pay expenses on behalf of the Company. Due to the short term nature of these advances, interest is not accrued. As of December 31, 2017 and 2016, the Company owed the shareholder zero and \$25,500, respectively. During the years ended December 31, 2017 and 2016, the shareholder has borrowed funds for various investment purposes. As of December 31, 2017 and 2016, the shareholder owed the Company \$633,859 and \$200,000, respectively.

#### 6. Retirement Plan

The Company maintains a Savings Incentive Match Plan for Employees (SIMPLE), whereby the Company makes a matching contribution up to 3% of electing employees' compensation upon meeting age and length of service requirements. Contributions are made at the discretion of the Board of Directors. For the years ended December 31, 2017 and 2016 the Company elected to contribute \$12,435 and \$11,985, respectively.

#### 7. Leases

Prior to the year ended December 31, 2016, The Company amended and extended its original lease dated February 14, 2005. Minimum monthly rental payments under this lease average \$6,036 per month and the renewed lease terminates September 2020. Rent paid, during the years ended December 31, 2017 and 2016 was \$84,983 and \$89,645, respectively.

2018	\$ 97,200
2019	99,390
2020	<u>81,900</u>
	<u>\$ 278,490</u>

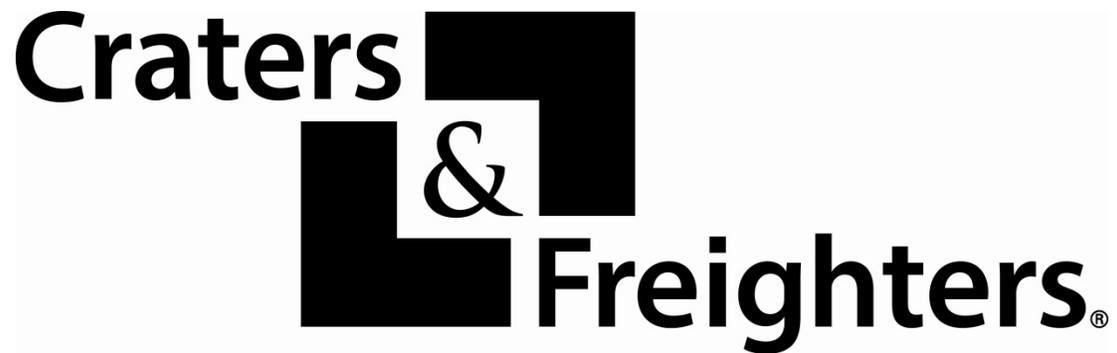
#### 8. Working Capital

	<u>2017</u>	<u>2016</u>
Working Capital (current assets less current liabilities)	<u>\$ 2,959,019</u>	<u>\$ 2,600,496</u>
Current Ratio (current assets divided by current liabilities)	<u>5.99 to 1</u>	<u>11.63 to 1</u>

#### 9. Claims and Contingencies

The Company is periodically involved in litigation arising in the ordinary course of business. Management is of the opinion that the ultimate resolution of any such matters will not have a material adverse effect on the Company's financial position or results of operation.

***EXHIBIT F***  
***Franchise Agreement***



**Craters & Freighters Franchise Company**  
**Franchise Agreement**

**{Legal Corporate Name}**  
**dba Craters & Freighters of {location}**  
**{Date}**

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**EXHIBITS:**

- Exhibit A: Owner’s Guaranty & Assumption of Franchisee’s Obligations
- Exhibit B: Consent to Collateral Assignment and Agreement of Lessor
- Exhibit C: Office and Warehouse Preparation
- Exhibit D: Minimum Performance Standards and Minimum Monthly Royalties

<u>INT1</u>	<u>INT2</u>
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**Franchise Agreement  
Craters & Freighters Franchise Company**

This Franchise Agreement (this “**Agreement**”) is entered into and made by and between Craters & Freighters Franchise Company, a Colorado corporation (“**Franchisor**”) with its principal offices at 331 Corporate Circle, Suite J, Golden, Colorado 80401, and \_\_\_\_\_ (“**Franchisee**”) with its principal offices at \_\_\_\_\_.

**RECITALS**

WHEREAS, Franchisor was organized September 23, 1991, for the purpose of developing a national network quality packaging, crating, shipping, logistics services in specific market areas.

WHEREAS, Franchisor has developed a multitude of programs specific to the operation of a Craters & Freighters Center including but not limited to specialized packing and crating techniques, shipping & logistics solutions, national accounts program, national cargo insurance plan, proprietary software, advertising programs, brand identity system, and a comprehensive website.

WHEREAS, in doing so, Franchisor has developed a concept for shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products known as “**Centers**,” which operate under distinctive business formats, systems, methods, procedures, designs, layouts and specifications (collectively, the “**System**”), which Franchisor may improve, further develop, or otherwise modify from time to time. Franchisor grants to franchisees the right to operate a Center and requires them to use certain trade names, trademarks, and service marks (“**Marks**”).

**ACKNOWLEDGMENTS BY FRANCHISEE**

Franchisee acknowledges Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document. Further, Franchisee acknowledges Franchisee understands and accepts the terms contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards, and to protect and preserve the goodwill of the Marks and the integrity of the System. Franchisee also acknowledges that Franchisee has conducted an independent investigation of the business venture contemplated by the Agreement and recognizes that, like any other business, the nature of this business may evolve and change over time, that the investment involves business risks, and that the success of the venture is largely dependent upon Franchisee’s business abilities and efforts. Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied

upon, any guaranty, express or implied, and the revenues, profits, or success of the business venture contemplated by this Agreement. Franchisee further acknowledges that Franchisee has not received or relied on any representations about the franchise, Franchisor, or its franchise program or policies made by Franchisor or its officers, directors, employees, or agents that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms herein. Franchisee further represents to Franchisor, as an inducement to this entry into the Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

1. GRANT OF FRANCHISE.

1.1 Grant. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate a Center at the Premises using the System and the Marks for the Initial Term of this Agreement. Franchisee may not operate the Center at any site other than the Premises without Franchisor's prior written consent. Franchisee shall use the Marks and System only in accordance with the terms and conditions of this Agreement.

1.2 Best Efforts. Franchisee agrees to at all times faithfully, honestly and diligently perform Franchisee's obligations hereunder and to exert Franchisee's best efforts to promote and enhance the business of the Center. Franchisee also agrees that Franchisee will not engage in any other business or activity that may conflict with Franchisee's obligations hereunder.

1.3 Modification of System. Franchisor reserves the right to periodically change, improve, or further develop the System, or any part of the System. Franchisee must promptly accept and comply with any change to the System and incur any expenditures as necessary to comply with the System. Franchisee acknowledges that such expenditures are not limited or capped by Franchisor in any way.

1.4 Equipment. Franchisee acknowledges and agrees that special equipment ("**Equipment**") is necessary to fulfill the quality packing and shipping of products, including but not limited to a truck with a liftgate and graphics, equipment, and tools, as set forth in Exhibit C and the Center Opening Handbook. Franchisee agrees to purchase and install the Equipment in the Center prior to the opening of the Center, and to maintain such Equipment throughout the Initial Term and any Successor Term, according to the requirements and standards established by Franchisor.

1.5 Franchisor Support. Franchisor shall provide and maintain support for Franchisee, which support may be provided by telephone conversations, regional and national conferences, site visits, group

conference calls, online communications, through an intranet operated by Franchisor, and any other means solely determined by Franchisor.

2. FRANCHISE AREA.

2.1 Territory. During the Initial Term and any Successor Term (as defined below), neither Franchisor nor its affiliates will own, operate or franchise a fixed location for the operation of any other Center within Franchisee’s territory (“**Territory**”) which shall be designated as to counties and its boundaries as follows:

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2.2 Operation of Franchise Limited to Territory. Franchisee agrees to devote its best efforts to serving customers who reside or operate within the Territory. Therefore, except as otherwise permitted herein or as approved in advance and in writing by Franchisor, Franchisee shall solicit business only in the Territory for the purpose of obtaining customers who reside or operate within the Territory. However, Franchisee is not required to verify that customers to the Center reside or conduct business within the Territory. Franchisee acknowledges and agrees that Franchisor, as part of its business strategy, may advertise or market on behalf of the System in the Territory and may maintain itself, or through its affiliates, a presence in the Territory for the purpose of providing the System standards of the type provided by the Center. Franchisee agrees to abide by Franchisor’s then current policies on marketing outside the Territory, if any, and on cooperating with neighboring Craters & Freighters franchisees, as the same may be set further from time to time in the Operations Manuals. Franchisee acknowledges and agrees that customers residing or operating within the Territory are entitled the freedom to choose any Craters & Freighters center which they believe will best serve them and their needs, and that they may seek service of the type provided by Franchisee from others, including another Craters & Freighters franchisee located outside of Franchisee’s Territory. Franchisee further acknowledges and agrees that advertising promotions conducted by third parties and outside of Franchisor’s control may refer customers residing or operating within the Territory to a Craters & Freighters center outside of the Territory.

2.3 Servicing in Unsold Adjacent Territories. Franchisor may grant Franchisee the right, in Franchisor’s sole determination, to promote and advertise the Center to customers in an unsold territory adjacent to the Territory (“**Adjacent Territory**”). If the right to operate in the Adjacent Territory is

subsequently granted to another Craters & Freighters franchisee, Franchisee agrees to, upon receipt of written notice from Franchisor, cease all promotional and advertising efforts within the Adjacent Territory, return to Franchisor all customer data and prospect information related to the Adjacent Territory, and cease providing products and services to customers in the Adjacent Territory. Franchisee acknowledges and agrees that it is obligated to pay royalties to Franchisor, in accordance with Section 9 of this Agreement, on all Adjusted Gross Sales (as hereafter defined) from customers residing within the Territory and any Adjacent Territory. Franchisee acknowledges and agrees that neither the ability to service nor the grant of Franchisor's permission to service customers residing in any Adjacent Territory affords Franchisee any right, title, or interest in or to such Adjacent Territory whatsoever, including the ability to do further business in the Adjacent Territory after it is granted to a third party (including any right to acquire such Adjacent Territory or any right of first refusal as to such Adjacent Territory).

2.4 Referrals from Customers in Another Franchisee's Territory. If Franchisee receives information regarding business ("**Referral**") from a potential customer who resides or operates outside the Territory ("**Referred Customer**"), Franchisee must inform the Craters & Freighters franchisee whose territory includes the location at which such Referred Customer resides or operates ("**Primary Franchisee**"). Specifically, Franchisee must relay all necessary information regarding the Referral and the Referred Customer to Primary Franchisee to maximize Primary Franchisee's opportunity to provide services to the Referred Customer through the Primary Franchisee's center. If Franchisee fails or refuses to notify Primary Franchisee regarding the Referral and Referred Customer and, instead, subsequently provides services to the Referred Customer through Franchisee's Center, Franchisee will have materially breached this Agreement, which will provide Franchisor the right to terminate this Agreement. Notwithstanding the foregoing, Franchisee may obtain approval to provide services to a Referred Customer but only if Franchisee and the corresponding Primary Franchisee enter into an agreement regarding such Referral and Franchisee promptly notifies Franchisor of Franchisee's agreement with such Primary Franchisee.

