



1-800-TEXTILES FRANCHISES, LLC
 110 Brunes Way
 Ball Ground, Georgia 30107
 800-839-8453
 info@1800Textiles.com
 www.1800textiles.com

The franchise is to operate a textiles restoration business under the service mark “1-800- TEXTILES” (a “**Franchised Business**”). Franchised Businesses include businesses that market textile restoration services and bag and collect textiles for cleaning and storage (a “Spoke Business”) and businesses that also inventory, clean, store, and return textiles to customers (a “Hub Business” or “Hub Bolt-On Business” while managing related insurance claim administration, billing and collections and customer inquiries.

The total estimated investment necessary to begin operation of a Franchised Business is different depending on which 1-800-Textiles Franchise you choose:

Model	Estimated Investment Necessary to Begin Operation	Amount That Must Be Paid to the Franchisor
Hub Business	\$300,750 to \$572,000	\$46,000 to \$52,000
Hub Bolt-On Business	\$51,250 to \$127,500	\$20,000 to \$21,000
Spoke Business	\$40,200 to \$134,000	\$10,000 to \$13,500

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 Franchise Development at 110 Brunes Way, Ball Ground, Georgia 30107, 1-800-839-8453.

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

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

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

Issuance Date: April 2nd, 2025

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	ITEM 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in ITEM 20 or <u>Exhibit F</u> .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. ITEM 7 lists the initial investment to open. ITEM 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	ITEM 21 or <u>Exhibit C</u> includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	ITEM 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 1-800-TEXTILES business in my area?	ITEM 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items ITEM 3 and ITEM 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a 1-800-TEXTILES franchisee?	ITEM 20 or <u>Exhibit F</u> lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

WHAT YOU NEED TO KNOW ABOUT FRANCHISING GENERALLY

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

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

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

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

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

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

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

SOME STATES REQUIRE REGISTRATION

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

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

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

1. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
2. **Sales Quota.** The franchise agreement provides that if you do not achieve a minimum sales quota in any year, we may temporarily or permanently reduce the size of your territory or temporarily or permanently suspend your exclusive rights within the territory. If you do not achieve a minimum sales quota in three consecutive years, we may terminate the franchise agreement.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY MICHIGAN FRANCHISE
INVESTMENT LAW ONLY**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- a. A prohibition on the right of a franchisee to join an association of franchisees.
- b. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- c. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- d. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- e. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- f. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- g. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (2) The fact that the proposed transferee is competitor of the franchisor or sub franchisor.

(3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

h. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

i. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G. Mennen Williams Building
525 West Ottawa Lansing, Michigan 48933
(517) 373-7177

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John Wendt
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EXHIBITS

- Exhibit A – Franchise Agreement
- Exhibit B – State Addenda and Agreement Riders
- Exhibit C – Financial Statements
- Exhibit D – Manuals’ Table of Contents
- Exhibit E – List of State Agencies/Agents for Service of Process
- Exhibit F – Current and Former Franchisees
- Exhibit G – General Release
- Exhibit H – Lease Rider

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

The Franchisor

The franchisor is 1-800-Textiles Franchises, LLC. For ease of reference in this disclosure document, 1-800-Textiles Franchises, LLC is referred to as “we,” “us” or “our.” “You” or “Franchisee” means the person or entity who buys the franchise, including all equity owners of a corporation, general partnership, limited partnership, limited liability, or any other type of entity (an “Entity”). If you are an Entity, each individual with direct or indirect ownership interest shall be referred to as an “Owner.”

We are a Georgia limited liability company that was organized in 2020. Our principal business address is 110 Bruner Way, Ball Ground, Georgia 30107. To the extent that we have designated agents for service of process in other states, they are listed in Exhibit E. We conduct business under the name 1-800-Textiles only. We began offering 1-800-Textiles franchises in 2022.

Our Predecessor, Affiliates and Prior Business Experience

We do not have any predecessors. Our parent is Textiles Holdco, LLC (“Textiles Parent”), a Georgia limited liability company organized in 2020, with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107. Textiles Parent does not and has not offered franchises in any line of business and does not provide products or services to our franchisees.

We are affiliated by common ownership with 1-800-Textiles, LLC (“Textiles Affiliate”), a Georgia limited liability company organized in 2020 with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107. Textiles Affiliate may provide products and services to our franchisees but does not and has not offered franchises in any line of business.

We are affiliated by common ownership with Rubber Ducky Franchises, LLC, a Georgia limited liability company organized in 2024 with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107.

We are affiliated by common ownership with PlumDry Franchises, LLC, a Georgia limited liability company organized in 2024 with its principal business address at 110 Bruner Way, Ball Ground, Georgia 30107.

The Franchise Offered

We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee to develop and operate a Spoke Business in a designated territory (**the “Spoke Territory”**) and, for certain prospective franchisees the opportunity to develop and operate a Hub and/or Hub Bolt-On Business in a designated territory (**the “Hub Territory” or “Hub Bolt-On Territory”**).

A Spoke Business (a) identifies potential jobs through marketing and sales to insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources (**“Referral Sources”**) and potential customers and (b) provides customers with the services of bagging out and removing textiles from customer locations and transporting them to a Hub and/or Hub Bolt-On (as defined below) for cleaning and storage (collectively, (a) and (b) are referred to as the **“Field Services”**).

A Hub and/or Hub Bolt-On Business operates both a Spoke Business and a Hub Business. A **“Hub Business” or “Hub Bolt-On Business”** (i) operates a 1-800-Textiles Hub Production Plant facility where

textiles are inventoried, cleaned, and stored (a **“Hub”** and/or **“Hub Bolt-On”**), (ii) provides the services of inventorying, cleaning, temporarily storing, and returning to customers textiles collected by Spoke Businesses, (iii) manages related insurance claims administration, billing, and collections, and (iv) manages the customer relationship and addresses customer questions and complaints after the textiles are collected (collectively, the **“Hub Services”** and/or **“Hub Bolt-On Services”**).

We refer to the entire process of collecting textiles from a customer, delivering such textiles to the Hub and/or Hub Bolt-On, cleaning and processing such textiles, and storing and returning such textiles to the customer as a **“Job,”** which may involve separate Franchised Businesses providing the Field Services and Hub Services.

Franchised Businesses use a distinctive business format and set of specifications and operating procedures (collectively, the **“System”**). The distinguishing characteristics of the System include, but are not limited to, our cleaning facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors and referral sources; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (**“System Standards”**) set out in our operations manuals (**“Manuals”**) and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. We may change, improve, add to, and further develop the elements of the System from time to time.

Franchised Businesses operate under the 1-800-TEXTILES® mark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos (collectively, the **“Marks”**). We may designate other trade names, service marks, and trademarks as Marks from time to time.

If you elect to purchase a 1-800-TEXTILES franchise and we offer you the opportunity to do so, we and you will execute a Franchise Agreement (**the “Franchise Agreement”**). Our current form of Franchise Agreement is included as Exhibit A to this Disclosure Document. You will have no obligation, nor any right, to open any additional Franchised Businesses outside of your Spoke Territory or Hub Territory.

If you operate a Spoke Business, we will designate a Hub and/or Hub Bolt-On that may be operated by you, us or our affiliates, a third party, or one of our franchisees as your **“Designated Hub,”** which we may change from time to time upon written notice to you. You must use the Designated Hub as your exclusive vendor to clean and store any textiles that you collect from customers, unless we approve or specify otherwise in writing. The Designated Hub will provide the Hub Services to your customers, will collect revenue from your customers, and will distribute to you your share of such revenue. You may be required to enter into an agreement with the Designated Hub operator or the operator of any other Hubs that we authorize you to use.

If you operate a Hub and/or Hub Bolt-On Business, you must operate at least one Spoke Business within the Hub Territory at all times, in addition to a Hub and/or Hub Bolt-On Business. Any Spoke Businesses that you operate with Spoke Territories that overlap with the Hub Territory may be operated in conjunction with your Hub Business as part of a single Franchised Business. However, you must keep separate sales and expense records for each Hub Business and each Spoke Business that you operate.

Spoke Businesses are responsible for generating leads for Jobs from Referral Sources. We may, but are not obligated to, negotiate and enter into arrangements with an account, such as a Third Party Administrator (“a TPA”) that we have designated as a national or regional account (a **“NORA”**) for the benefit of the 1-800-Textiles brand and Franchised Businesses. We have sole discretion as to whether to designate a particular customer or referral source as a NORA and the terms and conditions for any services provided to NORAs.

You must designate an Owner to serve as the **“Operating Principal.”** The Operating Principal must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. In addition, you may appoint a trained manager (**the “Manager”**) to manage the day-to-day business of your Franchised Business.

Competition

Franchised Businesses offer services to residential, commercial, and industrial customers. The general market for textile cleaning and restoration services is established and competitive. You will need to compete with a variety of businesses offering these services, which may include local, regional, or national businesses. Your competitors may include franchisees of other franchised systems. Some businesses combine these services with other general contractor or specialized restoration or reconstruction services. The market for our services is year-round but may fluctuate based on weather patterns and the water, storm, and disaster risks within your Territory.

Industry Specific Regulations

You will have to comply with laws and regulations that are applicable to business generally (such as workers’ compensation, OSHA, and Americans with Disabilities Act requirements). Federal, state and local governmental laws, ordinances and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state and local governmental requirements. You should consult with your attorney about laws and regulations that may affect your Franchised Business. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and, if applicable, the Hub. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files.

ITEM 2 BUSINESS EXPERIENCE

President and Chief Executive Officer - Kevin Loner

Mr. Loner has served as President and Chief Executive Officer of 1-800-Textiles since its inception in 2020. He has also served as the Chief Executive Officer for Nivek Services, Inc. from August 2006 to the present. He founded 1-800-Packouts Franchise, LLC (“1-800-Packouts”) and was its President and CEO from July 2013 to January 2022. Mr. Loner serves in his present capacities in Ball Ground, Georgia.

Vice President of Operations – John Wendt

Mr. Wendt has served as our Vice President of Operations since July 2023. Prior to this role, he was Vice President of Operations for 1-800-Packouts from September 2013 to June 2023. Mr. Wendt serves in his present capacities in Ball Ground, Georgia.

Chief Design Officer – Rance Parker

Mr. Parker has served as our National Marketing Director since May 2022. He was National Marketing Director for 1-800-Packouts from July 2013 to May 2022. Mr. Parker serves in his present capacities in Ball Ground, Georgia.

ITEM 3 LITIGATION

On May 21, 2024, the Company initiated a civil action against 1-800-Textiles of San Diego and 1-800-Textiles of Los Angeles and others in the United States District Court for the Northern District of Georgia (the “Court”), styled as *1-800-Textiles Franchises, LLC v. 1-800-Textiles of San Diego et al.*, 1:24-cv-02239-VMC seeking, among other relief, to enforce the post-termination covenants in the Franchise Agreements. The matter was resolved pursuant to an agreement whereby the franchisees agreed to reimburse the Company an agreed upon amount for its attorney fees and costs and further agreed to reaffirm the post-termination obligations set forth in the Franchise Agreements, including the franchisees’ agreement not to operate a competitive business.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

If you are starting a new Franchised Business, you must pay a lump sum initial franchise fee of \$12,500 for a Spoke Business or of \$45,000 for a Hub Business or of \$20,000 for a Hub Bolt-On Business (the “**Initial Franchise Fee**”) at the time that you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable and must be paid in a lump sum via electronic debit or wire.

Eligible veterans who have completed military service in the United States may receive a discount of up to 5% of the Initial Franchise Fee for a Hub Business and/or Hub Bolt-On Business or up to 10% of the Initial Franchise Fee for a Spoke Business.

We provide our initial training program (“System/Procedure Training”) at no additional cost for up to four trainees for a Hub and/or Hub Bolt-On Business and two trainees for a Spoke Business. There is a fee of \$1,000 per additional trainee, which is non-refundable and must be paid in lump sum.

We may, in our sole discretion, provide on-site opening assistance to you for up to five days. If we provide such on-site assistance and you do not request it, there will be no charge for such assistance. If you request the assistance and we provide it, you must pay us our then current on-site assistance fee, which is currently \$1,000 per trainer per day, plus their travel, lodging and per diem expenses.

You will pay us a \$1,000 annual conference registration deposit for each Hub and/or Hub Bolt-On Territory and Spoke Territory that you own, due at time of franchise fee payment, which will be applied to the actual attendance fee for your first attendance at the first annual conference available to you after you have completed your training. If any portion of this deposit is not required as part of that annual conference attendance or registration fee, it will be credited to you on your invoice following the annual conference.