2.5 Franchisor Reservation of Rights. Franchisee acknowledges that the franchise granted hereunder is non-exclusive and that Franchisor and its affiliates retain the exclusive right, among others to:

2.5.1 Own, franchise, or operate Craters & Freighters centers at any location outside of the Territory, regardless of the proximity to the boundaries of the Territory; provided, however, Franchisor will not establish within the Territory another franchisee or company-owned outlet which may also use the Marks;

2.5.2 Use the Marks and System to sell any products or services similar to those which Franchisee will sell, through any alternate channels of distribution within or outside of the Territory, including to National Accounts (as defined below). This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. Franchisor exclusively reserves alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for Franchisor. Franchisee may not independently use alternative channels of distribution to make sales within or outside the Territory without Franchisor's prior written approval;

2.5.3 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 business offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, at any location, including within the Territory, which may be similar to or different from Franchisee's Center;

2.5.4 Purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with Franchisee's Center, wherever located;

2.5.5 Acquire and convert to the system operated by Franchisor any businesses offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, including such 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

2.5.6 Implement multi-area marketing programs, including but not limited to a National Accounts program.

2.6 Minimum Performance Standards. Franchisee must meet the minimum performance standards ("**Minimum Performance Standards**") set forth in Exhibit D to this Agreement. The Minimum Performance Standards are based on population (which determination should be made based upon the latest United States Census information available for the Territory), demographic factors, economic factors, competition, market penetration, the growth rate of other Craters & Freighters centers and other relevant

factors solely determined by Franchisor. Franchisee understands that meeting the annual Minimum Performance Standards does not suggest that Franchisee is sufficiently penetrating the market in its Territory or that its Center will be successful. Rather, the Minimum Performance Standards are threshold minimum amounts. Franchisee acknowledges and agrees that Franchisee's failure to meet the Minimum Performance Standards is subject to the default and termination provisions set forth in Section 24, which include Franchisor's right to terminate the Franchise Agreement or reduce the size of Franchisee's Territory.

3. SITE SELECTION; LEASE OF PREMISES; OPENING AND DEVELOPMENT OF CENTER; EMPLOYEES

3.1 Site Selection. Franchisee agrees to locate, within sixty (60) days after the execution date of this Agreement, a site within the Territory suitable for the operation of the Center ("**Premises**") which must be approved by Franchisor. Space requirements are 3,500 square feet or greater of warehouse space in an industrial area. The physical appearance and location of the Center must meet Franchisor's standards and specifications. The Center should preferably have a loading dock and must have an overhead dock door that enables Franchisee to ship out and to receive large items of freight. If the dock door opens to ground level, Franchisee must have a forklift. Franchisor shall use reasonable efforts to assist Franchisee to locate a suitable Premises for the Center. Franchisee acknowledges and agrees that Franchisor's approval of the Premises and any information regarding the Premises do not constitute a representation or warranty of any kind, express or implied, as to the suitability of a site for the Center or for any other purpose. Franchisor's approval of the Premises indicates only that Franchisor believes that a site falls within the acceptable criteria established by Franchisor as of that time. Franchisee acknowledges that application of criteria that have been effective with respect to other sites may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a Premises, demographic and/or economic factors included in or excluded from Franchisor's criteria could change (including the entry of competing businesses into the market of the Center), thereby altering the potential of a particular Premises. The uncertainty and instability of such criteria are beyond Franchisor's control and Franchisor shall not be responsible for the failure of a Premises approved by Franchisor to meet expectations as to potential revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of a Center at the Premises is based on its own independent investigation of the suitability of the Premises and that the final decision regarding the Premises shall be made by Franchisee.

3.2 Lease of Premises. Franchisee acknowledges that Franchisor must approve the Lease or Sublease ("**Lease**") for the Premises of the Center prior to its execution or, if Franchisor owns or leases the

Premises, Franchisee has agreed to lease the Premises pursuant to the terms and conditions of Franchisor's standard Lease. Franchisee agrees not to execute a Lease that Franchisor has disapproved and to deliver a copy of the executed Lease to Franchisor within fifteen (15) days after its execution. Franchisee further agrees that Franchisee will collaterally assign the Lease to Franchisor as security for its timely performance of all obligations under this Agreement and shall appoint Franchisor as its Power of Attorney to secure the Lease in case of default or termination, as set forth in Exhibit B to this Agreement. Franchisor has the right, but not the obligation, to exercise its option to acquire the responsibility for the Lease. Franchisee acknowledges that Franchisor's approval of the Lease for the Premises does not constitute a guarantee or warranty by Franchisor, express or implied, of the successful operation or profitability of a Craters & Freighters center operated at the Premises and indicates only Franchisor believes that the terms and conditions of the Lease fall within the acceptable criteria established by Franchisor as of that time.

3.3 Center Development. Franchisee shall be solely responsible for developing the Center. Franchisor will furnish to Franchisee mandatory and suggested specifications and layouts for a Craters & Freighters center, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, and color scheme. It shall be Franchisee's responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Premises and to insure compliance with applicable laws and the Lease. Franchisee shall submit construction plans and specifications to Franchisor for approval before construction commences and Franchisee shall, upon request, submit all revised or "as built" plans and specifications during construction. Franchisee shall obtain Franchisor's approval of such construction plans and specifications prior to opening the Center. With respect to a renewal, the former paragraph does not apply. Franchisee agrees, at its sole expense, to do or cause to be done the following with respect to developing the Center at the Premises: a) secure all required financing; b) obtain all required permits and licenses; c) construct all required improvements and decorate the Center in compliance with approved plans and specifications; d) purchase and install all required fixtures, equipment, and signs required for the Center; and e) purchase an opening inventory of materials and supplies, including the Equipment.

3.4 Fixtures, Equipment and Signs. Franchisee agrees to use, in the development and operation of the Center, only those fixtures, Equipment, computer hardware and software, and signs that Franchisor has approved as meeting its specifications and standards for quality, design, appearance, function, and performance. Franchisee shall purchase or lease approved brands, types, or models of fixtures, Equipment and signs from any suppliers. Franchisee agrees to place or display, at the Premises (interior and exterior), only such signs, emblems, lettering, logos and display materials that Franchisor approves from time to time.

3.5 Center Opening. Franchisee agrees not to open the Center for business until Franchisee has complied with all of its obligations under Sections 3.1, 3.2, 3.3, and 3.4 and has furnished Franchisor with copies of all required insurance policies or such other evidence of coverage and payment as Franchisor may request. Franchisee agrees to open the Center for business within fifteen (15) days after Franchisor notifies Franchisee that the conditions set forth in this Section 3.5 have been satisfied.

3.6 Employees. Franchisee acknowledges and agrees that no employee of Franchisee will be deemed to be an employee of Franchisor for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from Franchisee to Franchisor. Franchisee alone is responsible for hiring, firing, training, setting hours for and supervising all employees.

4. TRAINING.

4.1 Initial Training Program. Prior to the Center's opening, Franchisor shall furnish a training program on the operation of a Craters & Freighters center. Approximately nine (9) business days of training will be furnished at Franchisor's headquarters or at another designated facility selected by Franchisor. Up to two (2) individuals (including Franchisee if Franchisee is an individual) are entitled to participate, and Franchisee (or a principal owner thereof or the corporate designee thereof) and the manager of the Center must complete the training program to Franchisor's satisfaction and participate in all other activities required by Franchisor to open the Center. Franchisee shall be responsible for all travel and living expenses incurred in connection with the training program. Approximately three (3) days of additional training will be furnished by Franchisor or a designee of Franchisor at the Center during normal business hours after the opening of the Center, if such is required, as solely determined by Franchisor. If more than three (3) days of additional on-site training are determined to be necessary, Franchisee shall pay such costs as reasonable.

4.2 Periodic Ongoing Training. Franchisor will require Franchisee and/or previously trained and experienced managers to attend periodic courses with respect to new methods, techniques, equipment, services, and procedures, at such times and locations that Franchisor designates. Franchisee shall be responsible for all travel and living expenses incurred in connection with any such courses.

5. GUIDANCE.

5.1 Guidance Furnished. Franchisor shall advise Franchisee from time to time regarding Franchisee's operation of the Center and shall furnish to Franchisee guidance in connection with: 1) methods,

standards, and operating procedures utilized by Craters & Freighters centers; 2) purchasing required fixtures, Equipment, signs, material, and supplies; 3) sales, advertising and promotional programs; 4) merchandising services; and 5) administrative, bookkeeping, accounting, and general operating and management procedures. Such guidance shall, in Franchisor’s discretion, be furnished in the form of Franchisor’s Operations Manuals and other manuals, written materials, telephonic conversations, and/or consultations at Franchisor’s offices or at the Center. **“Operations Manuals”** means, but is not limited to, collectively, all manuals, written materials, directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, 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 Franchisor for use by the System franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, operating procedures, instructions or policies relating to the operation of Craters & Freighters centers, as they may be added to, deleted or otherwise amended by Franchisor from time to time. Franchisee acknowledges that Franchisor shall have the right to delegate the performance of any portion of its obligations and duties hereunder to third parties from time to time, whether such third parties are agents of Franchisor or independent contractors, which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

5.2 Purpose of Training, Support and Guidance. Franchisee acknowledges and agrees that any training, support, guidance or tools Franchisor provides to Franchisee under this Agreement are for the purpose of protecting the Craters & Freighters brand and Marks and to assist Franchisee in the operation of the Center and not for the purpose of controlling or in any way intended to exercise or exert control over Franchisee’s decisions or day-to-day operations of the Center, including Franchisee’s sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of Franchisee’s employees and all other employment and employee related matters.

6. OPERATIONS MANUALS; COMPUTER SYSTEMS; SOFTWARE.

6.1 Operations Manuals. Franchisor will loan or make available online to Franchisee during the Initial Term of this Agreement one (1) copy of the Operations Manuals. The Operations Manuals and other manuals shall contain mandatory and suggested specifications, standards, and operating procedures that Franchisor prescribes from time to time and information relating to Franchisee’s obligations. The Operations Manuals may be modified from time to time to reflect changes, either by order, bulletins, or reissue in the image, specifications, standards, procedures, products, and System Standards for a Craters & Freighters

center, provided that no such addition or modification shall alter Franchisee's fundamental status and rights hereunder. Franchisee shall keep its copy of the Operations Manuals current. In the event of a dispute relating to the Operations Manuals, the master copy that Franchisor maintains at its principal office shall be controlling. Franchisee may not, at any time, copy any part of the Operations Manuals. In the event Franchisee's copy of the Operations Manuals or any other manuals is lost, destroyed, or damaged, Franchisee shall be obligated to obtain from Franchisor, at Franchisor's then applicable charge, a replacement copy of the Operations Manuals. Lost or destroyed, in any event, Franchisee must have a copy on file in its operation.

6.2 Loaned Computer and Software. Franchisor will loan or otherwise make available to Franchisee during the Initial Term of this Agreement one (1) computer, Franchisor's proprietary software and select software, as solely determined by Franchisor. Franchisee must purchase any additional hardware, software, Internet connection and service, dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment as required by Franchisor. Franchisee must obtain high-speed communication access for its computer system such as broadband, DSL or other high-speed capacity.

6.3 Email Address. Franchisee must also maintain its given e-mail address for its location. Franchisor will assign this email address and Franchisee agrees to use such address at all times. Such given email address shall be: {location}@cratersandfreighters.com. Franchisee agrees to use this email address at all times when communicating within the System and the public. Franchisee may not create or use any alternative or deviations of this email address.

6.4 Proprietary Business Management Software Program. Franchisor reserves the right to provide to Franchisee a proprietary business management software program ("**Proprietary Program**") and, in the event Franchisor elects to provide such Proprietary Program to Franchisee, Franchisee agrees to participate in the Proprietary Program. Franchisee acknowledges that there may be development, maintenance, and monthly support costs associated with the Proprietary Program. Franchisee agrees to maintain such computer system and software program in good repair at its expense. There is no contractual limit on Franchisor's ability to require upgrades of the computer system, addition of components to the system and replacement of components to the system. Franchisee acknowledges that Franchisor cannot estimate the cost of maintaining, updating or upgrading Franchisee's computer system or software, as such cost will depend on Franchisee's repair history, local cost of computer maintenance services in its area and technological advances, which Franchisor cannot predict.

6.5 Business Records; Franchisor's Right to Access Information. Franchisee acknowledges and agrees that Franchisor owns all business records, accounts, books, data, licenses, reports, and contracts

(“**Business Records**”) with respect to customers, and other service professionals of, and related to, the Center including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the databases, and all other Business Records created and maintained by Franchisee. Franchisee hereby authorizes Franchisor to access all such Business Records from such reporting systems and associated equipment, including the Proprietary Program, whether by inspection on the Premises or via retrieval by modem or other method of retrieval, as Franchisor deems necessary. All such reporting systems and associated equipment must be accessible to Franchisor twenty-four (24) hours per day, for every day of the year, including Sundays and holidays, for electronic access, and during normal business hours for personal access, and Franchisee agrees not to inhibit Franchisor’s access to the reporting system or associated equipment. Franchisee acknowledges and agrees there is no contractual limitation on Franchisor’s right to receive or use information through the Proprietary Program or any other reporting system and associated equipment.

6.6 Franchisee’s Responsibilities Relating to Vulnerability of Computer Systems. 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, lessors, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee’s systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

7. TRADEMARKS.

7.1 Confidential Information. Franchisor possesses certain confidential information (“**Confidential Information**”) relating to the operation of Craters & Freighters Centers, which include: (1) site selection criteria; (2) methods, techniques, formats, specifications, systems procedures, sales and marketing techniques and knowledge of and experience in the development and operation of Craters & Freighters centers; (3) marketing programs; (4) research and development relating to new business and services; (5) knowledge of specifications for and suppliers of certain products, services, materials, supplies, equipment and fixtures; and (6) knowledge of operating results and financial performances of Craters &

Freighters centers (other than the Center); and (7) proprietary computer software program. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in Confidential Information, other than the right to utilize disclosed Confidential Information in operating the Center during the Initial Term and any Successor Term thereafter, and that any use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. Franchisee further acknowledges and agrees that Confidential Information is proprietary and, accordingly, Franchisee agrees to: (1) not use any Confidential Information in any other business or capacity; (2) maintain the absolute confidentiality of the System and operations contained in the Operations Manuals. Franchisee also agrees to protect information disclosed in written or other tangible forms; and (3) will adopt and implement all reasonable procedures that Franchisor prescribes to prevent unauthorized use or disclosure of any Confidential Information. Franchisee agrees that Franchisor and its affiliates shall have the perpetual right to use and authorize other Craters & Freighters centers to use, and Franchisee shall fully and promptly disclose to Franchisor, all ideas, concepts, methods and techniques relating to the developments and/or operation of a freight forwarding business conceived or developed by Franchisee and/or its employees during the Initial Term and any Successor Term of this Agreement.

7.2 Use of Name. Franchisor hereby grants Franchisee, upon the terms and conditions herein contained, during the Initial Term and any Successor Term, the right and the obligation to use and display Franchisor's trademarks, trade names, service marks, insignia, and logos pertaining thereto, the mark must be displayed on the building sign, the truck, all vehicles, and on all other items to identify Craters & Freighters to the public, but only in connection with the operations of the Center. Display of any trademarks must comply with Franchisor's brand identity design manual. The trademark is to identify and assure quality to the public. Nothing herein shall give Franchisee any right, title, or interest in or to any Franchisor's trademarks, trade names, service marks, insignia, labels, or designs or any of the same, except a mere privilege during the Initial Term and any Successor Term, to display and use the same according to the foregoing limitations. Upon the termination or expiration of this Agreement for any reason, Franchisee shall deliver and surrender up to Franchisor each and all of Franchisor's trademarks, trade names, service marks, insignia, labels, or designs, and all computer hardware and software provided by Franchisor. At the option of Franchisor, within a reasonable period after termination or expiration of this Agreement, all physical objects bearing or containing any of said trademarks, trade names, service marks, insignia, labels, or designs, shall be removed or returned to Franchisor. Franchisor shall notify Franchisee of any such election in writing, and such notice shall advise Franchisee of the physical objects it desires to be delivered to it.

7.3 Business Name and Trademark.

7.3.1 DBA Name. Franchisee will use the name Craters & Freighters of {Name} when identifying itself internally within the Craters & Freighters franchise system. When communicating with the public via such means as advertising and logo usage, Franchisee agrees to identify itself as Craters & Freighters. Franchisee agrees that the business herein franchised is Craters & Freighters, with no other suffix or prefix attached thereto; it will bear signs, advertising, and slogans, which denote that the business is so named. Franchisee shall not use Franchisor's trade name or trademarks, or any portion of Franchisor's trade name or trademarks, 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. If Franchisee operates the Center through a corporation, the corporation shall be organized to conduct the business of Franchisee. However, the public shall see the Craters & Freighters designation and telephones shall be answered as Craters & Freighters. Franchisee shall issue checks in its corporate name, and on the bottom of the check, it will denote that the business is a franchise within the System.

7.3.2 Attorney in Fact. Upon the sooner of expiration or termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of Franchisor's trade name and trademarks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

7.3.3 Modification or Discontinued Use. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, Franchisee agrees to comply with Franchisor's directions to do so within a reasonable time after notice thereof. Franchisor shall reimburse Franchisee for its reasonable direct expenses in modifying or discontinuing the use of a Mark and substituting therefore a different trademark or service mark in connection with the major signage identifying the premises, provided however, that Franchisor shall not be obligated to reimburse franchisee for any loss of goodwill associated with the modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

7.3.4 Unauthorized Use. Franchisee shall not employ any of the Marks in signing any contract or applying for any license or permit, in a manner that may result in Franchisor's

liability for any of Franchisee's indebtedness or obligations, nor may Franchisee use the Marks in any way not expressly authorized by Franchisor. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Center as authorized by or conducted pursuant to this Agreement.

7.4 Infringement of Marks. In the event that Franchisee becomes aware, received notice or is informed of any claim, suit, or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any trademarks, trade names, service marks, logotypes, insignia, or designs owned by Franchisor or represented by Franchisor and used by Franchisee in accordance with the terms and conditions of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit, or demand. Thereupon, Franchisor shall promptly take such action as may be necessary to protect and defend Franchisee against any such claim by any third party and shall indemnify Franchisee against any loss, cost, or expense incurred in connection with the defense of any such claim. If a court of competent jurisdiction should declare that any contested mark is non-usable in the sale and promotion of the product, Franchisor and Franchisee agree that Franchisor shall develop a new mark and make said new mark available to Franchisee and Franchisee shall be obligated to accept and use the new mark. Franchisee shall release Franchisor of any damages concerning such action.

8. FRANCHISE FEE.

8.1 Franchise Fee. As consideration for the execution of this Agreement and the approval of the grant of Franchisee, which has been recorded, Franchisee hereby agrees to pay to Franchisor an initial franchise fee ("**Franchise Fee**") in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), payable upon the execution of this Agreement. In the instance of a renewal or transfer, the Franchisee Fee shall be waived.

9. ROYALTIES AND FEES; INCENTIVE PROGRAM.

9.1 Royalties. Franchisee shall pay a monthly royalty ("**Royalty**") equal to the greater of (a) five percent (5%) of the Center's Adjusted Gross Sales (as defined below), or (b) the Minimum Monthly Royalty (as set forth in Exhibit D to this Agreement), payable on the tenth (10<sup>th</sup>) day of the month following the month for which they are due. If Franchisee fails to pay on the above date on two or more occasions in any calendar year, Franchisor may require Franchisee to pay the Royalty payments on a weekly basis, and/or charge Franchisee a one and a half percent (1.5%) interest fee per month on the total amount of the late Royalty payments, and/or require Franchisee to authorize Franchisor to ACH draft the Royalty payments and any fees

directly from Franchisee’s bank account. Non-payment of any Royalties and fees by Franchisee is also grounds for termination of this Agreement. “**Adjusted Gross Sales**” shall mean and include the total of all amounts received from customers for services performed and products sold from, at or in connection with Franchisee’s Center, or arising out of the operation or conduct of business by Franchisee’s Center, including sales made at or away from the Center, whether such amounts are paid by cash, credit, checks, gift certificates, coupons, services, property or other means of exchange, but excluding all federal, state or municipal sales or services taxes collected from customers and paid to the appropriate taxing authority.

9.2 Advertising Fund. Franchisee must pay to Franchisor a contribution to the Advertising Fund (“**Advertising Fund Contribution**”) equal to one percent (1%) of the Center’s Adjusted Gross Sales, payable monthly at the same time and in the same manner as the monthly Royalty.

9.3 Incentive Program. Franchisees within the System may participate in an incentive program established by Franchisor (“**Incentive Program**”) as long as such franchisees meet all of the criteria established by Franchisor from time to time which may include, but not be limited to, complying with all terms of this Agreement, including all directives, documents and operations procedures set forth in the Operations Manuals and any other directives issued by Franchisor.

9.3.1 Criteria. Specifically, to be eligible to participate in the Incentive Program, Franchisee must at all times:

- (a) Protect the Marks by using the name properly and adhering to Franchisor’s brand identity design standards, by using Logos where required;
- (b) Timely pay all Royalty payments to Franchisor, funds, contributions and insurance premiums as required by Franchisor, and insurance claims.
- (c) Maintain in good standing all accounts with carriers, vendors, and other franchisees;
- (d) Pass all financial and operational audits performed by Franchisor or by a designee of Franchisor at Franchisor’s direction;
- (e) Franchisee or its designee must have attended all conventions and regional meetings conducted or otherwise required by Franchisor.

(f) Employ the current technology and techniques provided by Franchisor;

(g) Any additional criterion or criteria determined by Franchisor and as set forth in the Operations Manuals.

9.3.2 Basis for Calculating Rebate. To determine the rebate (“**Rebate**”), if any, that Franchisee shall receive under the Incentive Program, Franchisor will consider only the Adjusted Gross Sales derived by the Center granted to Franchisee under this Agreement for which Franchisee has paid Royalties (“**Qualifying Adjusted Gross Sales**”). Qualifying Adjusted Gross Sales will not include the Adjusted Gross Sales derived by any other Centers operated by Franchisee or an affiliate of Franchisee, or the Adjusted Gross Sales generated by jobs from National Accounts. Accordingly, the Rebate awarded to Franchisee in each calendar year will be as follows:

(a) If Franchisee’s Center derived \$1,000,000.00 to \$1,499,999.99 in Qualifying Adjusted Gross Sales in a calendar year, Franchisee shall receive a Rebate equal to one-half percent (1/2%) of qualifying Adjusted Gross Sales; or

(b) If Franchisee’s Center derived \$1,500,000.00 to \$1,999,999.99 in Qualifying Adjusted Gross Sales in a calendar year, Franchisee shall receive a Rebate equal to three quarters of one percent (3/4%) of qualifying Adjusted Gross Sales; or

(c) If Franchisee’s Center derived \$2,000,000.00 or more in Qualifying Adjusted Gross Sales in a calendar year, Franchisee shall receive a Rebate equal to one percent (1%) of qualifying Adjusted Gross Sales.

9.3.3 Payment of Rebate. If Franchisee qualifies for a Rebate, such Rebate shall be paid by Franchisor on or before February 10th of the following calendar year. Franchisee acknowledges that the above amounts are not cumulative and that Franchisor reserves the right to modify or disband the Incentive Program at any time with no obligation owed to Franchisee.

9.3.4 Written Request by Franchisee. Franchisee acknowledges that Franchisor is not responsible for monitoring or tracking which, if any, franchisees within the Craters and Freighters system (including Franchisee) qualifies for a Rebate. Accordingly, Franchisee further acknowledges that, in the event Franchisee believes Franchisee has qualified for a Rebate according to the terms and conditions of the incentive program described herein, Franchisee must notify

Franchisor in writing within 30 days of the end of the calendar year in which Franchisee believes Franchisee has qualified for a Rebate. Franchisor will then solely determine if Franchisee has in fact qualified for a Rebate.