**ITEM 6
OTHER FEES**

Type of Fee ¹	Amount	Due Date	Remarks
Population Fee: Spoke	\$250 per month for a Spoke Territory with up to 250,000 people, plus \$0.007 per person over 250,000	Payable on the 7 th day of each month, beginning the 3 rd month after the Agreement Date.	If the population of your Territory changes, we will provide you with 30 days' notice before requiring you to pay a revised Population Fee. We may require you to split a Spoke Territory with more than 250,000 people into two territories, in which case you would be required to purchase a second Spoke Territory.
Population Fee: Hub	\$1,000 per month for a Hub Territory with up to 1,000,000 people, plus \$0.007 per person over 1,000,000	Payable on the 7 th day of each month., beginning the 6 th month after the Agreement Date.	If the population of your Territory changes, we will provide you with 30 days' notice before requiring you to pay a revised Population Fee. We may require you to split a Hub Territory with more than 1,000,000 people into two territories, in which case you would be required to purchase a second Hub Territory. This fee is in addition to any Population Fees for Spoke Territories.
Population Fee: Hub Bolt-On	\$500 per month for a Hub Bolt-On Territory with up to 500,000 people, plus \$0.007 per person over 500,000	Payable on the 7 th day of each month., beginning the 6 th month after the Agreement Date.	If the population of your Territory changes, we will provide you with 30 days' notice before requiring you to pay a revised Population Fee. We may require you to split a Hub Bolt-On Territory with more than 500,000 people into two territories, in which case you would be required to purchase a second Hub Territory. This fee is in addition to any Population Fees for Spoke Territories.
Royalty Fee: Spoke	3% of the Spoke Share of Gross Sales	Payable on the 15 th day of each month.	The "Spoke Share" is 30% of the Gross Sales collected from Jobs for which you provide the Field Services. See Note 1 for the definition of Gross Sales. For example, if a customer pays \$1,000 for a Job, the Spoke Share would be \$300 and the Royalty Fee paid by the Spoke Business for

			the Job would be \$9.
Royalty Fee: Hub and Hub Bolt-On	8% of the Hub Share of Gross Sales	Payable on the 15th day of each month.	The “Hub Share” is 70% of the Gross Sales collected from Jobs for which you provide the Hub Services. For example, if a customer pays \$1,000 for a Job, the Hub Share would be \$700 and the Hub Royalty Fee paid by the Hub Business for the Job would be \$56. For any Job in which a Spoke Business owned by you or your affiliate provides the Field Services and you provide the Hub Services, the Hub Royalty Fee shall be 8% of all Gross Sales and no separate Royalty Fee shall be due under the Franchise Agreement for the applicable Spoke Business.
Brand Fund Fee: Hub and Hub Bolt-On	2% of Gross Sales of the Franchised Business	Payable on the 15th day of each month.	Hub and Spoke Businesses contribute this fee to a national brand fund that we will administer (the “Brand Fund”) based on total Gross Sales. Spoke Businesses do not contribute to the Brand Fund.
Advertising Cooperative Contributions	Established by regional advertising cooperative (“Cooperative”) members	Established by Cooperative members and, if established, paid to us.	You must become a member of and contribute to any Cooperative that is established in your area. Amounts paid to your Cooperative will not count towards your local advertising obligation.
Technology Fee	Our then-current fee, which is currently \$290 per month for Spoke Businesses and \$959 per month for Hub and/or Hub Bolt-On and Spoke Businesses. This amount may vary depending on the number of users of certain software and subscriptions. For example, the National Call Center rate is currently \$99 per month. If you exceed 60	Payable on the 15th day of each month., beginning 4 months after the Agreement Date for Hubs and 2 months after the Agreement Date for Spokes.	This fee, pays for the services of third-party vendors or received by us to pay to such vendors, covers the cost of technology and software services and subscriptions, at the rates established by such vendors. Fees will vary based on technology and similar software or software as a service subscriptions. We may change the amount of the Technology Fee and the included products and services, in our sole discretion, from time to time. We may require you to pay all or part of this fee directly to vendors.

	minutes, you will be charged the then-current per minute rate as set by the third party vendor.		
Interest on Late Payments	Rate of 5% per month or the highest rate permitted by law, whichever is less	As incurred	Charged on any late payments of any amounts due to us or our affiliates.
Returned Check Fee	\$150 per returned check	As incurred	Payable if any check in payment of any amounts due us is returned because of insufficient funds in your account.
Additional Orientation Training Fee	\$1,000 per additional trainee	As incurred. Training occurs 3 months after the Agreement Date for Spokes and 5 months after the Agreement Date for Hubs.	We provide System/ Procedure Training to four initial trainees for Hub Businesses and two initial trainees for Spoke Businesses at no charge. Payable for any additional trainees, subsequent trainees, or trainees repeating System/ Procedure Training. You are responsible for the travel and living expenses of you and your trainees.
Additional Training Programs	Our then-current fee for additional training programs and conferences, which will vary based on our costs and expenses in conducting training.	As incurred	We may require you, your Operating Principal, your Manager, and/or employees we designate to attend additional training programs or conferences or to obtain certifications. You are responsible for the travel and living expenses incurred by your trainees or our trainers (if we provide on-site training).
Annual Conference Fee	The then-current registration fee, which is currently \$1,000 per conference.	February 1st each year.	You must pay the registration fee for our annual conference for each Spoke Territory or Hub and/or Hub Bolt-On Territory that you own, regardless of whether you attend. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or other attendees.

Additional Assistance Fee	Our then-current per diem and hourly fees. Currently, \$1,000 per day per representative.	As incurred	Payable if you request additional guidance and assistance beyond what our standard offering. You are responsible for any travel, lodging, and per diem expenses incurred by our representatives.
Renewal Fee	\$10,000 for a Hub and Hub Bolt-On and Spoke Business; \$5,000 for a Spoke Business	At the time of renewal	Payable if you enter into a renewal term for your license
Transfer fee	50% of the then current Initial Franchise Fee for a Spoke Business or a Hub and Hub Bolt-On Business, as applicable; subject to state law	At the time of transfer	Payable upon transfer of the Franchise Agreement, the Franchised Business, or a controlling interest in you.
Advisory Council Fees	Will vary based on programs	As incurred	If we establish a franchisee advisory council, you must participate in it and pay any dues assessed for administration of related programs.
Non-Reporting Fee	\$25 per day	Each day that you have failed to deliver reports or records due to us.	You will be charged this fee for each report or record which you have agreed to deliver to us, per day, beginning the first day following the due date on which you have not reported, and continuing through the date when you deliver such reports or records.
Audit Expenses	Cost of audit and inspection, including any travel expenses and reasonable accounting and attorneys' fees	Upon receipt of invoice	Payable if audit shows an underpayment of at least 3% in amounts owed for any period covered by the audit. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is

De-identification Expenses	Our reasonable cost of de-identifying your Franchised Business	Upon demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Franchised Business, and we take steps to do so.
Incomplete Job Fee	\$5,000 per uncompleted job	Upon demand	If this Agreement is terminated or expires, you must pay us this fee for each job that has not been fully performed, in addition to any actual damages that we incur.
Non-Compliance Fee	\$50,000	Upon demand	Payable if you use a facility other than the Designated Hub or a facility that we have approved in writing to clean and store any textiles that you collect from customers.
Liquidated Damages	(i) The average of your monthly Royalty Fees and Population Fees due for the last 36 months (or for such shorter period of time that the Franchised Business has been open) before our delivery of the notice of default, (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current term, (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.	As incurred	Payable if we terminate the Franchise Agreement based on your default or if you terminate in violation of its terms. “Royalty Fees” includes both Hub Royalty Fees and Spoke Royalty Fees. “Population Fees” includes both Hub Population Fees and Spoke Population Fees.
Out of Territory Fee	If you follow a lead into an owned territory, you must report it to us and pay us 5% of the claim, in addition to standard royalty and brand fees,	Due upon receipt of payment from client.	

	and pay 5% to the owner of the territory.		
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Notes:

1. Except as noted, all fees are uniform and are imposed by and payable to us or our affiliates. All fees are non-refundable. We may require that you participate in an electronic funds transfer program by which payments due us are paid or directed electronically from your bank.

2. “**Gross Sales**” means all revenue generated from, or related to, the operation of the Franchised Business, including (i) all revenue generated from, or related to, any Jobs serviced by the Franchised Business, including all revenue related to both the Field Services and Hub and/or Hub Bolt-On Services for such Job (even if another Franchised Business provides a portion of the services related to such Job, such as the Designated Hub and/or Hub Bolt-On providing the Hub and/or Hub Bolt-On Services for such Job), (ii) any other revenue generated from any products or services offered through the Franchised Business, and (iii) the proceeds from any business interruption insurance or eminent domain recovery that you may receive. Gross Sales shall include sales, rentals, exchanges, services, labor, service charges, service contracts, any other type of remuneration, gift, contra-deal, barter of products or services charity, payment in kind, or any other benefit or value that is received or deferred to be received, but shall exclude (a) excise, sales and use taxes, gross receipts taxes or similar taxes paid based on revenues, if those taxes are separately stated when the customer or their insurance company is charged and (b) refunds.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

Expenditure Type	Spoke Business	Hub Business	Hub Bolt-On Business	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	\$12,500	\$45,000	\$20,000	Lump Sum	Upon signing Franchise Agreement	1-800-Textiles
Rent, Security Deposit, Utility Deposits	N/A	\$3,000 - \$7,000	\$2,000 - \$5,000	As agreed	Before opening	Landlord of Facility
Architects/Engineers	N/A	\$10,000 - \$20,000	N/A	As agreed	Before opening	Approved Architects/Vendors
Leasehold Improvements	N/A	\$25,000 - \$100,000	\$2,500 - \$5,000	As agreed	Before opening	Contractors and Third-Party Vendors
Equipment	N/A	\$120,000 - \$175,000	\$5,000 - \$25,000	As agreed	Before opening	Approved Equipment Vendor
Signage	N/A	\$500 - \$2,500	\$500 - \$2,500	As agreed	Before opening	Third-Party Vendors
Furniture/Office Equipment	N/A	\$2,500 - \$5,000	\$1,000 - \$2,500	As agreed	Before opening	Third-Party Vendors
Technology/Software	\$1,000 - \$2,000	\$3,000 - \$6,000	\$2,000 - \$5,000	As agreed	Before opening	Approved Software Providers

Vehicle(s) and Wrap	\$6,500 - \$71,500	\$6,500 - \$71,500	\$6,500	As agreed	Before opening	Third-Party Vendors
Business Licenses and Permits	\$200 - \$1,000	\$250 - \$10,000	\$250 - \$1,000	As agreed	Before opening	Municipalities and other Government Entities
Professional Fees	\$500 - \$2,500	\$500 - \$2,500	\$500 - \$2,500	As agreed	Before opening	Attorney of Your Choice
Initial Inventory and Supplies	\$500 - \$5,000	\$2,500 - \$7,500	\$2,500 - \$7,500	As agreed	Before opening	Approved Vendor
Insurance	\$7,500 - \$12,500	\$15,000 - \$20,000	\$1,500 - \$15,000	As agreed	Before opening	Approved Agents/Brokers
Training Travel Expenses	\$1,000 - \$5,000	\$1,000 - \$10,000	\$1,000 - \$10,000	As agreed	Before opening	Corporate Training, Airlines, Hotels, Restaurants, etc.
Marketing	\$500 - \$2,000	\$1,000 - \$5,000	\$1,000 - \$5,000	As agreed	Before opening	Third-Party Vendors
Additional Funds – First 3 Months	\$10,000 - \$20,000	\$65,000 - \$85,000	\$5,000 - \$15,000	As agreed	As incurred	Employees, Suppliers, Utilities and Third-Party Vendors
Total Estimated Investment	\$40,200 - \$134,000	\$300,750 - \$572,000	\$51,250 - \$127,500			

Notes:

1. This table estimates the initial three-month investment period for start-up Franchised Businesses only. All fees and payments are non-refundable unless otherwise stated in this Disclosure Document or unless otherwise arranged between you and any third parties. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

2. We expect that you will either purchase or lease the real estate for the Facility. We will not approve the terms of the lease in the case of a sublease. This estimate assumes that a Hub and/or Hub Bolt-On will operate a facility 5,000 sqft or greater. We expect most Facilities will be approximately this size, but we may approve smaller Facilities in our sole discretion. Your rent may differ based on market factors in your area. We do not lease or sell space to you.

3. This estimate includes a snapshot of the cost of remodeling a Facility to meet our specifications and trade dress, including the cost of fixtures, interior and exterior painting, and landscaping. Your Facility must include permanent climate-controlled storage rooms, cleaning room(s), and an office. You must purchase certain items of fixtures, which must comply with our specifications in the Manuals. Actual costs depend on location, the condition of the premises being remodeled, economic factors, and the Facility's size.

4. You must purchase equipment to clean and restore customer's personal property. The equipment must meet our specifications, as discussed in greater detail in our Manuals, and must be purchased from an approved supplier. The cost of the equipment will vary based on the size of your Facility and the models of equipment that you elect to purchase.

5. This estimate is for the cost of obtaining signage for your Facility that meets our specifications.
6. This estimate includes the cost of the management system, computer hardware, mobile devices, applications, GPS tracking devices, and software (the “**Management Systems**”), furniture, and other office equipment necessary to operate the Franchised Business. The Management Systems include the cost of at least one iPad, computer, and printer/copier. More hardware may be necessary based on the size of your Franchised Business. The cost of furniture will vary based on the size of your building and the quality of furniture that you select.
7. We require you to purchase at least one van that is new. If you already own a van(s) that meet our specifications, you may modify and rebrand them and then use them in the Franchised Business, provided that they are dedicated for use in the Franchised Business. The vehicles must be painted in accordance with our specifications. This estimate assumes that you will lease the vehicles and includes the down payment, three months of leasing expenses, and the cost of painting the vehicle to include our signage.
8. The range given provides our best estimate of the costs you will incur for business permits and licenses.
9. We recommend that you consult an attorney of your own choosing to review this disclosure document and the Franchise Agreement, as well as an independent accountant to review the attached financial statements, before signing the Franchise Agreement. The costs of these professional fees will vary depending on your location and the professionals that you select.
10. You must purchase an initial inventory of textile cleaning supplies, including but not limited to cleaning chemicals, hangers, boxes, packing materials, and uniforms that meet our specifications. The size of your initial inventory will vary based on the size of your Territory and Facility.
11. You must carry insurance. The amount set forth above represents an estimate of the premiums required for general liability, workers’ compensation, environmental liability, public liability and property damage, professional liability, bailee’s coverage, business interruption coverages during the Franchised Business’ first year of operation. We may periodically increase or decrease the amounts of coverage required under the insurance policies and require different or additional kinds of insurance at any time. You should consult with your insurance agent or broker before purchasing a franchise.
12. We charge a fee for our training program for up to four trainees, and you must pay the travel and living expenses for your trainees during training. The amounts set forth above assumes up to 5 days of training for up to 4 trainees.
13. You are required to do local marketing. Your marketing efforts will need to be tailored to your community and competitive situation. The cost of your marketing will vary based on local market conditions. You are required to have a designated Marketing Representative.
14. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, utilities, payroll taxes (including payroll to cover the pre-opening training period for your staff), Royalty Fees, Population Fees, Operating Percentage Fees, legal and accounting fees, additional advertising, health and workers’ compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means intended to be exhaustive of the extent of possible categories of expenses. This is only an estimate, however, and there is no assurance that additional working

capital will not be necessary during this start-up phase or after. It is best to contact your accountant or financial advisor for further guidance.

15. We relied on the experience of our affiliate in operating an Affiliate-Owned Business to compile these estimates. Your costs may vary based on a number of factors discussed above.