10. NATIONAL ACCOUNTS PROGRAM.

Franchisor has developed a program which solicits business accounts (each a “**National Account**”) for packaging and shipping from businesses or institutions which have facilities in two or more territories within the System (“**National Accounts Program**”). The fulfillment of any such National Account shall first be offered to the franchisee operating the Craters & Freighters center in the territory in which the business is to be serviced pursuant to the corresponding National Account agreement. Such franchisee is required to service the National Account at the prices required by the corresponding National Account agreement. If such franchisee fails or refuses to service the National Account, or if Franchisor determines in its sole discretion that Franchisee will not meet certain requirements to perform the work, Franchisor reserves the right to perform the business from the National Account itself, or to assign the work to other franchisees or outside third party sources to service such National Account. Franchisor reserves the right to establish mandatory policies and procedures relating to the National Accounts Program in the Operations Manuals.

11. ADVERTISING AND PROMOTION.

11.1 Advertising Fund. Franchisor shall maintain and administer a national and/or regional advertising fund (“**Advertising Fund**”) for such advertising and promotional programs as Franchisor deems necessary or appropriate in its sole discretion. The Advertising Fund shall be used exclusively for the purpose of promoting the System. Franchisee acknowledges and agrees that Franchisor may expend Advertising Fund monies towards the placement of advertising, development of promotional materials, and undertaking public relations activities on behalf of the entire System or on behalf of a particular portion of the System. Franchisor also reserves the right to use Advertising Fund monies to place advertising in national media or regional media (including, but not limited to, broadcast, print, electronic, or other media). Franchisee acknowledges that the Advertising Fund is intended to maximize the general brand recognition of the System. Franchisee further acknowledges that Franchisor is not obligated to expend Advertising Fund monies on Franchisee’s behalf or benefit or to expend Advertising Fund monies equivalent or proportionate to Franchisee’s contributions on Franchisee’s behalf or benefit. An annual financial statement of the Advertising Fund is available to any franchisee upon request. Franchisor does not derive revenue or any other material consideration as a result of Franchisee’s contributions to the Advertising Fund. Franchisor is not required to spend an amount from the Advertising Fund on local advertising in the territory where Franchisee is located.

If Advertising Fund monies are not spent in the fiscal year in which they accrue, Franchisor shall maintain such balance in an interest bearing account, which is available for use in the next fiscal year. Franchisees within the System shall receive an accounting of how Advertising Fund monies are spent annually at the annual meeting of Franchisor or upon request. Advertising Fund monies will be spent to promote the product and services sold by Franchisee and will not be used to sell additional franchises.

11.2 Call Center. Franchisor reserves the right to use Franchisee’s contributions to the Advertising Fund to operate one or more call centers for the purpose of receiving calls from prospective customers and placing calls to prospective customers, and Franchisor may allocate business from such calls to franchisees.

11.3 Individual Advertising Expense. Each month, in addition to the Advertising Fund Contribution described in Section 9.2 of this Agreement, Franchisee must spend the greater of (a) \$400, or (b) one percent (1%) of the Center’s Adjusted Gross Sales for the prior month, on advertising and promotion of the Center in the Territory (“**Individual Advertising Expense**”). Franchisee must submit monthly reports to Franchisor reflecting advertising expenditures, which shall be utilized only for marketing, promotions and advertising of the Center. Franchisee may not advertise outside the Territory without Franchisor’s approval, which approval may be withheld in Franchisor’s sole discretion. Franchisee may develop advertising materials for its own use, at its own cost, providing all materials are in compliance with current branding and system standards, but Franchisor must approve the advertising materials in advance and in writing.

11.4 Website. Franchisor shall develop a website for Franchisee’s Center. Within this website, Franchisee will have the ability to develop its own website page to advertise its products and services. Franchisee may not develop its own individual location website, as this would not comply with Franchisor’s brand identity design standards.

11.5 Internet Marketing by Franchisor Only. Franchisor has the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee’s general conduct on the Internet or other forms of electronic media, including Franchisee’s use of the Marks or any advertising, is subject to the

terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time.

11.6 Franchise Advisory Council. Franchisor has established a franchise advisory council (“FAC”) that advises Franchisor on advertising policies. Franchisor reserves the right to form, change, or dissolve the FAC at any time.

11.7 Marketing Cooperatives. Franchisor reserves the right to form, dissolve, or change marketing cooperatives at any time.

12. INSURANCE.

Franchisee is required to have insurance covering its operations, in such amounts and on such terms, as prescribed by the Operations Manuals. Franchisee must purchase its Cargo Insurance, Packers Legal Liability insurance, and any other insurance coverage identified by Franchisor, from Franchisor’s designated insurance supplier.

13. EXCLUSIVE RELATIONSHIP.

Franchisor has entered into this Agreement with Franchisee on the condition that Franchisee will deal exclusively with Franchisor. Franchisee acknowledges and agrees that Franchisor would be unable to protect Confidential Information and would be unable to encourage a free exchange of ideas and information among Craters & Freighters centers if System franchisees were permitted to hold interests in or perform services for a Competitive Business, as defined below. Franchisee, therefore, agrees that during the Initial Term and any Successor Term, neither Franchisee nor any of its officers, directors, shareholders, partners, members, trustees, beneficiaries and/or principals of Franchisee, persons controlled by, controlling or under common control with Franchisee, nor any member of his or their immediate family shall:

- 1) Have any direct or indirect interest as disclosed or beneficial owner in a Competitive Business located or operating within any metropolitan statistical area in which a Craters & Freighters Center is operating;
- 2) Have any direct or indirect controlling interest as disclosed or beneficial owner in a Competitive Business; or
- 3) Perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business.

The term “**Competitive Business,**” as used in this Agreement, shall mean any business offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, or freight forwarding services or products similar to the Craters & Freighters center as carried on from time to time during the term of this Agreement, including any Successor Term. Notwithstanding the foregoing, Franchisee shall not be prohibited from owning securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent five percent (5%) or less of that class of securities.

14. STANDARDS.

14.1 Franchisor’s Standards. Franchisee shall, at all times, conduct the business franchised hereunder in strict compliance with such standards, procedures, and policies as specifically set forth in this Agreement and in the Operations Manuals, bulletins, notices, or other communications from Franchisor. Notwithstanding anything herein contained to the contrary, Franchisor’s Operations Manuals, and any revisions or modifications thereto, shall not impair or alter Franchisee’s basic rights hereunder, but Franchisee shall sell only the products and services set forth in the Operations Manuals. In prescribing standards, specifications, processes, procedures, requirements or instructions under this Agreement, Franchisor will provide guidance to Franchisee, as required in Franchisor's sole discretion, in determining the prices to be charged by Franchisee for services or products. Franchisor shall not have control over the day-to-day managerial operations of the Center, and Franchisee shall be free to establish its own prices; provided, however, Franchisor shall have the right to set maximum resale prices as part of any national or regional promotion, multi-area marketing program, or special price promotion.

14.2 Display of Logo and Signs. During the Initial Term and any Successor Term, Franchisee will use and display the Marks and shall make the Craters & Freighters logo (“**Logo**”) the primary focus of identification on all promotional and direct mail, such as on letterhead, envelopes, and sales material. Any sign used on buildings, trucks, or billboards shall use the Logo.

14.3 System Standards. Franchisee acknowledges and agrees that the operation of the Center in accordance with the specifications, standards, operating procedures and rules Franchisor prescribes for the operation of Craters & Freighters centers as periodically modified and supplemented by Franchisor in its discretion during the Initial Term and any Successor Term (“**System Standards**”) is the essence of this Agreement. Accordingly, Franchisee agrees to maintain and operate the Center in accordance with each and every System Standard at all times during the Initial Term and any Successor Term. Franchisee hereby agrees that System Standards prescribed from time to time in the Operations Manuals or otherwise communicated

to Franchisee in writing, shall constitute provisions of the Agreement as if fully set forth herein. All references to this Agreement shall include all System Standards as periodically modified.

14.4 Purpose of System Standards. Franchisee acknowledges and agrees that the System Standards exist to protect Franchisor's interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee.

15. ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS.

During the Initial Term only, Franchisee shall be loaned a computer and software for the purpose of uploading information into Franchisor's master computer by modem or other electronic means; provided, however, if this Agreement is executed as a result of a Transfer, Franchisee will continue to operate the computer and software previously provided to the franchisee from whom Franchisee obtained the right to operate the Center. Franchisee shall download all of Franchisee's transactions for the completed week. Computer shall be programmed to download on Saturday or Sunday, making it possible for Franchisor to review the week's transactions on Monday, the week following the week reported. The computer and software shall remain the property of Franchisor. This does not relieve Franchisee from keeping accurate records and bookkeeping requirements as required by law and by Franchisor:

- 1) Within ten (10) days after the end of each calendar month (or weekly if Franchisor requires Franchisee to pay the Royalty described in Section 5.0 hereof on a weekly basis), a report on the Center's Adjusted Gross Sales for such calendar month (or week) in the form then required by Franchisor;
- 2) Within ninety (90) days after the end of each fiscal year Franchisee must submit to Franchisor a balance sheet and profit and loss statement for the prior year. Center must submit to Franchisor monthly or quarterly financial statements if required by Franchisor.
- 3) Upon request of Franchisor, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns, and such other forms, records, books, and other information as Franchisor may periodically require.

Each report and financial statement shall be signed and verified by Franchisee in the manner Franchisor prescribes. Franchisor shall have the right to disclose data derived from such sales reports, without identifying Franchisee.

16. INSPECTIONS AND AUDITS.

16.1 Operations. To determine whether Franchisee and the Center are complying with this Agreement and with all System Standards, Franchisor or its designated agents shall have the right at any reasonable time and without prior notice to Franchisee to: 1) inspect and photograph the Premises; 2) interview personnel and customers of the Center; and 3) inspect and copy any books, records, and documents relating to the operation of the Center. Franchisee agrees to cooperate fully with Franchisor in connection with any such inspections and interviews and utilize such evaluation forms and surveys as Franchisor prescribes. Franchisee acknowledges and agrees that any evaluation or inspection Franchisor conducts is not intended to exercise, and does not constitute, control over Franchisee's day-to-day operation of the Center or to assume any responsibility for Franchisee's obligations under this Agreement.

16.2 Business Records. Franchisor shall also have the right, at any time during business hours and without prior notice to Franchisee, to cause an inspection or audit of the Business Records, bookkeeping, and accounting records, sales and income tax records and returns, and other records of the Center and the books and records of any corporations or partnership which holds the Franchise (such books and records are to be kept by Franchisee at the Center). Franchisee shall fully cooperate with Franchisor's representative and independent accountants hired by Franchisor. In the event any inspection or audit discloses an understatement of the Center's Adjusted Gross Sales, Franchisee shall pay, to Franchisor, within fifteen (15) days after receipt of the inspection or audit report, the Royalty and Advertising Fund Contributions due on the amount of such understatement, plus interest at the rate of prime plus five percent (5%) as per the records of any Mega National Bank from the date originally due until the day of payment. In the event such inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records or other information as herein required, or to furnish such records or other information as herein required, or to furnish such information on a timely basis, or if Franchisee has received advance notice from Franchisor and fails to have the books and records available for such audit or otherwise fails to cooperate therewith or if any understatement of Adjusted Net Sales for the period of any audit is determined by any such audit or inspection to be greater than five percent (5%), Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board, and compensation of Franchisor's employees. The foregoing remedies shall be in addition to Franchisor's other remedies and rights under this Agreement or applicable law.

17. PRESERVATION OF RECORDS; AUDITS.

Franchisee shall keep and preserve, for a period of not less than thirty-six (36) months after the end of each year, full, complete, and accurate books, records, reports, and accounts. Franchisor shall have the right, at any reasonable time, to inspect, audit, and make copies of books of account, bank statements, invoices, documents, records, logs, papers, and files of Franchisee relating to sales and business transacted, or the sale of any other products. Upon request by Franchisor, Franchisee shall make any such materials available for examination at Franchisee's Premises. (See Section 16.1)

18. OBLIGATIONS OF FRANCHISOR.

During the Initial Term, Franchisor shall:

- 1) Provide initial training to Franchisee.
- 2) Keep Franchisee informed regarding any changes in the System and provide, from time to time, information on carrier tariffs and vendors.
- 3) Deliver to Franchisee the Operations Manuals.
- 4) Spend three (3) business days with Franchisee at the Center after the initial training and within ninety (90) days of the Center's initial opening.
- 5) Provide Franchisee with one (1) additional on-site visit in the first year of the Center's operation at no charge to Franchisee. Thereafter, Franchisor shall provide Franchisee with additional on-site visits at Franchisee's reasonable request or if such assistance is determined to be necessary in Franchisor's discretion. If Franchisee requests such assistance, or if such assistance is required by Franchisor, Franchisee shall pay Franchisor's travel and living expenses and the current daily per-diem fee as set forth in the Operations Manuals.
- 6) Furnish to Franchisee a promotional and grand opening package for the initial opening.
- 7) Notify Franchisee of any educational opportunities pertaining to the business. Franchisor may hold educational seminars on the nature of the business and other matters pertaining to shipping and handling. Franchisee shall be required to attend.

8) Develop and maintain a business management system that assists Franchisee in the quoting of packaging, shipping, and insurance costs.

19. OBLIGATIONS OF FRANCHISEE.

During the Initial Term, Franchisee shall:

1) Successfully complete the prescribed training as set forth by Franchisor to the satisfaction of Franchisor.

2) Devote its best efforts to the operation of the Center.

3) Open its business within sixty (60) days after the execution of this Agreement.

4) Locate and sign a Lease on the Premises to be used by the Center within sixty (60) days after execution of this Agreement.

5) Ensure the training of warehouse personnel who will be responsible for packing and shipping goods.

6) Install computers loaned by Craters & Freighters that will accept the software made available by Franchisor.

7) Be responsible for the payment of all sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee, the Center, Franchisee's property or upon Franchisor, in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor). Franchisee acknowledges and agrees that Franchisor shall not have any responsibility regarding the payment of any such taxes and required payments.

8) Agree to indemnify, defend and hold harmless Franchisor, its subsidiaries and affiliates and their shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse them for all claims, obligations and damages described in this Section, any and all the taxes described in Section 20.7 and any and all claims and liabilities directly or indirectly arising out of the operation of the Center or arising out of the use of the Marks in any manner not in accordance with the Franchise Agreement. For purposes of its indemnifications, claims shall mean and include all obligations, actual and consequential against the

Indemnified Parties, including, without limitation, reasonable accountant's, attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement.

20. TRANSFER.

20.1 By Franchisor. This Agreement is fully transferable by Franchisor and shall inure to the benefit of any transferee or other legal successor to Franchisor's interest herein. However, no transfer shall be made except to an assignee that, in the good faith judgment of Franchisor, is willing and able to assume Franchisor's obligation under this Agreement.

20.2 By Franchisee. Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (or to its owners) and that Franchisor has granted Franchisee the right to operate the Center in reliance upon Franchisor's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee (and its owners). Accordingly, neither this Agreement (or any interest therein), nor any part or all of the ownership of Franchisee or the Center (or any interest therein) may be transferred without Franchisor's prior written approval. Any transfer without such approval shall constitute a breach of the Agreement and shall be void and of no effect. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition by Franchisee (or any of its owners) of any interest in: 1) this Agreement; 2) the ownership of Franchisee; or 3) the Center. An assignment, sale, gift, or other disposition shall include the following events: 1) transfer of ownership of capital stock or a partnership interest; 2) merger or consolidation or issuance of additional securities representing an ownership interest in Franchisee; 3) any sale of capital stock of Franchisee or any security convertible to capital stock of Franchisee; 4) transfer of an interest in Franchisee, this Agreement, or the Center in a divorce, insolvency, corporate or partnership dissolution proceeding, or otherwise by operation of law; or 5) transfer of an interest in Franchisee, this Agreement or the Center in the event of the death of Franchisee or an owner of Franchisee by will, declaration of or transfer in trust, or under the laws of interstate succession.

20.3 Percentage of Ownership. If ten percent (10%) of the referenced entity is proposed to be assigned, or if Franchisee is a corporation, stockholders or partners owning ten percent (10%) of the stock or more shall be listed as follows: \_\_\_\_\_ percent (\_\_\_%). Name of holder(s):

\_\_\_\_\_.

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20.4 Conditions for Approval of Transfer. If Franchisee and its owners are in full compliance with this Agreement, Franchisor shall not reasonably withhold its approval of a transfer that meets all of the applicable requirements of this section. The proposed transferee and its owners must be individuals of good moral character and otherwise meet Franchisor's then applicable standards for Franchisees. A transfer of ownership in Franchisee may only be made in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or controlling interest in Franchisee, or is one of a series of transfers, which in the aggregate constitute the transfer of this Agreement or a controlling interest in Franchisee, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

1) The transferee shall have sufficient business experience, aptitude, and financial resources to operate the Center, agrees to be bound by all of the terms and conditions of the then standard Franchise Agreement and the transferee and/or its management personnel have completed Franchisor's training program to Franchisor's satisfaction;

2) Franchisee shall have paid all Royalties, Advertising Fund Contributions, amounts owed for purchases by Franchisee from Franchisor and its affiliates, and all other amounts owed to Franchisor or its affiliates and third-party creditors and must submit, to Franchisor, all required reports and statements;

3) Franchisee meets Franchisor's then-current criteria for franchisees as set forth in the Operations Manuals.

4) Franchisee or the transferee shall have paid Franchisor a transfer fee ("**Transfer Fee**") in the amount of Ten Thousand Dollars (\$10,000.00) to defray expenses Franchisor incurs in connection with the transfer (unless the transfer is to or among owners of Franchisee);

5) Franchisee (and/or its transferring owners) executes a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and its officers, directors, employees, and agents;

6) Franchisor has approved the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the Center;

7) If Franchisee (and/or the transferring owners) finance any part of the sale price of the transferred interest, Franchisee and/or its owners have agreed that all obligations of the transferee

under or pursuant to any promissory notes, agreements, or security interest reserved by Franchisee or its owners in the assets of the Center or the Premises shall be subordinate to the transferee's obligations to pay Royalties and other amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement;

8) Franchisee (and/or the transferring owners) have executed a non-competition covenant in favor of Franchisor and the transferee agreeing that, for a period of three (3) years commencing on the effective date of the transfer, Franchisee, its owners, and members of the immediate families of Franchisee and each of its owners will not hold any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business location in any metropolitan statistical area in which a Craters & Freighters center is operating, except other Craters & Freighters centers under a Franchise Agreement with Franchisee or its affiliate and agree to be bound by the terms and conditions of this Agreement;

9) If required, the lessor of the Premises has consented to the assignment or sublease of the Premises to the transferee; and

10) Transferee executes Franchisor's then-current form of Franchise Agreement.

21. TRANSFER TO A WHOLLY-OWNED CORPORATION.

If Franchisee is in full compliance with this Agreement, Franchisee may transfer this Agreement to a wholly-owned corporation in accordance with the terms and conditions of Franchisor's standard assignment and assumption agreement.

22. DEATH OR DISABILITY OF FRANCHISEE; RIGHT OF FIRST REFUSAL.

22.1 Right of First Refusal. Upon death or permanent disability of Franchisee (or a principal owner of Franchisee), the executor, administrator, conservator, guardian, or other personal representative of such person shall transfer its interest in this Agreement or such interest in Franchise to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all of the terms and conditions applicable to transfers contained in this Section. Failure to transfer the interest in this Agreement or such interest in Franchisee within such period of time shall constitute a breach of this Agreement. For purposes hereof, the term

“**permanent disability**” shall mean a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or an owner of a controlling interest in Franchisee from supervising the management and operation of the Center for a period of six (6) months or more from the onset of such disability, impairment, or condition.

22.2 Right of First Refusal. Franchisee may desire to sell his Center to another party not connected to the system or to franchising, or sell to another franchisee. Franchisor shall have the first right of refusal on any such offer of sale. Franchisee shall establish a price on its offer to sell and submit such offer to Franchisor. Franchisor shall have thirty (30) days to evaluate such offer and shall make a counteroffer to Franchisee. If such counteroffer is rejected by Franchisee, Franchisee shall seek a third party buyer. The third party buyer selected by Franchisee must be approved by Franchisor as per Section 20.4. If such third party buyer is not approved by Franchisor, Franchisor agrees to “show just cause” where the third party buyer does not meet Franchisor’s general requirements for a new franchisee.

23. TERM OF AGREEMENT.

23.1 Initial Term. This Agreement shall begin the effective date hereof and shall expire fifteen (15) years hereafter (“**Initial Term**”), unless sooner terminated or extended as hereinafter provided. The effective date of this Agreement shall be the date, upon which Franchisor has approved, executed and dated this Agreement.

23.2 Successor Term. Franchisee shall have the right to renew this Franchise for an additional term of fifteen (15) years (“**Successor Term**”) by entering into Franchisor’s then current form of Franchise Agreement (“**Successor Franchise Agreement**”), which may include terms and conditions materially different from those in this Agreement, provided that: Franchisee has adhered to all the terms and conditions of this Agreement including all Minimum Performance Standards for each year of this Agreement; and Franchisee has complied with all terms and conditions of the Agreement as set forth by policy as well as Agreement, and conditions established by all of the Operations Manuals; and that all credit terms have been met as agreed upon. At the time of entering into the Successor Franchise Agreement, Franchisee will be required to pay Franchisor a successor fee (“**Successor Fee**”) in an amount equal to Two Thousand Dollars (\$2,000).

23.3 Notice of Intention to Renew. If Franchisee wishes to renew this Agreement, Franchisee must submit a certified letter to Franchisor no less than six (6) months nor more than nine (9) months prior to the expiration of this Agreement stating that Franchisee wishes to renew. Franchisor will review with

Franchisee, the operation over the last five (5) years to determine if Franchisee is in substantial compliance with its existing franchise agreement and, such period shall be deemed the “**Review Period.**” During the Review Period, Franchisee will be given the period to correct any discrepancies set forth by Franchisor. Franchisee will be renewed if such discrepancies are corrected by the end of the term of this agreement.

23.4 Confirmation from Franchisor. If Franchisee elects to renew and Franchisor approves the renewal, Franchisor will notify Franchisee in writing that Franchisor intends to renew prior to the end of this Agreement. Franchisor shall send a copy of the Franchise Disclosure Document and two (2) copies of the Successor Franchise Agreement four (4) months prior to renewal.

23.5 Return of Executed Documents. Franchisee shall, send the two (2) copies of the Successor Franchise Agreement fully executed to Franchisor’s current address one (1) month prior to the expiration of this Agreement. Upon receipt of such documents, Franchisor shall execute all copies and return one copy to Franchisee for Franchisee’s records. If Franchisee fails to return the executed agreements within the prescribed time period, Franchisee’s option to renew will expire. Upon renewal, Franchisee shall be required to pay any fees as specified in the newly executed Franchise Agreement. Such fees shall include any additional training, if necessary, any insurance requirements for fees or any transfer fees if ten percent (10%) or more of the ownership changes—see Fees, Section 8.0 and 21.4 Conditions for Approval of Transfer.

23.6 Interim Period. If Franchisee does not sign a Successor Franchise Agreement prior to the expiration of this Agreement and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at Franchisor’s option, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a license 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 such 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 of Franchisee’s obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

## 24. DEFAULT AND TERMINATION.

24.1 Termination. This Franchise Agreement may be terminated by Franchisor shall exercise its right to terminate this Agreement in the following manner:

24.2 Curable Breaches Triggering 30 Day Cure Period. With respect to any default by Franchisee of its obligation to pay any sums due to Franchisor under this Agreement, Franchisor may terminate this Agreement after thirty (30) days of Franchisee's receipt of written notice of such breach subject to applicable state law. If Franchisee shall cure the breach prior to the end of such period, Franchisor's corresponding right to terminate shall cease.