We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should review these figures with a business advisor before making any decision to purchase the franchise. We contemplate that certain of our franchisees will be existing owners of textiles and/or restoration businesses who convert their businesses to a Franchised Business. If you are a franchisee who converts an existing business to a Franchised Business, your estimated initial investment may vary from the estimated initial investment listed above.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products, Services, and Suppliers. We have the right to require that furniture, fixtures, signs, and equipment (the “**Operating Assets**”) and products, supplies, and services that you purchase for resale or purchase or lease for use in your Franchised Business: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from us or our affiliates or suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

You must purchase or lease at least one van that (a) is less than five years old at the time of acquisition, (b) meets our then-current specifications (which may include specific brands or models), (c) is wrapped with vehicle wraps(s) that conform to our then-current design and color standards, (d) only displays the signs, emblems, lettering, logos and display materials that we approve in writing, including any signs we designate to reflect the fact that you are a franchisee, (e) is outfitted with camera systems that we specify that we shall have the right to access (or you must submit pictures or video from at our request), and (f) is approved by us in writing (**a “Vehicle”**). You must acquire additional Vehicles to meet customer demand, in accordance with any specifications that we provide.

You must offer all services and products we prescribe for a Franchised Business and must not offer or sell any services or products other than services and products that we have approved in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

Relationship With Suppliers. Neither we nor our affiliates currently are approved suppliers or the only approved suppliers of any products or services to franchisees, though we reserve the right to require you to purchase items from us or our affiliates in the future. None of our officers owns any interest in any supplier with whom you are currently required or recommended to do business.

To maintain service quality and consistency across affiliated systems, franchisees are required to utilize designated affiliate brands for specific services. 1-800-Textiles franchisees must use Rubber Ducky for all rug cleaning services and PlumDry for any plumbing or mitigation services needed on claims. PlumDry franchisees must use 1-800-Textiles for all textile cleaning services and Rubber Ducky for rug

cleaning. Rubber Ducky franchisees must use 1-800-Textiles for all textile-related services and PlumDry for all plumbing or mitigation services when handling insurance claims. These requirements are mandatory unless otherwise approved in writing by the franchisor. The franchisor reserves the right to update, modify, or expand the list of required affiliate service providers at any time.

Prototype and Construction Plans and Specifications. We will review and approve plans and specifications to confirm they meet our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Facility. It will be your responsibility to ensure that the plans and specifications comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site for the Facility. You must submit final construction plans and specifications to us for approval before construction begins at the Facility, and the Franchised Business must be constructed in accordance with those approved plans. There is no time limit for the completion of our review, but we anticipate completing our review within 10 days of your submission. By approving your plans we in no way represent or warrant the Facility will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of a Facility that is constructed in accordance with plans that we approve.

Management Systems. You must use in the development and operation of the Franchised Business the Management System that we specify from time to time. As part of the Management Systems, we may require you to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We may also require that all or parts of the Management Systems be purchased or contracted through us or our designee. The Management Systems we require provide a business advantage over other systems and allow us to ensure uniformity across the franchise system. In addition, some TPAs will require use of certain software. If this occurs, we reserve the right to require you to use the software the TPA is requiring.

Insurance. You must obtain and maintain in force insurance coverage necessary to comply with all laws and as is customary for similar businesses in the state or jurisdiction in which the Franchised Business operates, or as we may reasonably prescribe. We currently require you to maintain the following insurance coverage: (i) commercial general liability insurance (\$1 million per occurrence, \$2 million general aggregate limit, and \$2 million products-completed operations limit), (ii) contractor's environmental liability (\$1 million per occurrence and \$2 million aggregate limit (aggregate may be shared with CGL policy)), (iii) property insurance (for Hub and/or Hub Bolt-On Businesses only - 100% of replacement value of Hub and/or Hub Bolt-On and contents), (iv) bailees coverage (\$1 million limit), (v) vehicle liability insurance (\$1 million coverage, including hired and non-company owned auto coverage), (vi) workers' compensation coverage, (vii) cyber liability coverage (\$1 million limit), (viii) employment practices liability coverage (\$1 million limit), and (ix) excess liability coverage (over and above CGL, vehicle liability and employer liability) of \$1 million. The insurance coverage must be maintained under one or more policies of insurance of the types and containing such terms and conditions and minimum liability protection in such amounts, as we specify and as are issued by insurance carriers rated not less than "A-" by A.M. Best Company..

You must maintain these policies during the entire term of your Franchise Agreement. We may increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us (and our officers, directors and employees) as additional insureds, contain a waiver by the insurance carrier of all subrogation rights against us, and must provide that we will receive 30 days advance written notice of any material modification, cancellation, or termination or expiration of the policy.

You must provide us with a copy of the certificate of or other evidence of the procurement, renewal or extension of each insurance policy within 30 days after signing the Franchise Agreement and each year thereafter, which certificate shall list us as a named additional insured.

Approval Process. If you propose to purchase any brand, type, and/or model of products, supplies, services, and Operating Assets which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings, samples, and/or other information for a determination by us of whether the brand, type, and/or model of products, supplies, services, and Operating Assets complies with our specifications and standards, which determination will be made and communicated to you within a reasonable time (typically, within 30 days). We do not make our criteria for approving suppliers available to franchisees, but generally we will evaluate the quality and appearance of proposed products and the reputation, quality controls, and distribution capabilities of a proposed supplier. We may approve or disapprove a supplier or item in our sole discretion. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase items from such supplier. Currently, we intend to charge our actual cost of testing the proposed product or evaluating the proposed service, including personnel and travel costs, and intend to communicate our decision to you within 30 days after receiving all of the information that we request. If we do not provide a notice of approval within thirty (30) days the supplier or item is disapproved. Upon our approval of your proposed item and/or supplier, we will permit you to contract with the alternative supplier. We may revoke approval of a supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

Issuance of Specifications and Standards. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you of any changes to our Manuals, specifications, or standards in writing, which we may transmit to you electronically.

Proportion of Purchases Subject to Specifications. We estimate that the cost to purchase and lease all equipment, inventory and other items and services that we require you to obtain from us or our affiliates, from designated suppliers, or in accordance with our specifications ranges from 90% to 100% of the total cost to purchase and lease equipment, inventory, and other items necessary to establish a Franchised Business and 90% to 100% of the total cost to purchase and lease equipment, inventory, and other items to operate a Franchised Business.

Revenue from Purchases. We or our affiliates may receive revenues or profits or other material consideration from the purchases you make from us, our affiliates, or from other approved suppliers. We intend to earn revenue from your purchase of certain items that we may specify from time to time. Currently, we intend to pass on any savings or rebates that we receive from suppliers to our franchisees, but we may change this policy at any time and retain any rebates or other payments we receive from suppliers.

During our last fiscal year ended December 31, 2024, we did not receive any revenue from the required purchase of products and services by our franchisees. We have not yet established any arrangements with suppliers which would require the supplier to make payments to us based on our purchases, but we reserve the right to do so.

Cooperatives and Purchase Arrangements. We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have negotiated purchase arrangements with suppliers for the benefit of our franchisees for certain packing supplies and vehicles.

Material Benefits. We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

ITEM 9 FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	3.B	N/A
(b) Pre-opening purchases/leases	3	5, 7 and 11
(c) Site development and other pre-opening requirements	3	N/A
(d) Initial and ongoing training	4	6 and 7
(e) Opening	3.F	9
(f) Fees	9	5 and 6
(g) Compliance with standards and policies/Operations Manual	4.G, 10.C, and 10.D	8 and 14
(h) Trademarks and proprietary information	5	13
(i) Restrictions on products/services offered	10.A and 10.B	15 and 16
(j) Warranty and customer service requirements	Not Applicable	15
(k) Territorial development and sales quotas	1.B, 1.E	12
(l) On-going product/service purchases	10	6 and 7
(n) Insurance	10.I	8
(o) Advertising	11	11 and 14
(p) Indemnification	8	N/A
(q) Owner’s participation/management/staffing	10.G	9 and 15
(r) Records/reports	12	N/A
(s) Inspections/audits	13	N/A
(t) Transfer	14	17
(u) Renewal	2.B	17
(v) Post-termination obligations	16	17
(w) Non-competition covenants	7 and 16.E	15 and 17
(x) Dispute resolution	17	Special Risks and 17

ITEM 10 FINANCING

We do not offer direct or indirect financing nor do we guarantee your note, lease or other

obligations.

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

Except as listed below, we are not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open the Franchised Business, we or our designee will:

- (1) If you operate a Hub and/or Hub Bolt-On Business, we or our designee will review and approve or disapprove the terms of the lease or purchase contract for the premises of the Franchised Business. You must select a 5,000 or greater square foot location for your Hub and/or Hub Bolt-On that is within the Hub and/or Hub Bolt-On Territory. The lease for the Facility must allow for the installation of all equipment and other items necessary to operate the Franchised Business. In addition, the lease shall provide, if required by us, that it be assignable to us or our designee at our option, upon termination or expiration of this Agreement, and shall also contain such terms and provisions as are reasonably approved by us. Outside of these factors, we do not consider other factors in approving or disapproving your site. We generally do not own the premises or lease the premises to you. We will not approve the terms of the lease in the case of a sublease. There is no time limit for the completion of our review of your lease or purchase contract, but we anticipate completing our review within 10 days of your submission. If we do not approve the terms of the lease or purchase contract and you are unable to locate another site with satisfactory lease or purchase terms in enough time to open the Franchised Business within 180 days after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement, in which case you will forfeit your Initial Franchise Fee. (Franchise Agreement – Section 3.A)
- (2) If you operate a Hub and/or Hub Bolt-On Business, we or our designee will review and approve or disapprove plans and specifications and final construction plans complying with our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Facility. You must submit final construction plans and specifications to us for approval before construction begins at the Hub and/or Hub Bolt-On, and the Franchised Business must be constructed in accordance with those approved plans. There is no time limit for the completion of our review, but we anticipate completing our review within 10 days of your submission. By approving your plans, we in no way represent or warrant the Hub and/or Hub Bolt-On will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of a Hub and/or Hub Bolt-On that is constructed in accordance with plans that we approve. (Franchise Agreement – Section 3.B)
- (3) Specify the Management Systems for the Franchised Business. (Franchise Agreement – Section 3.D)
- (4) Provide System/Procedure Training. (Franchise Agreement – Section 4.A)
- (5) If you operate a Spoke Business, we or our designee will specify a Designated Hub that you must use as your exclusive vendor to clean and store and textiles that you collect from customers. (Franchise Agreement– Section 3.A(1))

- (6) Provide you with advice, guidance and support in connection with the opening and initial operation of the Franchised Business. If you request on-site assistance and we are able to schedule such assistance at a mutually agreeable time, you will be required to pay our reasonable fees for such on-site assistance and will be responsible for the reasonable travel, lodging and per diem expenses incurred by our personnel in providing such on-site assistance. (Franchise Agreement – Section 4.C)
- (7) Provide you with access to our Manuals, physical or digital, upon completion of scheduled, on-site training. Our Manuals may be modified to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses in our sole discretion. You will be required to adopt any modifications into your Franchised Business (Franchise Agreement – Section 4.G)
- (8) Approve the opening of your Franchised Business, provided that you have met all of our requirements for opening. If you operate a Hub and/or Hub Bolt-On Business, you must begin operating the franchised business within 180 days after signing the Franchise Agreement. If you operate a Spoke Business, you must begin operating the franchised business within 90 days after signing the Franchise Agreement. Factors affecting this length of time include, among others: ability to select a site and negotiate a satisfactory lease; hiring of the requisite employees; successful completion of System/Procedure Training; local ordinances or community requirements; delivery of Operating Assets; issuance of all necessary licenses, permits and approvals; and procuring required insurance. (Franchise Agreement – Section 3.F)

Ongoing Assistance

During the operation of the Franchised Business, we or our designee will:

- (1) Give you guidance and assistance in the following areas: (1) methods and techniques for operation of a Franchised Business; (2) national advertising and promotion; (3) the establishment of administrative, bookkeeping, accounting and general operating procedures for the proper operation of the Franchised Business; and (4) any changes in the Franchised Business, authorized services, standards or operating procedures we prescribe for Franchised Businesses. (Franchise Agreement – Section 4.F)
- (2) At your request and expense, provide additional guidance and assistance to you for an hourly charge. (Franchise Agreement – Section 4.F)
- (3) Provide additional training programs, seminars and/or conferences, as we deem appropriate. (Franchise Agreement – Section 4.D)
- (4) Revise the Manuals as we deem necessary to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses. (Franchise Agreement – Section 4.G)
- (5) Review and approve suppliers and distributors you would like to use. We have the right to charge a fee to make this evaluation. (Franchise Agreement – Section 10.B.)
- (6) Administer the Brand Fund. (Franchise Agreement – Section 11.E.)
- (7) If we receive any leads relating to Jobs located in Your Territory (other than leads from NORAs), we will assign the Job to you, but we may offer the Job to other franchisees if you reject it or fail to

promptly perform it. We, however, are not obligated to generate any Jobs or leads for you. (Franchise Agreement – Section 1.B)

- (8) If you operate a Spoke Business, we or our designee will pay you, or cause the Designated Hub to pay you, the Spoke Share of the Gross Sales that are collected from Jobs for which you provide the Field Services (less the Spoke Royalty Fee) (Franchise Agreement – Section 9.B.)

Advertising

Our Marketing. Other than administering the Brand Fund (as described below), we are not contractually obligated to conduct or develop any advertising or marketing programs for the System. We may, but are not obligated to, periodically formulate, develop, produce, and conduct advertising or promotional programs in such form and media as we determine to be most effective. We may, at our option, make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We currently produce marketing materials which you may purchase from us or through an approved vendor.

We have conducted online, print, and social media advertising for 1-800-TEXTILES. If we conduct media advertising, we are not required to spend any amount on advertising in the market in which your Franchised Business is located.

Brand Fund. We will administer the Brand Fund and determine, in our sole discretion, when, how, and where the payments deposited into the Brand Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the Brand Fund. We use or may use the following media: print, radio, television, telephone, smart phone, social media and Internet. We may also use the funds for general public relations, development of advertising and marketing materials, to pay wages for digital marketing, graphic design, and/or marketing initiatives and to otherwise obtain and build brand awareness such as through trade shows, other events, other channels, or community giveback programs. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies. We may use the Brand Fund to grow the entire organization system-wide, through community giveback program, targeted marketing, and marketing franchises.