24.3 Description of Default. The description of any default in any notice served by Franchisor thereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in action, arbitration, hearing, or suit relating to this Agreement or the termination hereof subject to applicable state law.

24.4 Noncurable Breaches. Franchisor shall have the right to terminate this Agreement without prior notice to Franchisee upon the occurrence of any or all of the following events, each of which shall be deemed an incurable breach of this Agreement.

24.4.1 If Franchisee should abandon the Franchised Business; for the purpose of this Agreement, "**abandonment**" shall mean Franchisee's failure to actively operate the Center for four (4) consecutive days, unless the Center has been closed because of fire, flood, or acts of government. Evidence of abandonment shall also include, but not be limited to, failure of phone contact with Franchisor, electronic contact with Franchisor, facsimile contact with Franchisor or failure to respond to any other requests from Franchisor for contact.

24.4.2 If Franchisee or any principal officer thereof, or any owner of greater than 10% of Franchisee, is charged with or convicted of any felony charge, or a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof, this Agreement can, at the sole discretion of Franchisor, be canceled without notice and without the right to cure.

24.4.3 No waiver or delay in enforcement of any breach of any term, covenant, or condition of this Agreement; and acceptance of any payment specified to be paid by Franchisee hereunder shall not be construed to be a waiver of any other breach of any term, covenant, or condition of this Agreement.

24.4.4 If Franchisee makes an unauthorized assignment of this Agreement, or if the ownership interest in the Franchise fails to get authorization to assign this Agreement, or in the event of a deceased or disabled owner, all may be grounds for the cancellation of the Franchise Agreement.

24.4.5 Franchisee makes any unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information or uses, duplicates, or discloses any portion of the Operations Manuals or Proprietary Program in violation of this Agreement.

24.4.6 Franchisee intentionally understates the Center's Adjusted Gross Sales in any report or financial statement.

24.4.7 If Franchisee fails to accurately report the Center's Adjusted Gross Sales or if Franchisee fails on two (2) or more separate occasions within a period of twelve (12) consecutive months or on four (4) or more occasions during the term of this Agreement to submit when due, reports or other data, information, or supporting records, or to pay when due the Royalty Fees, Advertising Fund Contributions, or other payments due to Franchisor or its affiliates, this agreement may be terminated. Franchisor will notify Franchisee in writing of such breach and Franchisee will have a thirty (30) day right to cure such breach.

24.4.8 Franchisee fails to pay any federal or state income, sales, or other taxes due on the Center's operations.

24.4.9 Franchisee fails to comply with any other provision of this Agreement or any System Standard and does not correct such failure within ninety (90) days after written notice of such failure to comply is delivered to Franchisee.

24.4.10 Notwithstanding anything to the contrary contained in this Article, in the event of any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to such laws and regulations, subject to applicable state law. Franchisor shall not, however, be precluded from contesting the validity, enforceability of application of such laws or regulations in any such notice, hearing, or dispute relating to this Agreement or the termination thereof.

24.4.11 Franchisee fails to meet the Minimum Performance Standard for any year of this Agreement.

24.4.12 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.

24.4.13 As set forth in Section 2.4, Franchisee fails or refuses to notify Primary Franchisee regarding any Referral or Referred Customer and, instead, subsequently provides services to the Referred Customer through Franchisee's Center without having entered into an agreement regarding such Referral with Primary Franchisee.

24.4.14 If Franchisee commits two (2) or more acts of default as enumerated in Sections 24.2 and 24.4 of this Agreement within any twelve (12) month period, regardless of whether such defaults are cured or waived.

24.5 Franchisor's Right to Reduce Territory Size and Suspend Performance. Franchisor reserves the right to reduce the size of Franchisee's Territory in the event that Franchisee is in default of this Agreement. Franchisor shall have the right, at its option, to suspend performance of certain or all of its services to Franchisee during the time period in which Franchisee is in default of this Agreement, as set forth in the Operations Manuals.

## 25. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION.

25.1 Moneys Owed. In the event of the termination of this Agreement, whether by reason of default, lapse of time, or other cause, all monies owed to Franchisor by Franchisee shall become immediately due and payable.

25.2 Discontinue Use of Marks. In the event of the termination of this Agreement, whether by reason of default, lapse of time, or other cause, Franchisee shall forthwith discontinue the use of Franchisor's trademarks, service marks and trade names, and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that he is operating as a Craters & Freighters Center. Nor shall Franchisee thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by

virtue of the relationship established by this Franchise Agreement, including, without limitation to the foregoing; a) all manuals, bulletins, instruction sheets and supplements thereto; b) all forms, advertising matter, marks, devices, insignia, slogans and designs used from time to time in connection with the Franchise; and c) all copyrights, trademarks, trade names and patents now or hereafter applied for and granted in connection therewith. Franchisee shall surrender such documents and materials as referred to above immediately upon termination.

25.3 Telephone Numbers; Advertising. Upon expiration or termination of this Agreement, Franchisee shall immediately cease using all telephone numbers and transfer such numbers to Franchisor. Franchisee must discontinue all advertising using Craters & Freighters name.

25.4 Surviving Provisions. The expiration or termination of this Agreement shall be without prejudice to the rights of Franchisor against Franchisee and such expiration or termination shall not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee, which by their nature, survive the expiration or termination of this Agreement.

26. INDEPENDENT CONTRACTOR.

In all matters pertaining to the operations of the Center, Franchisee is and shall be an independent contractor. No employee of Franchisee shall be deemed to be an employee of Franchisor. Nothing herein contained in this Franchise Agreement shall be construed so as to create a partnership, joint venture, or agency; and neither party hereto shall be liable for the debts or obligations of the other. Nothing contained in this Agreement shall be construed so as to limit or affect in any way, or entitle Franchisee to share in any profits, revenues, or income which Franchisor may earn or charge on sales to Franchisee of goods or service, and Franchisee expressly acknowledges that Franchisor may earn or receive such amount without any obligation therefore to Franchisee.

27. COMPETITION – RESTRICTION.

27.1 In-Term Restriction. Franchisee agrees not to compete with Franchisor by engaging in any activity involving shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding beyond the scope of this Agreement. Franchisee will not become involved directly or indirectly with any Competitive Business in any way during the term of this Agreement without the prior written consent of Franchisor. The restrictions apply as to a consultant, principal,

owner, sponsor, partner, shareholder, representative, or any other capacity through any Competitive Business. In the event Franchisor approves such additional business, Franchisee agrees to pay all applicable Royalty and Advertising Fund Contributions on revenue generated by the like entity as declared in Section 9.0.

27.2 Post-Termination or Post-Expiration Restriction. The restrictions herein shall apply during the terms of this Agreement and for two (2) years after termination thereof. Franchisee also agrees not to endorse or attempt to endorse any person, employee, or person directly or indirectly in competition with Franchisor in the packaging and shipping business as developed by Franchisor for two (2) years after termination in a radius of two hundred (200) miles.

28. INTEGRATION OF AGREEMENT.

This Agreement and the documents referred to herein shall be construed together and constitute the entire Agreement between the parties and supersede all prior negotiations, understandings, representations, and Agreements, if any. However, nothing in this Agreement or any related agreement is intended to disclaim Franchisor's representations made in Franchisor's Franchise Disclosure Document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of Franchisee's own independent investigations and not as a result of any representations of Franchisor, its agents, officers, or employees not contained in any Franchise Disclosure Document or other similar document required to be given to Franchisee pursuant to applicable law.

29. SETTLEMENT OF DISPUTES – ARBITRATION.

29.1 Settlement of Dispute. Any dispute, controversy or claim asserted by Franchisee arising out of or relating to this Agreement or breach thereof, including, without limitation, any claim that this Agreement is invalid, illegal or otherwise voidable, before the institution of any procedures or remedies, the claim must be submitted to the management of Franchisor for attempted settlement. Franchisor will have sixty (60) days to offer settlement.

29.2 Receipt of Complaint. After notice of dispute referenced in Section 31.1 has been received and if the sixty (60) days has passed without resolution, Franchisor shall, at its sole option, have the right to require Franchisee to arbitrate all claims. If Franchisor, within ten (10) days after the sixty (60) day period has passed and has not required arbitration, Franchisee may proceed, as Franchisee deems necessary.

29.3 Requirements Prior to Filing. If Franchisee files suit then Franchisee agrees to pay all attorneys' fees and costs and shall not seek or accept any indemnification for attorneys' fees or any costs relating to witness fees, disposition or any other expenses for trial and preparing for trial. Franchisor shall retain the right to seek any remedy or procedures legal or equitable to file suit for any debt due or enforce termination requirements through injunction without notice.

29.4 Rules for Arbitration. The arbitration tribunal shall consist of three (3) arbitrators. Franchisor shall select one arbitrator, Franchisee will select one, and the two arbitrators selected shall select the third. If the two selected by Franchisee and Franchisor cannot agree on the third, the arbitrators shall be selected by the rules of the American Arbitration Association.

29.5 Arbitrator's Authority. The arbitrators shall not have any authority to add, delete or modify in any manner, the terms and provisions of this Agreement. All findings, judgments and awards shall be limited to the dispute set forth in the written demands. All decisions by the arbitrator shall be made in writing not later than ten (10) days after the hearing is complete. Any judgment may be entered in any court of competent jurisdiction. However, this does not prohibit Franchisor from applying to any court having jurisdiction for injunctive relief or other relief. The laws of the State of Colorado shall be the laws applied and instructed by the arbitrator. Such arbitration shall be held in Denver, Colorado.

29.6 Attorneys' Fees. All parties will be solely responsible for their own legal fees and costs. All parties shall be responsible for their share of the arbitration process fees and costs, with the exception of dispute of monies owed to Franchisor pursuant to Section 30.8 of this Agreement.

29.7 Withholding Payment. Franchisee agrees not to withhold payment of any Royalties or service fees during this controversy and shall not take any set off any kind.

29.8 Cost Responsibility. If a claim for amounts owed by Franchisee to Franchisor or its affiliates is asserted in any judicial or arbitration proceeding or appeal thereof, or if Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable arbitrators' fees, accounting and legal fees, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information or supporting records or otherwise

to comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-mentioned costs and expenses which it incurs.

30. SEVERABILITY; INJUNCTIVE RELIEF.

30.1 Severability. Except as expressly provided to the contrary herein, each section, paragraph, term and condition of this Agreement shall be considered severable and if, for any reason, any such condition of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the Parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, otherwise upon Franchise's receipt of a notice of non-enforcement thereof from Franchisor. If any covenant herein which restricts competitive activity is deemed unenforceable to virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, Franchisee and Franchisor agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to enter into a Successor Franchise Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid or unenforceable, the prior notice and/or their action required by such law or rule shall be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable System Standard to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any conditions hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the conditions hereof, or any System Standard, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

30.2 Injunctive Relief. Notwithstanding anything to the contrary, Franchisor and Franchisee shall each have the right in a proper case to obtain temporary or preliminary injunction relief from a court of competent jurisdiction, provided, however, that the parties shall contemporaneously submit their dispute for arbitration on the merits in accordance with Section 29. Franchisee agrees that Franchisor may have such temporary or preliminary injunction relief, without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). Any such action shall be brought as provided in Section 31.0.

31. GENERAL PROVISIONS.

31.1 Governing Law. This Agreement and specifically all covenants not to compete, is to be construed according to the laws of the State of Colorado. It is agreed that if any provision of this Agreement shall be determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provisions of this Agreement, all of which provisions shall remain in full force and effect; and it is the intention of the parties hereto that if any provision of this Agreement is capable of two construction, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

31.2 Titles. The titles and subtitles of the various Articles of this Agreement are inserted for convenience and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, and conditions of this Agreement. The words "Franchisor" and "Franchisee" herein shall be applicable to one or more parties, as the case may be, and the singular shall include the plural, and the masculine shall include the feminine and neuter; and if there shall be more than one party or person referred to as Franchisee hereunder, then their obligations and liabilities herein shall be joint and several.