Hub and/or Hub Bolt-On Businesses contribute the Brand Fee (which is 2% of the monthly Gross Sales of the Franchised Business) to the Brand Fund, but Spoke Businesses are not required to make contributions. The Brand Fund will be held in an account separate from our other funds. We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Brand Fund in that year. If we do not use all the funds in the Brand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the Brand Fund to borrow from us or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We may collect for remission to the Brand Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. All interest earned on monies contributed to the Brand Fund will be used to pay advertising costs of the Brand Fund before other assets of the Brand Fund are expended. Sums paid by you to the Brand Fund may be used by us to defray any of our operating expenses and overhead reasonably related to the administration, direction or operation of the Brand Fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Brand Fund and will make it available to you on written request.

The Brand Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although we will endeavor to use the Brand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Fund by Franchised

Businesses operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials. Advertising produced by the Brand Fund may be local, regional, or national in nature. Except as described above, we assume no direct or indirect liability or obligation to you regarding the maintenance, direction, or administration of the Brand Fund.

We may terminate the Brand Fund by giving you 30 days' prior written notice. All unspent monies on the date of termination shall be divided between us and franchisees in proportion to the respective contributions during the 12-month period prior to termination. At any time thereafter, we may reinstate the Brand Fund.

We did not begin operating the Brand Fund in our last fiscal year and, therefore, did not have any expenditures from the Brand Fund. We will begin collecting Brand Fees in 2025.

Local Marketing. Your Spoke Business is required to annually spend on local advertising and marketing within the Spoke Territory or Unowned Territories at least 2% of the Spoke Share of Gross Sales for the Franchised Business (**the "Local Advertising Obligation"**). Your advertising should be tailored to your Spoke Territory. You must assign an employee or member of the business to be dedicated to performing marketing in the local market. We may require you to participate in certain advertising or marketing program at your expense.

You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. We will have the final decision on all creative development of advertising and promotional messages. You must submit samples of all advertising and promotional materials to us for our prior approval, if we have not prepared or previously approved the materials. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials at any time.

Digital Marketing. We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (**collectively, "Digital Marketing"**) that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business.

Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or that relates to the Franchised Business or the network. If we do permit you to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time. We will also hold you responsible for the actions of any employees. Should we discover any employees are performing Digital Marketing or posting any private information on social media you will be held liable for their breaches. You are the employer for any employees, and you are responsible for the actions of employees.

You are not authorized to have a website for your Franchised Business. As part of our Digital

Marketing, we or one of our designees will operate and maintain the 1-800-Textiles website, which will include basic information related to the Franchised Business. Currently, we permit you to have various social media profiles dedicated to your Franchised Business, but we reserve the right to review the content and require changes should we, in our sole discretion, deem it necessary.

Advertising Cooperatives. We currently do not have any Cooperatives. However, if we choose to, we may designate a geographic area in which two or more Franchised Businesses are located as a region in order to establish a Cooperative. The Cooperative's members in any area will include all of the Franchised Businesses operating in that area (including us or our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative will operate in accordance with a written governing document which we may amend at any time upon written notice to the Cooperative's members. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. You must become a member of any Cooperative whose area includes your Franchised Business and must contribute to the Cooperative the amounts determined by the Cooperative. These amounts will be credited toward your local advertising expenditures.

Advertising Councils. We currently have no advisory council composed of franchisees to advise us on our advertising policies. If we elect to establish an advisory council, you agree to participate in its activities and to pay any dues we may assess for administration of advisory council programs, and you will be responsible for your expenses incurred in connection with advisory council programs. You will be permitted to vote for franchisee representatives on the advisory council in accordance with guidelines that we may establish from time to time. Furthermore, we will have the option to modify or eliminate any advisory council that we may establish from time to time.

Management Systems and Computer Hardware and Software

As part of the Management Systems, a Franchised Business may be required to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We currently require all Franchised Businesses to obtain the professional services automation software (for tracking cleaning workflow), call center software, operational system software, email, and customer relationship management software that we specify. In addition, all Franchised Businesses must install a firewall and have up-to-date anti-virus installed on all computer/electronic device hardware used in conjunction with the Franchised Business. We also require Hub and/or Hub Bolt-On and/or Spoke Businesses to obtain our approved insurance repair estimating software, inventory software for processing insurance claims, and account reporting software. If a TPA or carrier requires the use of some other estimating software, we may require the Hub and/or Hub Bolt-On to use the software requested by the TPA.

All Franchised Businesses must have at least one iPad® and all Hub and/or Hub Bolt-On and/or Spoke Businesses must have an office computer and printer/copier. The cost to purchase the Management Systems will range from \$1,000 to \$2,000 for Spoke Businesses and \$3,000 to \$6,000 for Hub and/or Spoke Businesses. This estimate includes the cost of licensing the software required to be used in the Management Systems. Neither we nor our affiliates currently act as vendors or suppliers of any components of the Management Systems, but we and our affiliates reserve the right to do so in the future.

Our modification of the specifications for the components of the Management Systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware, mobile devices, and/or software and to obtain service and support for the Management Systems during the term of the Franchise Agreement. There are no limitations on the frequency and cost of these obligations of yours. We cannot estimate the future costs of the Management Systems (or additions or modification to the Management Systems) and the cost to you of obtaining the Management Systems (including software licenses) (or any additions or modification) may not be fully amortizable over the remaining term of the Franchise Agreement. Nonetheless, you must incur these

costs in obtaining the computer hardware, mobile devices, and software comprising the Management Systems (or additions or modification). We have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that is licensed to you and other maintenance and support services that we or our affiliates provide to you related to the Management Systems. You agree to pay us within 10 days after the effective date of termination or expiration of this Agreement, all amounts due to us for the remaining term of any agreements (e.g. software and system subscriptions).

We may require you to enter into any maintenance, updating, upgrading, or support contracts related to the Management Systems. Vendors may be able to offer optional maintenance, updating, upgrading, or support contracts to you, but the charges would vary by vendor and cannot be reasonably estimated by us.

We will have independent access to data on the Management Systems, including gross sales figures. There are no contractual limitations on our right to access this information and data.

We may, as outlined in the Manuals and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business, require you to use certain designated software, including for accounting or bookkeeping and other purposes. Your use of such software is a condition to your franchise, and in connection with such use, you must furnish to us no less than viewing access to such software, together with all required reports as set forth herein. If we designate required accounting software, you must use such software from any designated vendor(s) as set forth in the Manuals and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. Such software use may include fees paid directly to such vendor(s), on such terms that they set, and with updates or changes to such terms as may be established between you and each vendor.

Training

System/Procedure Training. We will provide an initial training program (“System Procedure Training”) to your Required Trainees. The “Required Trainees” include you (or your Operating Principal, if you are an entity) and one additional manager or supervisor for a Spoke Business and up to three additional managers or supervisors for a Hub and/or Hub Bolt-On Business. System/Procedure Training will be approximately three days for a Spoke Business and eight days for a Hub and/or Hub Bolt-On Business at a location and time designated by us. We will conduct training programs on an as-needed basis. The training program will include classroom instruction and Franchised Business operation training in the use of the System at our National Training Center in Jasper, Georgia or at an operating Franchised Business that we designate. We may designate all or portions of the training to be virtual training. Training will occur on or before 3 months after the Agreement Date for Spoke Businesses, or Hub Bolt-On and on or before 5 months after the Agreement Date for Hub Businesses.

We will provide System/Procedure Training, including all related training materials, to your Required Trainees at no charge. You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such System/Procedure Training. If any trainees repeat System/Procedure Training, if more than the Required Trainees attend Hub System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee to attend System/Procedure Training.

The following tables describe our System/Procedure Training. If you operate a Hub Business, Hub Bolt-On, you must complete both the training for Spoke Businesses and the training for Hub Businesses:

SPOKE TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Hands-On Job Training	Location
Orientation to the Company	0.5	0	Jasper, Georgia
Company Objectives	0.5	0	Jasper, Georgia
Services Overview	1	0	Jasper, Georgia
Operations	2	0	Jasper, Georgia
Support Systems & Computer Systems	2	0	Jasper, Georgia
Sales	0	2	Jasper, Georgia
Marketing & Advertising	2	12	Jasper, Georgia
Tours/Vendor Information	1	0	Jasper, Georgia
Certification Testing, Graduation, and Sendoff	1	0	Jasper, Georgia
Totals	10	14	

HUB BOLT-ON TRAINING

Subject	Hours of Classroom Training	Hours of Hands-On Job Training	Location
Orientation to the Company	0.25	0.25	Jasper, Georgia
Company Objectives	0.25	0.25	Jasper, Georgia
New Office Development	0.5	0	Jasper, Georgia
Services Overview	0.5	1	Jasper, Georgia
Operations	1	9	Jasper, Georgia
Support Systems & Computer Systems	0.5	0	Jasper, Georgia
Sales	1	0	Jasper, Georgia
Marketing & Advertising	1	0	Jasper, Georgia
People Management	0.5	2	Jasper, Georgia

Tours/Vendor Information	0	1	Jasper, Georgia
Certification Testing, Graduation, and Sendoff	0.5	0.5	Jasper, Georgia
Totals	6	14	

HUB TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Hands-On Job Training	Location
Orientation to the Company	0.5	0.5	Jasper, Georgia
Company Objectives	0.5	0.5	Jasper, Georgia
New Office Development	1	0	Jasper, Georgia
Services Overview	1	2	Jasper, Georgia
Operations	2	18	Jasper, Georgia
Support Systems & Computer Systems	1	0	Jasper, Georgia
Sales	2	0	Jasper, Georgia
Marketing & Advertising	2	0	Jasper, Georgia
People Management	1	4	Jasper, Georgia
Tours/Vendor Information	0	2	Jasper, Georgia
Certification Testing, Graduation, and Sendoff	1	1	Jasper, Georgia
Totals	12	28	

Our Manuals, videos, and other handouts comprise the instructional materials for our training program. Our training program will be led by Bobby Thompson, who is the General Manager of 1-800-Textiles of Georgia, LLC, which is one of our franchisees that we have engaged to provide our training program to other franchisees. Mr. Thompson has worked within and providing training within the 1-800-Textiles system since 2021 and has over a decade of experience in the restoration industry. We may involve other employees of us or our franchisees or other industry experts from time to time.

At any time before the Franchised Business opens for business, your Required Trainees must complete System/Procedure Training to our satisfaction. The timeline for training is currently set on or before 3 months after signing the Agreement for Spokes and Hub Bolt-Ons. On or before 5 months after signing the Agreement for Hubs. If we determine in our sole discretion that your Required Trainees are unable to satisfactorily complete System/Procedure Training, we may, at our option, require you or them to retake System/Procedure Training or terminate this Agreement upon written notice to you, in which case we will not refund any fees paid by you.

Additional Training. We may require that you, your Manager, and/or other employees that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings relating to the operation of Franchised Businesses at locations we select. There are certain certifications which you may desire to have your employees obtain. Having employees with various certifications can provide certain benefits to your Franchised Business. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or your trainees related to any such programs and conferences. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training.

Training By You. You must hire all employees and staff of the Franchised Business, be exclusively responsible for the terms of their employment and compensation, and be exclusively responsible for ensuring that such employees and staff are trained in accordance with the System in the proper operation of the Franchised Business. **You acknowledge that you, and not us, are the employer for any employees or personnel of the Franchised Business. We will not provide any hiring assistance, advice or guidance.**

ITEM 12 TERRITORY

You will be granted a territory (“**Your Territory**”). Your Territory will not be exclusive. You may face competition from other franchisees, from company-owned businesses, or from other channels of distribution or competitive brands that we control. Your Territory will be described in an exhibit to the Franchise Agreement and will be determined in our sole discretion based upon population density, demographics and other Franchised Business operations in the market.

Spoke Territories range from 1 to 250,000 people. Spoke Businesses will be granted a Spoke Territory that typically will not exceed a population of 250,000 people. In the event the population exceeds 250,000 people, you may be required to purchase an additional franchise. We retain the right to assign you a specific territory chosen by us, based upon population density, demographics, and other Franchised Business operations in the market.

Spokes will receive protected rights in the Spoke Territory. As long as you are in full compliance with the Franchise Agreement, except (i) during Catastrophic Events, (ii) if you are offered or assigned a Job and reject it or fail to promptly perform it, or (iii) if a customer of Referral Source specifically requests that we or another franchisee perform a Job: (a) we will not provide, or authorize any person or Entity to provide, the Field Services to any customers located in the Spoke Territory; and (b) if we receive any leads relating to Jobs located in the Spoke Territory (other than leads from NORAs), we will assign the Job t

Hub Bolt-On Territories range from 1 to 500,000 people. Hub Businesses will be granted a Hub Bolt-On Territory that typically will not exceed a population of 500,000. In the event the population exceeds 500,000 people, you may be required to purchase an additional franchise. We retain the right to assign you a specific territory chosen by us, based upon population density, demographics, and other Franchised Business operations in the market.

Hub Territories range from 1 to 1,000,000 people. Hub Businesses will be granted a Hub Territory that typically will not exceed a population of 1,000,000. In the event the population exceeds 1,000,000 people, you may be required to purchase an additional franchise. We retain the right to assign you a specific territory chosen by us, based upon population density, demographics, and other Franchised Business

operations in the market.

Hubs will receive protected rights in the Hub Territory. As long as you are in full compliance with the Franchise Agreement, we will not establish or authorize any person or entity other than you to physically locate a Hub and/or Hub Bolt-On in the Hub and/or Hub Bolt-On Territory during the term of this Agreement. As long as this Agreement is in effect and you are in full compliance with this Agreement, except (i) during Catastrophic Events, (ii) if you are offered or assigned a Job and reject it or fail to promptly perform it, or (iii) if a customer of Referral Source specifically requests that we or another franchisee perform a Job, we will require all textiles collected from locations within the Hub Territory to be delivered and processed by your Hub.

Most often, Hubs and/or Hub Bolt-Ons will be provided with a right of first refusal to provide the Field Services to any NORAs with Jobs within the Hub Territory (if any), provided that you are in full compliance with this Agreement and our System Standards. In the case that a Spoke Business is first onsite, the Spoke will retain the right to provide Field Services on the Job. If we offer you any Jobs within the Hub Territory that originate from NORAs, you must either (i) use your Spoke Business to provide the Field Services for such Job or (ii) refer the Job to the Spoke Business that owns the Spoke Territory in which the Field Services will be provided (or, if the territory is an Unowned Territory, the closest Spoke Business to the Unowned Territory). If no other Spoke Businesses agree to provide the Field Services, you will be required to nonetheless provide such Field Services if no other Spoke Businesses do so.

Operations Outside of Your Territory. In certain circumstances, you may conduct certain activities outside of Your Territory, provided that (i) you are in full compliance with this Agreement and any other agreement between you and us or our affiliates and (ii) you adhere to our conditions and policies in connection with such activities, which we may modify from time to time. Specifically, in a territory owned by us, our affiliates, or other franchisees (an “**Excluded Territory**”):

- you may only market to and solicit referrals from regional insurance carriers, TPAs, insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources (“**Referral Sources**”) located in such Excluded Territory if they have customers, clients, or residential or commercial properties located within Your Territory and you inform them that you are only seeking referrals for customers, clients, or residential or commercial properties located within Your Territory or an Unowned Territory (as defined below); and
- you may only provide services to customers located in such Excluded Territory if (i) a Referral Source or customer contacts you directly to request that you provide such services; (ii) we authorize you to provide such services to a NORA.

You may not operate a Facility in an Excluded Territory or advertise in or directly market to customers (other than Referral Sources as provided above) located in an Excluded Territory. You may not use other channels of distribution, such as the Internet, telemarketing, or other direct marketing, to make sales in an Excluded Territory. When marketing to Referral Sources, you may not ask the Referral Source to refer customers located within an Excluded Territory.

In a territory that has not been assigned to us, our affiliates, or other franchisees (an “**Unowned Territory**”), until we provide you with notice that such Unowned Territory has been purchased by another franchisee or reserved for operation by us or an affiliate:

- you may market to anyone located in such Unowned Territory, including Referral Sources and customers; and

- you may provide services to customers located in such Unowned Territory.
- You may not operate a Facility in an Unowned Territory.

Catastrophic Events. We may, in our sole discretion, designate a natural disaster or other event causing widespread damage in a region a “Catastrophic Event” and may designate an area impacted by such Catastrophic Event as a “Catastrophic Event Zone.” If a Catastrophic Event occurs, we may, in our sole discretion, offer your Spoke Business and/or other franchisees the opportunity to provide Field Services within the Catastrophic Event Zone. If you accept such an offer and we confirm that you are authorized, you may provide Field Services within the Catastrophic Event Zone in accordance with any guidelines or directives that we provide, until we indicate that the Catastrophic Event period has ceased or otherwise withdraw our consent. We will designate a Hub and/or Hub Bolt-On to which you must deliver any textiles that you collect within a Catastrophic Event Zone. We may permit, in our sole discretion, you to charge additional mobilization fees to customers within a Catastrophic Event Zone, which will be included as part of the Gross Sales. If your Spoke Territory is within the Catastrophic Event Zone, your protected rights within the Spoke Territory will be temporarily suspended for the duration of the Catastrophic Event period (as determined by us, in our sole discretion).

If you operate a Hub and/or Hub Bolt-On Business and a Catastrophic Event Zone is in the Hub and/or Hub Bolt-On Territory, your Spoke Business shall have a right of first refusal to service any Jobs in any Unowned Territories in the Catastrophic Event Zone that are also within the Hub and/or Hub Bolt-On Territory. If we determine, in our sole discretion, that your Spoke Business cannot provide the Field Services to process all such Jobs or if you refuse any Jobs, we may permit other Spoke Businesses to provide Field Services within its own Spoke Territory and/or such Unowned Territories. In such a situation, we may require you to distribute Jobs in accordance with our guidelines and directives to a list of authorized Spoke Businesses that we provide. If we determine, in our sole discretion, that your Hub and/or Hub Bolt-On cannot process all claims related to a Catastrophic Event, we may, in our sole discretion, permit other Hubs and/or Hub Bolt-On to provide the Hub and/or Hub Bolt-On Services for Jobs originating in the Hub and/or Hub Bolt-On Territory.

Reserved Rights. We and our affiliates reserve all other rights within and outside of Your Territory. Outside of Your Territory, we and our affiliates have the right to conduct, or grant others the right to conduct, any business activities without any limitation. Inside of Your Territory, we, our affiliates, our other franchisees, and our designees may conduct certain activities in the following circumstances (by way of example only and not as a limitation):

- (1) We, our affiliates, our other franchisees, and our designees have the right to use the Marks to market to and solicit referrals from Referral Sources located inside Your Territory.
- (2) We, our affiliates, our other franchisees, and our designees have the right to provide products and services using the Marks and the System to customers located inside Your Territory if (i) there is a Catastrophic Event, (ii) you are not participating in our NORA program, (iii) a customer or Referral Source requests that they provide such services, or (iv) you re offered or assigned a Job and reject it or fail to promptly perform it.
- (3) We and our affiliates have the right to advertise or promote Franchised Businesses and/or related products and services using the Marks in Your Territory, including at home shows, trade fairs, exhibitions, and similar events.
- (4) We and our affiliates have the right to offer dissimilar, similar, or identical products and services,

or grant others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through channels of distribution in Your Territory other than a Franchised Business.

- (5) We and our affiliates have the right to operate, or grant others the right to operate, businesses or outlets in Your Territory offering dissimilar products or services under trademarks or service marks other than the Marks.
- (6) We and our affiliates have the right to offer and provide the Field Services, or grant others the right to offer and provide the Field Services, in the Territory during a Catastrophic Event, classified as such by us.

We, our affiliates, our franchisees, or our designees need not compensate you if we or they engage in these activities, unless otherwise specified by us. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell products or services similar to those you will sell. However, we reserve the right to do so in the future.

Relocations. There is no provision in the Franchise Agreement for relocation of the Franchised Business during the term or for the establishment of additional Franchised Businesses. You may not relocate the Facility without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the Franchised Business' best interest and what is in the System's best interest. Permission to relocate is granted in our sole discretion and may be withheld for any reason.

Modifications to Territory. If you commit an event of default, we may, among other remedies, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory. If your Spoke Territory has more than 250,000 people or your Hub Territory has more than 1,000,000 people or your Hub Bolt-On Territory has more than 750,000 people, we may split the Territory into two territories and require you to purchase another Spoke Business or Hub and Spoke Business (as applicable) in order to continue to operate in the portion of the territory that is removed from the Territory.

Spoke Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Spoke Business must achieve a minimum amount of Gross Sales from Field Services and Hub and/or Hub Bolt-On Services equal to \$250,000 (**the "Spoke Sales Quota"**). Each "**Agreement Year**" shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Spoke Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Spoke Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Spoke Territory. If you fail to reach the Spoke Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

Hub Bolt-On Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Hub Bolt-On Business must achieve a minimum amount of Gross Sales from Field Services and Hub Services equal to \$500,000 (**the "Hub Bolt-On" Sales Quota"**). Each "**Agreement Year**" shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Hub Bolt-On Sales Quota in any Agreement Year, we may (i) enter into

an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Hub Bolt-On Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Hub Bolt-On Territory. If you fail to reach the Hub Bolt-On Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

Hub Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Hub Business must achieve a minimum amount of Gross Sales from Field Services and Hub Services equal to \$1,000,000 (the “**Hub**” Sales Quota”). Each “**Agreement Year**” shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Hub Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Hub Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Hub Territory. If you fail to reach the Hub Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

National or Regional Accounts. We may, but are not obligated to, negotiate and enter into agreements with insurance companies or other businesses with multiple locations for us and/or our franchisees to provide the products and services offered by the Franchised Businesses to such insurance companies or business or their customers in accordance with the terms of such agreements (“**National Accounts**”). We have sole discretion as to whether to designate a particular customer as a National Account, the terms and conditions of the National Account agreement, and the allocation of the National Account business among Franchised Businesses. We may designate any of your current or prospective customers as National Accounts without paying you any compensation. If we establish any National Accounts in your Territory, you have the right to participate in our National Accounts program, which will allow you to service the National Account customers in your Territory on our behalf. You must service National Account customers in accordance with the pricing and other terms that we have negotiated, which may be less than your standard pricing, and any rules that we have prescribed, including rules requiring response times of less than 24 hours. You must not enter into conflicting arrangements with National Accounts.

If you decline to service any National Account or fail to satisfy the conditions, rules, and obligations of any National Account or upon a National Account’s request, we, in our sole discretion, may remove you from the entire National Account program. You may terminate your participation in the National Account program at any time by giving us at least 30 days’ prior written notice. If you terminate your participation in the National Account program or we remove you from the National Account program, we have the right to service and/or authorize others to service all National Account customers within your Territory without any compensation to you, including National Account customers that you have previously been serving. If you are subsequently willing and able to provide service within your Territory, we have no obligation to readmit you to the program or to transfer any National Account customer to you.

Additional Territory. We will consider any requests to obtain additional territories on a case-by-case basis.

Developmental Rights. You may be provided with the option to pay a fee for first right of refusal for territories surrounding Your Territory, solely at our discretion. If we determine you are not a fit, we have the right to return this fee to you.

**ITEM 13
TRADEMARKS**

We grant you the right and obligation to use the Marks that we make available to you, for providing products and services at the Franchised Business.

1-800-Textiles Franchises, LLC owns the following Mark that has been registered on the Principal Register of the USPTO:

Mark	Registration No.	Registration Date
	6571814	11/30/2021
1-800-TEXTILES	6488309	9/14/2021
	7215987	11/14/2023
1-800-TEXTILES THE NATIONS BEST SOURCE FOR TEXTILE CARE	7425565	6/25/2024
		

We have filed all required affidavits and renewals with respect to these registrations.

We do not have a federal registration for the following marks:

Mark	Application No.	Application Date
WE CLEAN TEXTILES FOR THE INSURANCE RESTORATION INDUSTRY	97656910	11/01/2022

If our right to use the trademark is challenged, you may have to change the marks that you use.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, and no pending infringement, opposition, or cancellation proceedings or material federal or state court litigation, involving the Marks. There are no agreements in effect which materially affect our rights to use or license the use of the Marks in a manner material to the franchise. We do not actually know of either superior rights or infringing uses that could materially affect your use of the Marks in any state.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable specifications, standards and operating procedures we prescribe during the term of the franchise. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your usage of the Marks and any goodwill established thereby will be for our exclusive benefit and the Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trademarks, service marks, commercial symbols, designs, artwork and logos authorized for use by and licensed to you under the Franchise Agreement. You may not at any time contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

You must use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark with the sale of any unauthorized service or in any other manner we have not expressly authorized in writing. You must prominently display the Marks on or with Franchised Business posters and displays, service contracts, stationery, other forms we designate, and in the manner we prescribe, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark or service mark, and you may not communicate with any person other than us and our counsel about such infringement, challenge or claim. We will have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Marks or to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks. We will have sole discretion to take such action as we deem appropriate and the right exclusively to control any litigation or USPTO or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of our or our affiliates' counsel, be necessary or advisable to protect and maintain our interests in any such litigation or USPTO or other proceeding or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for the Franchised Business to modify or discontinue the use of any Mark or for the Franchised Business to use one or more additional or substitute trade or service marks, you agree at your expense, to comply with our directions within a reasonable time after our notice to you.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no rights in, or licenses to, any patents or patent applications. Although we have not filed an application for a copyright registration for the Manuals, we claim a copyright in our Manuals, advertising, marketing and promotional materials and similar items used in the franchise. The information in the Manuals

is proprietary, confidential, and constitutes our trade secrets. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. There are currently no effective material determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. We are not obligated to protect or defend copyrights. There are no agreements currently in effect which significantly limit our rights to use or license the use of the copyrighted materials in any manner material to you.

Prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, our methodology, equipment programs, formulas, cleaning solutions, technology templates, Hubs and/or Hub Bolt-On, or the construction, management, operation, or promotion of the Franchised Business (**collectively, “Confidential Information”**), including (i) site selection criteria and methodologies; (ii) methods, formats, systems and system setup, programs, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. You will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of the Franchised Business during the term of the Franchise Agreement. You may not, nor may you permit any person or Entity to, use or disclose any Confidential Information (including any portion of the Manual) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Franchised Business. You must take reasonable precautions necessary to protect Confidential Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Confidential Information and their related responsibilities and obligations. At our request, you will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third-party beneficiary of such covenants with the independent right to enforce the agreement. You will be responsible for any unauthorized disclosure of Confidential Information by any person to whom you have disclosed Confidential Information.

All ideas, concepts, data, techniques, or materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign ownership of that item, and all related rights to that item, to us and agree to sign, and cause your employees and other agents to sign, whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

We own all intellectual property and other rights to the names, contact information, financial information and other personal information of or relating to the Franchised Business’ customers and prospective customers.

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

The Franchised Business must be under your direct supervision or the direct supervision of a qualified Operating Principal or Manager at all times. If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business, must have the power to bind you in all dealings with us, and must be directly involved in the daily operations of the Franchised Business. The Operating Principal must be disclosed when you sign the Franchise Agreement. If the Operating Principal changes you will be required to inform us in writing of the change. In addition, you may appoint a Manager to supervise the operation of the Franchised Business. Your Manager is not required to have any ownership interest in you, but must successfully complete System/Procedures Training.

You, your Operating Principal, and the Manager must at all times faithfully, honestly and diligently perform all obligations under the Franchise Agreement and continuously exert your and his or her full time and best efforts to promote and enhance the Franchised Business. You must hire employees and you will be exclusively responsible for the terms of their employment, their compensation, and for the proper training of the employees in the operation of the Franchised Business.

Neither you or your Owners can engage in any other business or activity that may conflict with your or their obligations under the Franchise Agreement. We will require that you and your Owners enter into a non-compete agreement at the time you sign the Franchise Agreement. You or your Owners, officers, directors, or Managers may not engage in the business of fire/water/mold/impact/environmental/rug mitigation/rug cleaning/non-textile contents mitigation/residential or commercial moving and/or related construction (a **“Insurance Restoration Business”**), unless we, in our sole discretion, authorize such activity in writing. If we do provide such authorization, (i) any portion of the services offered by the Insurance Restoration Business that overlaps with the services provided by the Franchised Business must be performed by the Franchised Business, and (ii) we must have access to the books, records, and invoices of the Insurance Restoration Business.