31.3 Construction of Language. The language in all parts of this Agreement shall, in all cases, be construed simply according to its fair meaning, and not strictly for or against Franchisor or Franchisee.

31.4 Financial Statements in Franchise Disclosure Document. Franchisee understands that the audited financial statements ("**Financial Statements**") of Franchisor attached to the Franchise Disclosure Document as Exhibit E have been prepared by a licensed certified public accountant in accordance with Generally Accepted Accounting Principles ("**GAAP**") in the United States governing the preparation of Financial Statements as of the effective date of the Franchise Disclosure Document. Franchisee further acknowledges that GAAP accounting rules and standards may change over time, and that Financial

Statements prepared under new GAAP accounting rules or standards could result in Financial Statements that report results that appear different in the future or change the Financial Statements previously used in a Franchise Disclosure Document. Franchisee represents and warrants to Franchisor that Franchisee reviewed the Financial Statements of Franchisor attached the Franchise Disclosure Document and that to the extent that Franchisee is relying on the Financial Statements as they are currently prepared as the basis for making Franchisee's decision to purchase the Franchised Business, future changes in those Financial Statements due to changes in GAAP will not affect the Franchisee's decision.

32. NOTICES.

Any notices required or permitted to be given hereunder shall be in writing and shall be served upon the other party personally, or by registered or certified mail, postage prepaid. Any notice to Franchisor shall be addressed to Franchisor at 331 Corporate Circle, Suite J, Golden, CO 80401. Any notice to Franchisee shall be sent to \_\_\_\_\_. Either party may designate another address at any time by appropriate written notice to the other. Service of any notice or demand by mail should be deemed complete and shall be effective five (5) days from the time the same is deposited in the United States mail, as aforesaid.

33. SUBMISSION OF AGREEMENT.

The submission of this Agreement does not constitute an offer, and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee.

IN WITNESS WHEREOF, the Parties hereto executed, sealed, and delivered this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

CRATERS & FREIGHTERS  
FRANCHISE COMPANY  
a Colorado corporation

{Legal Corporate Name}  
FRANCHISEE

By: \_\_\_\_\_  
Dianna S. Gibson  
CEO

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

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

THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY FRANCHISOR SUCH DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

Dated: \_\_\_\_\_, 20\_\_

\*(Franchisor) \_\_\_\_\_  
Craters & Freighters Franchise Company

By: \_\_\_\_\_  
Dianna S. Gibson, CEO

I HAVE READ ALL THE FOREGOING AGREEMENT AND I HEREBY ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS, AND CONDITIONS THEREOF. I HEREBY ACKNOWLEDGE RECEIPT OF A COPY OF THIS AGREEMENT.

Dated: \_\_\_\_\_, 20\_\_

\*(Franchisee) \_\_\_\_\_  
Company Name

By: \* \_\_\_\_\_  
Name, Title

By: \* \_\_\_\_\_  
Name, Title

**Franchise Agreement**  
**Exhibit A**  
**Owner's Guaranty and Assumption of Franchisee's Obligations**

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement") by Craters & Freighters Franchise Company, Inc. ("Company"), each of the undersigned ("Guarantors") hereby personally and unconditionally (1) guarantees to Company and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that {Names} ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set for the in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in this Agreement. Each of the undersigned waives:

1. Acceptance and notice of acceptance by Company and its affiliates 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 may have to require that an 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 may be entitled;

Each of the undersigned consents and agrees that:

1. his direct and immediate liability under this guaranty shall be joint and several;
2. he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. such liability shall not be contingent or conditioned upon pursuit by Company or its affiliates of any remedies against Franchisee or any other person; and
4. such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Company or its affiliates may from time to time grant to Franchisee or to any other person, including, without limitations, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same and year as the Agreement was executed.

PERCENTAGE OF OWNERSHIP  
INTEREST IN FRANCHISEE

{NAMES}  
GUARANTOR(S)

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

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



**Franchise Agreement  
Exhibit C  
Office and Warehouse Preparation**

Notes: Minimum specifications and quantities are provided in the Center’s Opening Handbook. This is for reference only. Similar types and models are acceptable. Prices are approximate.

**Warehouse Tools and Equipment**

Power Tools .....	\$7,164
Includes: Saws, Nail Guns, Drills, etc.	
Warehouse Equipment .....	\$11,315
Includes: Packing Systems, Forklift, Scale, etc.	
Hardware and Fasteners .....	\$1,602
Includes: Nails, Staples, Screws, Gloves, Utility Knives, etc.	
Packing Material .....	\$3,441
Includes: Beginning Inventory Lumber, Corrugated, Foams, etc.	

**Warehouse Total .....** **\$23,522**

**Office Furniture, Equipment and Supplies**

Office Equipment.....	\$1,120–\$1,670
Includes: Computer Hardware/Software, Fax Machine, Telephone, etc.	
Office Furniture .....	\$750–\$890
Includes: Desks, Chairs, File Cabinets, etc.	
Miscellaneous Equipment and Supplies .....	\$340–1,540
Includes: Cameras, Refrigerator, Optional Equipment, etc.	
Office Supplies .....	\$347–\$384
Includes: File Folders, Staplers, Clip Boards, Maps, etc.	

**Office Furniture, Equipment and Supplies Total .....** **\$2,557–\$4,484**

**Vehicle:**

Purchase or lease 16’ box truck, 87” height clearance, .....	\$6,000–\$7,500
4,000 lb. GVW, with hydraulic liftgate with 2,000 lb. capacity	

**Equipment and Supply Total.....** **\$32,079–35,506**

<u>INT1</u>	<u>INT2</u>
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**Franchise Agreement  
Exhibit D  
Minimum Performance Standards and Minimum Monthly Royalties**

Year of Operation	Minimum Performance Standard	Minimum Monthly Royalty
1	\$200,000	\$0
2	\$300,000	\$1,250
3	\$450,000	\$1,875

The table above sets forth the Minimum Performance Standards and Minimum Monthly Royalties for years 1-3 of the Franchise Agreement. At the end of year 3, Franchisor reserves the right to determine the Minimum Performance Standards and Minimum Monthly Royalties for years 4-15 of this Agreement. Franchisor will base its decision on population, demographic factors, economic factors, competition, market penetration, the growth rate of other Craters & Freighters Centers and other relevant factors. Franchisor will notify Franchisee in writing of the Minimum Performance Standards and Minimum Monthly Royalties for years 4-15. Notwithstanding the above, if Franchisor fails to notify Franchisee regarding Franchisee's Minimum Performance Standards or Minimum Monthly Royalties for any of years 4-15, then Franchisee must meet the minimum requirements for the prior year. For example, if Franchisor does not notify Franchisee of its year 4 requirement prior to the end of year 3, then Franchisee's year 4 requirement will be the same as year 3. Franchisor then will have the right to determine the Minimum Performance Standards and Minimum Monthly Royalties for years 5-15 at the end of year 4.

Franchisee acknowledges and agrees that its failure to meet the Minimum Performance Standards is subject to the default and termination provisions set forth in Section 25.0. Further, should Franchisee fail to meet the Minimum Performance Standards, Franchisor reserves the right to reduce the size of Franchisee's Territory.

***EXHIBIT G***  
***State Addendum***

**STATE SPECIFIC ADDENDUM TO THE  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to the Franchise Disclosure Document of Craters & Freighters Franchise Company and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_.

The provisions of this State Law Addendum to the Franchise Disclosure Document and Franchise Agreement (“**State Addendum**”) apply only to those persons residing or operating Craters & Freighters Centers in the following states:

**CALIFORNIA**

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

2. Item 3 is amended by the addition of the following language:

Neither Craters & Freighters Franchise Company nor any person identified 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 Action of 1934, 15 U.S.C.A.78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 6 is amended to disclose that the highest interest rate allowed in the State of California is 10% per annum.

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

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

6. The franchise agreement requires arbitration. The arbitration will occur in the city of our then-current headquarters (currently, Golden, Colorado) with the costs being borne by you, if Craters & Freighters prevails. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedures Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

8. Section 31125 of the Franchise Investment Law requires us to give to you a franchise disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

9. You must sign a general release of claims if you transfer your franchise. California Corporations Code Sections 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516.) Business and Professions Code Section 200010 voids

a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

10. 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.).

11. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

## **ILLINOIS**

Illinois law governs the Franchise Agreement(s).

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.

Your rights 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.

**MARYLAND**

Item 17.f, Termination by Franchisor with Cause, of the Franchise Disclosure Document and Section 25.3.12 of the Franchise Agreement are revised to include the following: “Franchisor’s termination of the Franchise Agreement because of Franchisee’s bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)”

Item 17.v, Choice of Forum, of the Franchise Disclosure Document and Section 32.1 of the Franchise Agreement are revised to include the following: “Franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

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

Item 17.c, Requirements for Franchisee to Renew or Extend, and Item 17.m, Conditions for Franchisor’s Approval of Transfer, of the Franchise Disclosure Document, and Section 32.4 of the Franchise Agreement are revised to include the following: “The general release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

\_\_\_\_\_

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

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

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

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

## MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

### ITEM 17.

1. Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this Disclosure Document, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, (except in certain specified 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; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

4. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

## NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. 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 to Item 2:

Neither we, our affiliates nor any person identified in ITEM 2 of this Disclosure Document:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations, including 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

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

4. The following is added to the end of Item 4:

Neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a 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; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

5. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

7. 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.

8. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

9. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

**ACKNOWLEDGMENT:**

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

\_\_\_\_\_

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

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

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

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

***EXHIBIT H***

***Form of Mutual Termination Agreement***

## Mutual Termination Agreement

THIS AGREEMENT is made and entered into this {day} day of {month}, {year}, by and between Craters & Freighters Franchise Company, a Colorado corporation (“**Franchisor**”) having its principal place of business at 331 Corporate Circle, Suite J, Golden, Colorado 80401, {Individual or Entity Name of Franchisee} (“**Franchisee**”) at {Business Address}, and {Name of Guarantors} (collectively, “**Guarantors**”). Franchisor, Franchisee, and Guarantors will be collectively referred to herein as the “**Parties**”.

### **A. Acknowledgment of Facts and Intentions of the Parties**

1. Franchisor and Franchisee entered into a Craters & Freighters Franchise Agreement dated as of {Agreement Date} (“**Franchise Agreement**”), a true and correct copy of which is attached as Exhibit A, which granted Franchisee the right to operate Craters & Freighters of {Territory}, now located at {Business Address} (“**Franchised Business**”).

2. Franchisor and Franchisee assumed certain rights and obligations relating to the franchise and Franchised Business.

3. The Parties desire to terminate their rights and obligations under the Franchise Agreement for the Franchised Business (“**Mutual Termination**”) as of {termination date} (“**Termination Date**”) and the Parties are willing to consent to the Mutual Termination upon the terms and conditions contained in this Agreement.

4. The Parties desire to enter into this Agreement for the purpose of documenting such termination of those rights and obligations for the Franchised Business, and, except as provided herein, to fully and finally resolve all legal and equitable claims existing between them that were or could have been asserted in any way related to the Franchise Agreement, the franchise relationship created thereby, or related to the Franchised Business, except as specifically set forth herein.

### **B. Consideration, Terms and Conditions of This Agreement**

In consideration of the mutual covenants, promises, and agreements herein contained, and other good and valuable consideration, the Parties hereto hereby covenant, promise and agree as follows:

1. Capitalized Terms. All capitalized terms included in this Agreement shall have their same respective meanings as established in the Franchise Agreement.