You, your Owners, officers, directors, Managers, and employees must maintain our confidential information and trade secrets. We may also require you to obtain from your officers, directors, Managers, your Owner’s spouses, and other individuals that we may designate executed agreements containing nondisclosure and noncompetition covenants in a form acceptable to us, such as the form attached to the Franchise Agreement, which specifically identify us as having the independent right to enforce them.

If you are an Entity, all of your Owners must sign a Guaranty (which is attached to the Franchise Agreement) agreeing to be bound by and guaranteeing the obligations under the Franchise Agreement. If the Franchise Agreement is subsequently assigned to a corporation, partnership or limited liability company, your owners must agree to be bound by the terms of the Franchise Agreement and guarantee the obligations under the Franchise Agreement

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchised Business must offer all services and products that we designate for a Franchised Business and will not offer or sell any services or products as follows, including but not limited to contents, cleaning of contents, cleaning of rugs, contents manipulation, packouts, packing or boxing or storage of hard contents, bio-remediation or bio-recovery. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. There are no limitations on our right to modify the authorized services or products. You must offer all products or services that we designate as mandatory. You may not offer or use on-site storage containers or pods. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required

products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards). We may revoke approval of a previously approved supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

We impose no restrictions on the customers that you may serve, provided they are located in Your Territory. You do not have the right to offer products or services through other channels of distribution such as the Internet.

You do not have the right to offer products or services through other channels of distribution such as the Internet.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.A	10 years from the signing of the franchise agreement.
b. Renewal or extension of the term	2.B	One additional 10-year term.

c. Requirements for franchisee to renew or extend	2.B	You must: give us written notice of an election to renew not less than 60 days nor more than 6 months prior to the end of the term or renewal term of the Franchise Agreement; not be in material breach of any of your obligations under the Franchise Agreement or any other agreement with us; have substantially complied on a timely basis with all of the conditions and requirements of the Franchise Agreement and any other agreements with us or our affiliates; sign a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees (if state law allows); sign our then current form of franchise agreement (which may contain materially different terms than your original Franchise Agreement), and all other agreements, instruments and documents then customarily used by us in granting franchises or renewal franchises for Franchised Businesses; and pay a renewal fee in the amount of \$10,000 for a Hub and/or Hub Bolt-On and Spoke Business and \$5,000 for a Spoke Business. The terms of our then current form of franchise agreement that you sign for renewal of the franchise may differ from any and all of those contained in the Franchise Agreement attached to this disclosure document.
d. Termination by franchisee	15.A	If we commit a material breach and fail to cure such breach within 60 days after written notice of the breach is delivered to us; or if such breach cannot be reasonably cured within 60 days after our receipt of such notice, undertake within 60 days after receipt of such notice, and continue until completion, reasonable efforts to cure such breach, you may terminate the Franchise Agreement effective 10 days after delivery of written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	15.B	We may terminate the Franchise Agreement only upon written notice to you.
g. "Cause" defined — curable defaults	15.B	You have 10 days to cure a payment default. You have 5 days to cure a default if such failure relates to the use of any Mark, the quality of the services offered by the Franchised Business or the promotion or sale of services outside Your Territory without our prior written approval. You have 30 days after written notice to cure a default other than those specified in 17.h.

<p>h. “Cause” defined — non-curable defaults</p>	<p>15.B.</p>	<p>You fail to maintain required licenses or permits for the Franchised Business or such licenses or permits are suspended or revoked or otherwise not maintained; you fail to begin operating the Franchised Business by the opening deadlines; your Required Trainees fail to satisfactorily complete our training program; you abandon or do not actively operate the Franchised Business unless the Franchised Business has been closed for a purpose we approved; you or your owners make an unauthorized transfer of the franchise or an ownership interest in you; you or your owners make an unauthorized disclosure of the Confidential Information; you fail to pay the required taxes related to the Franchised Business; you, your owners, or your officers or directors are convicted of a felony or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the Franchised Business and the goodwill of the Marks or take any action that has an adverse effect; you provide any services or conduct any marketing outside of the Territory in violation of the Franchise Agreement; you fail to maintain accurate books and records or make any misrepresentations or material omissions in any communications with us; you fail on 3 or more occasions within any consecutive 12-month period to comply with the Franchise Agreement, whether or not such failures to comply are corrected after notice is given to you; or you fail to achieve the Spoke Sales Quota in two consecutive Agreement years; or you or your affiliates default under any other agreement with us or our affiliates that would allow termination of such agreement.</p>
<p>i. Franchisee’s obligations on termination/ nonrenewal</p>	<p>16</p>	<p>You must: pay us all amounts owed within 10 days after termination or expiration of the Franchise Agreement; refrain from using the Marks; return to us or destroy, as we specify, all forms and materials bearing the Marks or relating to a Franchised Business; notify your telephone service of the termination or expiration of your right to use the telephone number; de-identify the premises; return the Operating and Training Manuals and any other Confidential Information; cease using all Confidential Information; and abide by the post-term non-compete. In the event you intend not to renew your franchise, you must provide us with 6 months’ notice of nonrenewal.</p>
<p>j. Assignment of contract by franchisor</p>	<p>14.A</p>	<p>The Franchise Agreement is fully transferable by us.</p>

k. “Transfer” by franchisee—defined	14.B	Transfer includes any voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition of any interest in the Franchise Agreement, an ownership interest in you, or the Franchised Business.
l. Franchisor approval of transfer by franchisee	14.B	We will not unreasonably withhold approval of any transfer of the Franchise Agreement.
m. Conditions for franchisor approval of transfer	14.C	New owner must have sufficient business experience, aptitude and financial resources to operate the Franchised Business; you must pay all amounts due us and our affiliates; new owner must complete our training program to our satisfaction; you must pay us a transfer fee of 50% of our then current initial franchise fee; you and your transferring owners must sign a general release in favor of us and our affiliates and our and their officers, directors, employees and agents (if state law allows); you and your transferring owners have signed a non-competition covenant in favor of us; you and your transferring owners have agreed that you will not identify as a current or former Franchised Business or franchisee, and use any Mark or other indicia of a Franchised Business; and we were properly offered the opportunity to exercise our right of first refusal and we declined to exercise it.
n. Franchisor’s right of first refusal to acquire franchisee’s business	14.G	We have 30 days to match any offer.
o. Franchisor’s option to purchase franchisee’s business	Not Applicable	Not Applicable.
p. Death or disability of franchisee	14.D	Executor, administrator, conservator, or other personal representative must transfer interest of franchisee or principal owner within 6 months. All transfers are subject to provisions in the Franchise Agreement regulating transfers.

q. Non-competition covenants during the term of the franchise	7.A	Neither you nor your owners, without our prior written approval, may: have any interest, direct or indirect, in any other business offering or providing any textile collection, restoration, mitigation, cleaning, or processing services or fire, water, mold, impact, environmental, rug mitigation, rug cleaning, non-textile contents mitigation, residential or commercial moving and/or related construction or any business which franchises or licenses others to offer or provide such services or products (each, a “Competitive Business”); do acts injurious to our goodwill; or use vendor relationships established through your associations with us for any other purpose besides the operation of your Franchised Business.
r. Non-competition covenants after the franchise is terminated or expires	7.B and 16.E	For two years after the expiration of termination of your Franchise Agreement, you and your Owners may not be involved in any Competitive Business that is located or operating within the Territory or the territory of another Franchised Business or within a 20-mile radius from the borders of the Territory, or within a 50-mile radius of a Hub and/or Hub Bolt-On operated by us, our affiliates, or our franchisees.
s. Modification of the agreement	18.B	No modifications unless written agreement signed by both parties.
t. Integration/merger clause	18.A	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and Franchise Agreement may not be enforceable.
v. v. Choice of forum	17.B	All actions must be brought in federal or state courts located in the state in U.S. District Court for the Northern District of Georgia or state courts in Cherokee County, Georgia or federal or state courts with jurisdiction over the county in which our principal office is located at the time any litigation commences (subject to applicable state law).
w. Choice of law	17.C	Georgia law governs (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

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

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

1-800-Textiles Franchises, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Kevin Loner at 110 Brunas Way, Ball Ground, GA 30107, 800-839-8453, the Federal Trade Commission, and the appropriate state regulatory agencies.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Kevin Loner, 110 Brunas Way, Ball Ground, GA 30107, 770-23-2222, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

In the tables below, we have presented data for Spoke Businesses and Hub Businesses separately. All 2022, 2023, and 2024 data appearing in the tables below in this Item 20 are as of December 31 of each year.

**Table No. 1(a)
Systemwide Spoke Business Summary
For Years 2022 to 2024**

Spoke Business Type	Year	Spoke Businesses at the Start of the Year	Spoke Businesses at the End of the Year	Net Change
Franchised	2022	0	44	+44
	2023	44	44	0
	2024	44	48	+4
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Spoke Businesses	2022	0	44	+44
	2023	44	44	0
	2024	44	48	+4

**Table No. 1(b)
Systemwide Hub Business Summary
For Years 2022 to 2024**

Hub Business Type	Year	Hub Businesses at the Start of the Year	Hub Businesses at the End of the Year	Net Change
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Franchised	2022	0	1	+1
	2023	1	2	+1
	2024	3	7	+4
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0

Hub Business Type	Year	Hub Businesses at the Start of the Year	Hub Businesses at the End of the Year	Net Change
Total Hub Businesses	2022	0	1	+1
	2023	1	2	+1
	2024	3	7	+4

Table No. 2(a)
Transfers of Spoke Businesses from Franchisees to New Owners (other than to us)
For Years 2022 to 2024

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

Table No. 2(b)
Transfers of Hub Businesses from Franchisees to New Owners (other than to us)
For Years 2022 to 2024

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

Table No. 3(a)
Status of Franchised Spoke Businesses
For Years 2022 to 2024

State	Year	Spoke Businesses at Start of Year	Spoke Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Spoke Businesses at End of the Year
	2022	0	0	0	0	0	0	0

AL	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	1
CA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	1
	2024	1	0	0	0	0	0	2
GA	2022	0	43	0	0	0	0	43
	2023	43	0	0	0	0	0	43
	2024	43	0	0	0	0	0	43
IL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
NC	2022	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
SC	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	1
TX	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
WI	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	1
Total	2022	0	44	0	0	0	0	44
	2023	44	0	0	0	0	0	46
	2024	44	0	0	0	0	0	50

Table No. 3(b)
Status of Franchised Hub Businesses
For Years 2022 to 2024

State	Year	Hub Businesses at Start of Year	Hub Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Hub Businesses at End of the Year
AL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	1
CA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	2

	2024	2	0	2	0	0	0	0
FL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	2
	2024	2	0	0	0	0	0	3
GA	2022	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IL	2022	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NC	2022	0	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	2	0	0	0	0	2
SC	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	1
	2024	1	0	0	0	0	0	2
TX	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
WI	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	1
Total	2022	0	0	0	0	0	0	2
	2023	2	1	0	0	0	0	11
	2024	11	2	2	0	0	0	14

Table No. 4(a)

**Status of Company-Owned Spoke Businesses
For Years 2022 to 2024**

State	Year	Spoke Businesses at Start of Year	Spoke Businesses Opened	Spoke Businesses Reacquired From Franchisee	Spoke Businesses Closed	Spoke Businesses Sold to Franchisee	Spoke Businesses at End of the Year
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table No. 4(b)
Status of Company-Owned Hub Businesses
For Years 2022 to 2024

State	Year	Hub Businesses at Start of Year	Hub Businesses Opened	Hub Businesses Reacquired From Franchisee	Hub Businesses Closed	Hub Businesses Sold to Franchisee	Hub Businesses at End of the Year
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table No. 5(a)
Projected Openings of Spoke Businesses as of December 31, 2024
For following 12-month Period

State	Franchise Agreements Signed But Spoke Business Not Opened	Projected New Franchised Spoke Businesses in the Next Fiscal Year	Projected New Company-Owned Spoke Businesses in the Next Fiscal Year
Alabama	1	3	0
California	1	3	0
Georgia	0	0	0
Florida	2	3	0
Illinois	0	3	0
North Carolina	0	3	0
South Carolina	0	3	0
Texas	0	3	0
Wisconsin	1	2	0
Total	5	23	0

Table No. 5(b)
Projected Openings of Hub Businesses as of December 31, 2024
For following 12-month Period

State	Franchise Agreements Signed But Hub Business Not Opened	Projected New Franchised Hub Businesses in the Next Fiscal Year	Projected New Company-Owned Hub Businesses in the Next Fiscal Year
Alabama	1	2	0
California	0	3	0
Georgia	0	0	0
Florida	3	2	0
Illinois	1	2	0
North Carolina	0	1	0
South Carolina	0	2	0
Texas	3	3	0
Wisconsin	1	2	0
Total	9	17	0

Set forth on Exhibit F are (i) the names of all current franchisees and the address and telephone number of each of their Franchised Businesses, and (ii) the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Franchised Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document’s issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system.

ITEM 21
FINANCIAL STATEMENTS

Attached as **Exhibit C** to this disclosure document are our audited financial statements of for the fiscal years ended as of December 31, 2024, December 31, 2023 and December 31, 2022. Our fiscal year ends on December 31.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this disclosure document:

Franchise Agreement (Exhibit A)

Nondisclosure and Noncompete Agreement (Appendix C to Exhibit A)

Guaranty and Assumption of Obligations (Appendix D to Exhibit A)

State Agreement Riders (Exhibit B)

General Release (Exhibit G)

ITEM 23

RECEIPT

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document. Please sign and return one copy to us and keep the other copy for your records.

EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT



FRANCHISEE:

TERRITORY:

HUB OR HUB BOLT-ON OR SPOKE:

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APPENDICES

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1-800-TEXTILES® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between 1-800-Textiles Franchise, LLC, a Georgia limited liability company with its principal place of business at 110 Bruner Way, Ball Ground, Georgia 30107 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Agreement, “**we,**” “**us,**” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

RECITALS

A. We and our affiliates have accumulated knowledge and experience in the textiles restoration and insurance restoration industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of textiles restoration businesses specializing in bagging, cleaning, and storage of textiles under the service mark “1-800- TEXTILES”. The distinguishing characteristics of the System include, but are not limited to, our cleaning facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors and referral sources; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards, methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. We may change, improve, add to, and further develop the elements of the System from time to time.

B. We identify the businesses operating under the System by means of the mark 1-800-TEXTILES® and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos that we specify (the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “**Marks.**”

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix B. If you are an Entity, the individual Owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal.**” The term “**Manager**” shall mean the person referred to in Section 10.F (Management of the Franchised Business) of this Agreement.

D. We offer franchisees the opportunity to operate a 1-800-TEXTILES business using the System and the Marks (a “**Franchised Business**”). We will designate your Franchised Business in Appendix A as either a Spoke Business or a Hub Business and/or Hub Bolt-On Business. A “**Spoke Business**” (a) identifies potential jobs through marketing and sales to insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources (“**Referral Sources**”) and potential customers and (b) provides customers with the services of bagging out and removing textiles from customer locations and transporting them to a Hub and/or Hub Bolt-On (as defined below) for cleaning and storage (collectively, (a) and (b) are referred to as the “**Field Services**”). A Hub Business or Hub Bolt-On Business (a “**Hub Business**”) operates both a Spoke Business and a Hub and/or Hub Bolt-On Business. A “**Hub Business**” (i) operates a 1-800-Textiles Hub Production Plant facility where textiles are inventoried, cleaned, and stored (a “**Hub**”), (ii) provides the services of inventorying, cleaning, temporarily storing, and returning to customers textiles collected by Spoke Businesses, (iii) manages related insurance claims administration, billing, and collections, and (iv) manages the customer relationship and addresses customer questions and complaints after the textiles are collected (collectively, the “**Hub**

Services”). We refer to the entire process of collecting textiles from a customer, delivering such textiles to the Hub and/or Hub Bolt-On, cleaning and processing such textiles, and storing and returning such textiles to the customer as a **“Job,”** which may involve separate Franchised Businesses providing the Field Services and Hub Services. As a **“Hub Business,”** in addition to operating a Hub and/or Hub Bolt-On Business, you must continuously operate throughout the Term a Spoke Business within the Spoke Territory in accordance with the terms of the Franchise Agreement. Any Spoke Businesses that you operate with Spoke Territories that overlap with the Hub and/or Hub Bolt-On Territory may be operated in conjunction with your Hub and/or Hub Bolt-On Business as part of a single Franchised Business. However, you must keep separate sales and expense records for each Hub Business and each Spoke Business that you operate.

E. You have applied for a franchise to operate a 1-800-TEXTILES business using the System and the Marks (a **“Franchised Business”**), and we are willing to grant to you a license to open and operate a Franchised Business on the terms and conditions of this Agreement.

1. GRANT AND RENEWAL OF FRANCHISE

A. GRANT OF FRANCHISE

Subject to the provisions of this Agreement, we hereby grant to you a non-exclusive license (the **“License”**) to own and operate a Franchised Business in the territory specified in Appendix A (the **“Spoke Territory” and/or “Hub Territory” and/or “Hub Bolt-On Territory”**) and to use the Marks and the System in the operation of the Franchised Business. Termination or expiration of this Agreement will constitute termination or expiration of the License granted. We reserve the right to assign you a territory specified by us.

B. TERRITORIAL RIGHTS

Spoke Businesses. As long as this Agreement is in effect and you are in full compliance with this Agreement, except (i) during Catastrophic Events (as defined below), (ii) if you are offered or assigned a Job and reject it or fail to promptly perform it, (iii) if a Job originates from a third-part administrator (a **“TPA”**) account that we have designated as a national or regional account (a **“NORA”**), or (iv) if a customer of Referral Source specifically requests that we or another franchisee perform a Job:

(1) we will not provide, or authorize any person or Entity to provide, the Field Services to any customers located in the Spoke Territory; and

(2) if we receive any leads relating to Jobs located in the Spoke Territory (other than leads from NORAs), we will assign the Job to you, but we may offer the Job to other franchisees if you reject it or fail to promptly perform it.

Hub and/or Hub Bolt-On Businesses. As long as this Agreement is in effect and you are in full compliance with this Agreement, except (i) during Catastrophic Events, (ii) if you are offered or assigned a Job and reject it or fail to promptly perform it, (iii) if a customer of Referral Source specifically requests that we or another franchisee perform a Job, or (iv) if a Job originates from a TPA account that we have designated as a NORA and you (a) have not completed onboarding, (b) are not in good-standing with the program, or (c) you have provided written notice to us that you wish to be removed from the account:

(1) we will require all textiles collected from locations within the Hub and/or Hub Bolt-On Territory to be delivered and processed by your Hub and/or Hub Bolt-On; and

(2) we will not establish or authorize any person or Entity other than you to physically locate a Hub and/or Hub Bolt-On in the Hub and/or Hub Bolt-On Territory during the term of this Agreement; and

(3) if we receive any leads relating to Jobs located in the Hub and/or Hub Bolt-On Territory, we will

assign the Job to you, but we may offer the Job to other franchisees if you reject it or fail to promptly perform it.

C. OPERATIONS OUTSIDE OF TERRITORY

In the following circumstances, you may conduct certain activities outside of Your Territory, provided that (i) you are in full compliance with this Agreement and any other agreement between you and us or our affiliates and (ii) you adhere to our conditions and policies in connection with such activities, which we may modify from time to time:

- (1) **Excluded Territory.** In a territory owned by us, our affiliates, or other franchisees (an “**Excluded Territory**”):
 - you may only market to and solicit referrals from regional insurance carriers, TPAs, insurance agents, adjusters, mitigation companies, contractors, property management companies, and other similar referral sources (“**Referral Sources**”) located in such Excluded Territory if they have customers, clients, or residential or commercial properties located within Your Territory and you inform them that you are only seeking referrals for customers, clients, or residential or commercial properties located within Your Territory or an Unowned Territory (as defined below); and
 - you may only provide services to customers located in such Excluded Territory if (i) a Referral Source or customer contacts you directly to request that you provide such services; (ii) we authorize you to provide such services to a NORA. You must provide proof of any referral source to us, within 3 days of our request.

You may not operate a Facility in an Excluded Territory or advertise in or directly market to customers (other than Referral Sources as provided above) located in an Excluded Territory. You may not use other channels of distribution, such as the Internet, telemarketing, or other direct marketing, to make sales in an Excluded Territory. When marketing to Referral Sources, you may not ask the Referral Source to refer customers located within an Excluded Territory.

- (2) **Unowned Territory.** In a territory that has not been assigned to us, our affiliates, or other franchisees (an “**Unowned Territory**”), until we provide you with notice that such Unowned Territory has been purchased by another franchisee or reserved for operation by us or an affiliate:
 - you may market to anyone located in such Unowned Territory, including Referral Sources and customers; and
 - you may provide services to customers located in such Unowned Territory.

If you provide services to customers located in an Unowned Territory and the territory subsequently becomes an owned Territory, you must be immediately following Excluded Territory policies in that Territory

- (3) **Catastrophic Event.** We may, in our sole discretion, designate a natural disaster or other event causing widespread damage in a region a “Catastrophic Event” and may designate an area impacted by such Catastrophic Event as a “Catastrophic Event Zone.” If a Catastrophic Event occurs, we may, in our sole discretion, offer you and/or other franchisees the opportunity to provide Field Services and/or Hub and/or Hub Bolt-On Services within the Catastrophic Event Zone. If you accept such an offer and we confirm that you are authorized, you may provide Field Services and/or Hub and/or Hub Bolt-On Services within the Catastrophic Event Zone in accordance with any guidelines or

directives that we provide, until we indicate that the Catastrophic Event period has ceased or otherwise withdraw our consent.

- For Spokes, we will designate a Hub and/or Hub Bolt-On to which you must deliver any textiles that you collect within a Catastrophic Event Zone. We may permit, in our sole discretion, you to charge additional mobilization fees to customers within a Catastrophic Event Zone, which will be included as part of the Gross Sales. If your Spoke Territory is within the Catastrophic Event Zone, you acknowledge and agree that your protected rights within the Spoke Territory will be temporarily suspended for the duration of the Catastrophic Event period (as determined by us, in our sole discretion).
- For Hubs and/or Hub Bolt-On, your Spoke Business shall have a right of first refusal to service any Jobs in any Unowned Territories in the Catastrophic Event Zone that are also within the Hub and/or Hub Bolt-On Territory. If we determine, in our sole discretion, that your Spoke Business cannot provide the Field Services to process all such Jobs or if you refuse any Jobs, we may permit other Spoke Businesses to provide Field Services within its own Spoke Territory and/or such Unowned Territories. In such a situation, we may require you to distribute Jobs in accordance with our guidelines and directives to a list of authorized Spoke Businesses that we provide. If we determine, in our sole discretion, that your Hub and/or Hub Bolt-On cannot process all claims related to a Catastrophic Event, we may, in our sole discretion, permit other Hubs to provide the Hub and/or Hub Bolt-On Services for Jobs originating in the Hub and/or Hub Bolt-On Territory.

D. NO RESPONSIBILITY OF FRANCHISOR TO POLICE OR SUPERVISE

We have no responsibility or liability to you or any party with respect to supervising and/or regulating the actions related to marketing and/or providing service to customers allegedly performed by any other franchisee and/or any non-1-800-Textiles party in the Territory. With written notification from you of any allegations of unauthorized actions related to marketing and/or providing service to customers in the Territory, we may investigate such allegations and take any action, if any, that we deem appropriate and necessary, at our discretion. Any monitoring and/or actions taken are up to the sole discretion of us and may differ from time to time depending on the situation.

E. RESERVATION OF RIGHTS

Except as provided in Section 1.B, the rights granted to you under this Agreement are non-exclusive, and we and our affiliates have and retain all other rights with respect to Franchised Businesses, the Marks, and the System within and outside Your Territory, including (by way of example only and not as a limitation):

- (1) Outside of Your Territory, we and our affiliates have the right to conduct, or grant others the right to conduct, any business activities without any limitation.
- (2) Inside of Your Territory, among other rights inside or outside of Your Territory:
 - (a) We, our affiliates, our other franchisees, and our designees have the right to use the Marks to market to and solicit referrals from Referral Sources located inside Your Territory;
 - (b) We, our affiliates, our other franchisees, and our designees have the right to provide products and services using the Marks and the System to customers located inside Your Territory if (i) there is a Catastrophic Event, (ii) you are not participating in our National Accounts program, (iii) a customer or Referral Source requests that they provide

such services, or (iv) you are offered or assigned a Job and reject it or fail to promptly perform it;

(c) We and our affiliates have the right to advertise or promote Franchised Businesses and/or related products and services using the Marks in Your Territory, including at home shows, trade fairs, exhibitions, and similar events;

(d) We and our affiliates have the right to offer dissimilar, similar, or identical products and services, or grant others the right to offer dissimilar, similar, or identical products and services, using the Marks or other marks through channels of distribution in Your Territory other than a Franchised Business; and

(e) We and our affiliates have the right to operate, or grant others the right to operate, businesses or outlets in Your Territory offering dissimilar products or services under trademarks or service marks other than the Marks.

(f) We and our affiliates have the right to provide Field Services or Hub and/or Hub Bolt-On Services, or grant others the right to provide Field Services or Hub and/or Hub Bolt-On Services, in Your Territory during a Catastrophic Event, classified as such by us.

F. MINIMUM SALES QUOTA

Spoke Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Spoke Business must achieve a minimum amount of Gross Sales from Field Services and Hub and/or Hub Bolt-On Services equal to \$250,000 (**the “Spoke Sales Quota”**). Each **“Agreement Year”** shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Spoke Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Spoke Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Spoke Territory. If you fail to reach the Spoke Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

Hub Bolt-On Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Hub Bolt-On Business must achieve a minimum amount of Gross Sales from Field Services and Hub Services equal to \$500,000 (**the “Hub Bolt-On” Sales Quota”**). Each **“Agreement Year”** shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Hub Bolt-On Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Hub Bolt-On Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Hub Bolt-On Territory. If you fail to reach the Hub Bolt-On Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

Hub Sales Quota. In order to maintain your territorial rights, beginning in the third year of your Franchise Agreement, in each Agreement Year, your Hub Business must achieve a minimum amount of Gross Sales from Field Services and Hub Services equal to \$1,000,000 (the “**Hub**” Sales Quota”). Each “**Agreement Year**” shall begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date.

If you fail to achieve the Hub Sales Quota in any Agreement Year, we may (i) enter into an agreement with you in which we offer assistance, planning, and consulting to assist you in meeting your quota, (ii) temporarily or permanently reduce the size of the Hub Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within the Hub Territory. If you fail to reach the Hub Sales Quota for two consecutive years, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in the Territory, or adjust the size of the Territory.

G. NATIONAL OR REGIONAL ACCOUNTS

We may, but are not obligated to, negotiate and enter into agreements with insurance companies or other businesses with multiple locations, such as TPAs, for us and/or our franchisees to provide the products and services offered by the Franchised Businesses to such national or regional accounts in accordance with the terms of such agreements (“**NORAs**”). We have sole discretion as to whether to designate a particular customer as a NORAs, the terms and conditions of the NORAs agreement, and the allocation of the NORAs business among Franchised Businesses. We may designate any of your current or prospective customers as NORAs without paying you any compensation. If we establish any NORAs in your Hub and/or Hub Bolt-On Territory, you have the right to participate in our NORAs program, which will allow you to service the NORAs customers in your Hub and/or Hub Bolt-On Territory on our behalf. You must service NORAs customers in accordance with the pricing and other terms that we have negotiated, which may be less than your standard pricing, and any rules that we have prescribed, including rules requiring response times of less than 24 hours. You must not enter into conflicting arrangements with NORAs. If you decline to service any NORAs or fail to satisfy the conditions, rules, and obligations of any NORAs or upon a NORAs request, we, in our sole discretion, may remove you from the entire NORAs program. You may terminate your participation in the NORAs program at any time by giving us at least 30 days’ prior written notice. If you terminate your participation in the NORAs program or we remove you from the NORAs program, we have the right to service and/or authorize others to service all NORAs customers within Your Territory without any compensation to you, including NORAs customers that you have previously been serving. If you are subsequently willing and able to provide service within Your Territory, we have no obligation to readmit you to the program or to transfer any NORAs customer to you.