2. Ownership. Franchisee hereby warrants that Franchisee owns all rights, title, and interest in the Franchise Agreement and the Franchised Business.

3. Termination of Franchise. The Parties hereby agree that the Franchise Agreement shall be terminated effective as of the Termination Date. Upon the Termination Date, the rights and duties of Franchisor and Franchisee under the Franchise Agreement will terminate, except that Franchisee's obligations to comply with all of the post-termination covenants and obligations contained in Section 26 and Section 28 of the Franchise Agreement, which expressly survive the termination of the Franchise Agreement ("**Survival Provisions**") will continue to apply and be enforceable from and after the Termination Date. Franchisor will also be entitled to retain all fees and rebates it may have received with respect to the Franchised Business. This Agreement will not be deemed in any way to modify or alter Franchisee's obligation to pay Royalties and other amounts accrued, due and owing through the termination of Franchisee's right to operate the Franchised Business as of the Termination Date.

4. Brokerage Fee. Franchisee agrees to pay to Franchisor, upon execution of this Agreement, a brokerage fee ("**Brokerage Fee**") of \$ \_\_\_\_\_ for Franchisor's efforts on behalf of Franchisee in locating a transferee for Franchisee.

5. Transfer Fee. Franchisee agrees to pay to Franchisor, upon execution of this Agreement, the Transfer Fee of \$ \_\_\_\_\_ in accordance with Section \_\_\_ of the Franchise Agreement.

6. Reaffirmation of Franchise Agreement Post Termination Obligations; Additional Post-Termination Obligations. Franchisee, by this Agreement, re-acknowledges and reaffirms all of the Survival Provisions under the Franchise Agreement and agrees that this Agreement supplements the Franchise Agreement, and sets forth special and specific, additional undertakings in response to the termination of the Franchise Agreement. As such, Franchisee agrees to perform the following obligations on or before the Termination Date:

a. Pay within five (5) business days after Termination Date to Franchisor all monies owed to Franchisor by Franchisee, including but not limited to all Royalty payments, Advertising Fund contributions, late interest charges, and legal fees;

b. Discontinue the use of Franchisor's trademarks, service marks, and trade names, and refrain from operating or doing business under any name or in any manner that might tend to give the general public the impression that Franchisee is operating as a Craters & Freighters Center. Franchisee is also prohibited thereafter from using, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by the Franchise Agreement including, without

limitation: all manuals, bulletins, instruction sheets and supplements thereto; all forms, advertising matter, marks, devices, insignia, slogans and designs used from time to time in connection with the Franchised Business; and all copyrights, trademarks, trade names and patents associated with Franchisor or the Franchised Business. Franchisee shall surrender such documents and materials as referred to above prior to or on the Termination Date. Any such actions as required by this paragraph shall be taken at the sole expense of Franchisee;

- c. Cease using all telephone numbers and transfer such numbers to Franchisor;
- d. Discontinue all advertising using the Craters & Freighters name;
- e. Forward all customer lists and customer property to Franchisor or Franchisor's designee; and
- f. Return all of the Franchised Business's software and Franchisor's manuals to Franchisor.

7. Indemnification. Franchisee and Guarantors, for themselves, heirs, executors, administrators, successors, assigns, officers, directors, subsidiaries, divisions, and agents, and each of them, do hereby agree to indemnify and hold harmless Franchisor and Franchisor's subsidiaries, divisions, predecessors, successors, assigns, officers, directors, employees, agents, and each of them, against the following, which pertain to or arise from the purchase, operation and the termination of the Franchise Agreement and the Franchised Business:

- a. any and all liabilities, losses, damages, deficiencies, claims, costs, or expenses of any nature resulting, directly or indirectly, from the following: (i) Franchisee's tort liability, contract liability, and statutory liability; (ii) Franchisee's trade accounts, utilities and telephone services; (iii) Franchisee's employee and customer's claims (iv) all types of possible taxes; (v) all Franchisee's premises or equipment lease payments or damage claims; and (vi) any and all defaults under the Franchise Agreement or this Agreement including, but not limited to, breach of covenants of non-competition or confidentiality in this Agreement, whether by Franchisee, Guarantors, or by the persons designated in those covenants; and
- b. any and all actions, suits (third party or otherwise), proceedings, investigations, demands, assessments, judgments, costs, and expenses incident to the foregoing, including, but not limited to, reasonable legal and accounting fees.

8. Confidentiality of Agreement. Franchisee specifically agrees to maintain, in strictest confidence, all terms of this Agreement. Franchisee agrees it will take all steps possible to assure that Franchisee's agents, employees, attorneys, consultants or other individuals who may have any connection with Franchisee or any public entity maintain all information known about this Agreement in strictest confidence and that

such individuals refuse to disclose any information, knowledge or facts, or existence of any documents to any other person(s), unless required by law.

9. Non-Disparagement. Except as required by law, Franchisee and Guarantors agree to refrain from making any negative or derogatory remarks about Franchisor or any of its principals, officers, directors, and/or agents.

10. Release by Franchisee and Guarantors. For and in consideration of the terms set forth in this Agreement and the rights and duties of the Parties under the Franchise Agreement, Franchisee, its successors, assigns, agents, representatives, officers, and directors, and Guarantors (collectively “**Franchisee Releasing Parties**”), hereby fully and forever unconditionally release and discharge Franchisor, and its past, present, and future officers, directors, agents, attorneys, employees, shareholders, successors, assigns, and affiliates (collectively referred to as “**Franchisor Released Parties**”), for all purposes, of and from any and all claims, debts, demands, damages, costs, expenses, actions, causes of action, or suits of any kind whatsoever (“**Claims**”), at common law, statutory or otherwise, whether now known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with the Franchise Agreement or the franchise relationship created thereby, Franchisor’s consent to the Mutual Termination, or any other contractual relation between Franchisee and the Franchisor and/or any affiliate of the Franchisor, which the Franchisee Releasing Parties may have had or may now have directly or indirectly against any or all of the Franchisor Released Parties based upon or arising out of any event, act, or omission that has occurred prior to the Termination Date. The Franchisee Releasing Parties further covenant and agree never to institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Franchisor Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys’ fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the Termination Date. IT IS ADMITTED by Franchisee that no promise or agreement not herein expressed has been made to them and that no representation of fact or opinion has been made by Franchisor, or by anyone on its behalf to induce this closure of the Franchised Business, that this closure of the Franchised Business is made by the Parties with full knowledge of the facts and possibilities of the transaction, with advice of counsel, and that the terms of this release are contractual and not mere recital.

11. Release of Franchisee and Guarantors by Franchisor. Upon termination of the Franchise Agreement, for and in consideration of Franchisee’s consent to the Mutual Termination and Franchisee’s payment of outstanding debt to Franchisor under Section B.3 of this Agreement, Franchisor, its successors,

assigns, agents, representatives, officers and directors (“**Franchisor Releasing Parties**”), hereby fully and forever unconditionally releases and discharges Franchisee and its successors, assigns, agents, representatives, officers, directors, shareholders, and Guarantors (collectively referred to as “**Franchisee Released Parties**”) for all purposes, of and from any and all Claims, at common law, statutory or otherwise, whether now known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with, as a result of, or in any way arising from or related to the Franchise Agreement or the franchise relationship created thereby, which the Franchisor Releasing Parties may have had or may now have directly or indirectly against any or all of the Franchisee Released Parties based upon or arising out of any event, act, or omission that has occurred prior to the Termination Date. Franchisor’s release will not apply to any Claims resulting from fraud, gross negligence or underreporting of gross revenues of Franchisee or to Franchisee’s obligations to comply with the Survival Provisions, which obligations and covenants continue in full force and effect, or to any other rights, obligations, and covenants contained in any other agreement between Franchisor and Franchisee. Except as set forth in the previous sentence, the Franchisor Releasing Parties further covenant and agree never to institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Franchisee Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury to person or property, cost, expense, attorneys’ fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the Termination Date.

12. Choice of Law. This Agreement shall be deemed by the Parties hereto to have been made and entered into in the State of Colorado, and all rights and obligations of the Parties hereto shall be governed by and construed in accordance with the laws of the State of Colorado.

13. Choice of Forum. The Parties agree that any disputes under or related to this Agreement, or any other obligation between the Parties whatsoever which are submitted to judicial forum shall be exclusively subject to the jurisdiction and venue of the United States District Court for the 10<sup>th</sup> Circuit and consent to and submit themselves to the jurisdiction and venue of the courts of Denver County, Colorado, and further, waive the right to commence any action against the other except in these courts. The Parties acknowledge that this Agreement shall affect matters in interstate commerce and affecting commerce in many different states, and in order to promote consistency of interpretation and obligation to Franchisor, the selection of forum and submission to jurisdiction is reasonable and equitable.

14. Reformation. In the event that any of the provisions of this Agreement should ever be deemed to exceed the time, geographic, or occupational limitations permitted by the applicable laws, the Parties agree

that such provisions shall be reformed to the maximum time, geographic, or occupational limitations permitted by the applicable laws.

15. Paragraph Heading: Pronouns. The paragraph headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the singular or plural, masculine or feminine, in accordance with the defined terms to which the pronouns refer.

16. Survival. All provisions of this Agreement, which by their terms or reasonable implications are intended to survive the closing of this transaction, shall survive it.

17. Non-Waiver. No waiver of any covenant or condition or the breach of any covenant or condition by any Party shall constitute a waiver of any subsequent breach of such covenant or condition or authorize the breach or nonobservance of any covenant or condition by any Party.

18. Miscellaneous. This Agreement shall be binding upon and inure to the benefit of all Parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and this Agreement shall be constructed as if such invalid, illegal or unenforceable provisions have never been contained therein.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have duly executed this Agreement.

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_  
Witness

\_\_\_\_\_  
By: \_\_\_\_\_  
          {Name}

\_\_\_\_\_  
\_\_\_\_\_  
Witness

\_\_\_\_\_  
By: \_\_\_\_\_  
          {Name}

GUARANTORS:

\_\_\_\_\_  
\_\_\_\_\_  
Witness

\_\_\_\_\_  
{Name}, Individually

\_\_\_\_\_  
\_\_\_\_\_  
Witness

\_\_\_\_\_  
\_\_\_\_\_  
{Name}, Individually

FRANCHISOR:  
Craters & Freighters Franchise Co.

\_\_\_\_\_  
\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Dianna S. Gibson, President

**EXHIBIT A**

***EXHIBIT I***

***Receipts***

*Exhibit I*

**RECEIPT  
(Retain this Copy)**

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 Craters & Freighters Franchise Company 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 Craters & Freighters Franchise Company or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, Oklahoma, Rhode Island, or South Dakota law, if applicable, Craters & Freighters Franchise Company must provide this disclosure document to you at your first personal meeting to discuss the franchise. Under New York law, Craters & Freighters Franchise Company must provide this disclosure document to you at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Craters & Freighters Franchise Company 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 identified on **Exhibit A**.

The name, principal business address and telephone number of our franchise sellers are:  
Robert Molnar, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.  
Matthew Schmitz, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Issuance Date: **April 16, 2019**

See **Exhibit A** and Item 1 for our registered agents authorized to receive service of process.

I received a disclosure document dated April 16, 2019, that included the following Exhibits:

- Exhibit A: List of State Agencies and Agents for Service of Process
- Exhibit B: Table of Contents of Operations Manuals
- Exhibit C: List of Current Franchisees
- Exhibit D: List of Former Franchisees
- Exhibit E: Financial Statements
- Exhibit F: Franchise Agreement
- Exhibit G: State Addendum
- Exhibit H: Form of Mutual Termination Agreement
- Exhibit I: Receipts

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

Please retain this copy for your records.

**Exhibit I**

**RECEIPT  
(Our Copy)**

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- Exhibit I: Receipts

Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Craters & Freighters Franchise Company, 331 Corporate Circle, Suite J, Golden, CO 80401.