2. TERM

A. INITIAL TERM

The initial term of the License (the “**Initial Term**”) shall begin on the Agreement Date and expire on the 10th anniversary of the Agreement Date.

B. RENEWAL OF FRANCHISE

You may, at your option, renew the License for an additional 10-year term (the “**Renewal Term**,” and collectively, with the Initial Term, the “**Term**”), provided that:

- (1) You have given us written notice of an election to renew not less than 60 days nor more than 6 months prior to the end of the initial term and any renewal term of this Agreement;

- (2) You are not at such time in material breach of any of your obligations under this Agreement or any other agreement with us;
- (3) You have substantially complied on a timely basis with all of the conditions and requirements of this Agreement and any other agreements with us or our affiliates throughout the terms of such agreements; and
- (4) Subject to applicable law, you and your Owners execute a general release, in a form prescribed by us, of any claims against us and our affiliates, and our and their officers, directors, agents and employees.
- (5) You effectuate the renewal by execution of our then-current form of franchise agreement, and all other agreements, instruments and documents then customarily used by us in granting franchises for Franchised Businesses, the terms of which may differ from this Agreement. In such renewal franchise agreement, you will not receive the right to enter into an additional renewal term.

A renewal fee in the amount of \$5,000 for Spoke Businesses and \$10,000 for Hub and/or Hub Bolt-On Businesses will be payable upon renewal of the License.

3. OPENING OF FRANCHISED BUSINESS

A. HUB, HUB BOLT-ON, AND SPOKE

(1) Spoke Business

(a) Designated Hub. We will designate a Hub and/or Hub Bolt-On that may be operated by you, us or our affiliates, a third party, or one of our franchisees as your “Designated Hub,” which we may change from time to time upon written notice to you. You must use the Designated Hub as your exclusive vendor to clean and store any textiles that you collect from customers, unless we approve or specify otherwise in writing. You may be required to enter into an agreement with the Designated Hub operator or the operator of any other Hubs and/or Hub Bolt-On that we authorize you to use.

(b) Office or Business Facility. If you do not operate a Hub and/or Hub Bolt-On, you are not required to maintain a business facility or office and are not permitted to maintain a storage facility.

(c) You must purchase or lease at least one van that (a) is less than five years old at the time of acquisition, (b) meets our then-current specifications (which may include specific brands or models), (c) is wrapped with vehicle wraps(s) that conform to our then current design and color standards, (d) only displays the signs, emblems, lettering, logos and display materials that we approve in writing, including any signs we designate to reflect the fact that you are a franchisee, (e) is outfitted with camera systems that we specify that we shall have the right to access (or you must submit pictures or video from at our request), and (f) is approved by us in writing (**a “Vehicle”**). You must acquire additional Vehicles to meet customer demand, in accordance with any specifications that we provide. Your Vehicles must be clean and properly maintained in accordance with our specifications. Once your vehicle wrap(s) has reached six years of age or, if earlier, fails to meet our standards regarding discoloration, wear, and tear, you must replace it (them) with our then-current wrap. It is your responsibility to maintain receipts and installation paperwork as proof of age of wrap, to be provided to us as requested.

(d) Management Systems.

- (1) You agree to use in the development and operation of the Franchised Business the management system, computer hardware, mobile devices, applications, and software (“Management Systems”) that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Management Systems from time to time. As part of the Management Systems, we may require you to obtain specified computer hardware, mobile devices, and/or applications or software, including, without limitation, a license to use proprietary software developed by us or others. We may also require that all or parts of the Management Systems be purchased or contracted through us or our designee. Our modification of such specifications for the components of the Management Systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware, mobile devices, and/or software and to obtain service and support for the Management Systems during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Management Systems (or additions or modifications thereto) and that the cost to you of obtaining the Management Systems (including software licenses) (or additions or modifications thereto) may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Management Systems (or additions or modifications thereto). You further acknowledge and agree that we have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Management Systems. We shall have independent access to data on your Management Systems, including Gross Sales figures. There are no contractual limitations on our right to access this information and data.
- (2) You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System, and you agree to abide by those reasonable new standards we establish as if this Section 3.E. were periodically revised by it for that purpose.
- (3) You also must comply, at your expense, with all laws, industry standards, and payment card provider standards relating to the security of the Management Systems and data collected from customers, including, without limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded, if the Management Systems (or any of its components) fails to operate on a continuous basis or as we or you expect, or if there is a data breach.

(2) Hub, Hub Bolt-On (“Hub Business”). For Hub Businesses, everything above that applies to a Spoke Business also applies, as Hubs must operate a Spoke Business.

- (a) Site Selection. You must select a 5,000 or greater square foot location for your Hub that is within the Hub Territory. You must not execute a lease or purchase contract for a Hub without our prior written approval. The lease for the Hub must allow for the installation of all equipment and other items necessary to operate the Franchised Business. In addition,

the lease shall provide, if required by us, that it be assignable to us or our designee at our option, upon termination or expiration of this Agreement, and shall also contain such terms and provisions as are reasonably approved by us. You acknowledge that our acceptance of the location for the Hub and/or Hub Bolt-On does not constitute any assurance that the Franchised Business will be profitable at the location or more profitable at the location in comparison to other premises. Our acceptance is only an indication that the particular location for the Hub and/or Hub Bolt-On meets our minimum criteria. We will not approve the terms of the lease in the case of a sublease.

For Hub Bolt-Ons: If you already have an existing cleaning facility, it must meet all of our qualifications. We can deny the use of pre-existing facilities at our discretion. Some of our qualifications include but are not limited to:

1. An environmental study must be conducted before the franchise is opened at your cost. You agree to conduct or have an environmental study conducted at your cost at least once every three years following opening of facility.
2. You must have no dry-cleaning machines or equipment in your facility, other than Hub Bolt-On machines that have been approved by us.
3. You must only use chemicals and processes that are approved by us.

(b) **Plans and Design.** We will review and may, in our sole discretion, approve plans and specifications reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for a Hub. It will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the site for the Hub. You must submit final construction plans and specifications to us for approval before construction begins at the Hub, and the Hub must be constructed in accordance with those approved plans. Unless we otherwise agree, all plans and specifications including final construction plans and specifications, will be our property (and you will take all steps necessary to ensure such plans and specifications are our property) and shall not be reproduced, including digitally, without our prior written consent. Our review of your plans will be limited to ensuring that they comply with our design specifications, which are not based upon any structural or scientific studies. By approving your plans, we in no way represent or warrant the Hub will be structurally sound or fit for any intended purpose or that the plans will comply with applicable laws or regulations or lease requirements. We will not be liable to you for any defects in workmanship or structural integrity of a Hub that is constructed in accordance with plans that we approve.

(c) **Construction and Completion.** You agree at your own expense to do the following within a reasonable time after you have obtained possession of the Hub and/or Hub Bolt-On, but in any event by such period as may be provided in any lease we have approved: (1) secure all financing required to fully develop the Franchised Business; (2) obtain all required building, utility, sign, health, sanitation, and any other required permits and licenses; (3) construct the Hub and/or Hub Bolt-On according to the construction plans and specifications we have approved; (4) decorate the Hub and/or Hub Bolt-On in compliance with plans and specifications we have approved; (5) purchase and install all required equipment, furniture, furnishings, and signs; (6) display at the Hub and/or Hub Bolt-On only the signs, emblems, lettering, logos and display materials that we approve in writing, including any signs we

designate to reflect the fact that you are a franchisee; (7) purchase an opening inventory of all required products, cleaning solutions, supplies and materials; and (8) provide us with any photographs and information that we request and obtain our written consent to begin operating the Hub and/or Hub Bolt-On and providing the Hub and/or Hub Bolt-On Services.

- (d) Franchised Business Opening. You may not open the Franchised Business until you have received our written consent to begin operating the Spoke, Hub Bolt-On, Hub and providing the Services. You must open the Spoke or Hub Bolt-On Franchised Business and commence business within 90 days after the execution of this Agreement, unless you obtain a written extension of such time period from us. You must open the Hub Franchised Business within 180 days after the execution of this Agreement, unless you obtain a written extension of such time period from us.

B. OPERATING ASSETS

You agree to use in the development and operation of the Franchised Business only those brands, types, and/or models of equipment, furniture, Vehicles, fixtures, furnishings and signs (collectively, “Operating Assets”) we have approved, and also agree to purchase them from suppliers we have designated or approved. See Section 10.C. (Sourcing Restrictions) for additional sourcing requirements.

C. FRANCHISED BUSINESS OPENING

You may not open the Franchised Business for business until: (1) all of your obligations under Section 3 have been fulfilled; (2) we determine that the Franchised Business has been equipped and stocked with materials and supplies in accordance with the specifications we have approved; (3) you (or your Operating Principal) and your Manager (if you appoint one) have completed System/Procedure Training to our satisfaction; (4) the initial franchise fee and all other amounts due to us have been paid; (5) you have secured all financing required to fully develop the Franchised Business; (6) you have obtain all required business permits and licenses; (7) you have provided us with a copy of a valid U.S. driver’s license; (8) you have purchased an opening inventory of all required products, supplies, equipment, and materials; (9) you have furnished us with copies of all insurance policies required by Section 10.I. (Insurance) of this Agreement; and (10) you have obtained our written consent. You shall open the Franchised Business and commence business within 180 days after the execution of this Agreement for Hubs, or 90 days after the execution of this Agreement for Spokes and/or Hub Bolt-On, unless you obtain a written extension of such time period from us.

D. MODIFICATION OF THE FRANCHISE PROCESS

You acknowledge that we specifically reserve the right and privilege, as we deem best, to vary the System for, and/or to provide different services or assistance to, any franchisee based upon the peculiarities of any condition or factors that we consider important to that franchisee’s successful operation. Subject to applicable laws, we are not obligated to grant you a similar variation or accommodation or to provide you with the same services or assistance.

4. TRAINING AND GUIDANCE

A. SYSTEM/PROCEDURE TRAINING

We will furnish to you (or your Operating Principal, if you are an Entity) and one additional trainee (who must be a manager or supervisor) (the “Required Trainees”) an initial training program (“System/Procedure

Training”) of up to three days in the operation of a Franchised Business at a location and time designated by us at no additional cost.

B. TRAINING YOUR EMPLOYEES

YOU, NOT US, ARE RESPONSIBLE FOR TRAINING ANY EMPLOYEES YOU HIRE. You will be responsible for all wages and travel and living expenses incurred by you and your trainees in connection with such System/Procedure Training. If any trainees repeat System/Procedure Training, if more than the Required Trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$1,000 for each such trainee attending System/Procedure Training. Our training is intended to be instructive in nature and is intended to assist you in operating a Franchised Business. We will not be liable to you for any claims that may occur as a result of you or your employees following the training that we teach.

C. SATISFACTORY COMPLETION OF TRAINING

Your Required Trainees must complete System/Procedure Training to our satisfaction. If we determine in our sole discretion that your Required Trainees are unable to satisfactorily complete System/Procedure Training, we may, at our option, require you or them to retake System/Procedure Training or terminate this Agreement upon written notice to you. We may require any of your trainees to receive additional remedial training at your expense. Prior to you or your trainees attending any of our training programs, you must first supply us with executed copies of any non-disclosure and non-compete agreements that we may require from you or your trainees.

D. OPENING ASSISTANCE

We will provide advice, guidance and support in connection with the opening and initial operation of the Franchised Business. If we, in our sole discretion, provide you with on-site opening assistance and you do not request it, there will be no fee for such assistance. If you request the opening assistance and we, in our sole discretion, provide it, you will be required to pay our reasonable fees, presently \$1,000 per trainer, per day, for a maximum of five days, for any on-site assistance and will be responsible for the reasonable travel, lodging and per diem expenses incurred by our personnel in providing such on-site assistance. You agree to participate in and cooperate with us in connection with such on-site assistance.

E. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES

We may require that you, your Operating Principal, your Manager (as defined in Section 10.G. (Management of the Franchised Business)), and/or employees that we designate to attend optional or mandatory refresher training and/or ongoing educational training, seminars, conferences, webinars, other electronic communications and regional or national meetings, huddles, and meetings relating to the operation of Franchised Businesses at locations we select. We may require designated employees to obtain certifications that we specify. We may charge you a reasonable fee for each of your trainees required or scheduled to attend such programs and conferences regardless of whether such employees actually attend. You must pay our then-current registration fee, per owned franchise annually for the annual conference. This amount will be due by February 1st each year. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or your trainees related to any such programs, conferences and/or annual conference that we require. We will allocate your funds to a designated reserve account, to be utilized upon the commencement of our annual conferences. If we conduct training at your Franchised Business, you will be responsible for reimbursing us for the living and travel expenses of any of our representatives providing such training. From time to time, we will inform you about additional third-party trainings that are available for special certifications which some companies may require you or your employees to have.

You may decide, at your discretion, whether to require any employees to obtain these certifications. We will not require employees to be certified, this is solely your decision. We do, however, encourage you to evaluate these opportunities for how they may enhance your Franchised Business.

F. HIRING AND TRAINING OF EMPLOYEES

You must hire all employees and staff of the Franchised Business, be exclusively responsible for the terms of their employment and compensation, and be exclusively responsible for ensuring that such employees and staff are trained in accordance with the System in the proper operation of the Franchised Business. Your Franchised Business must be adequately staffed to meet reasonably anticipated demand for services. In the event your Manager ceases to be employed by you and you or your Operating Principal cannot supervise on-site the day-to-day operation of the business, you must have a new manager attend and successfully complete System/Procedure Training within 60 days of such termination. **You agree that we are not the employer for any employees you hire. All management, personnel and training requirements are at your discretion and are your responsibility. We will hold you solely liable and responsible for any breach of this agreement or failure to follow our System by any employees.**

G. GUIDANCE AND ASSISTANCE

We will furnish you with guidance in connection with: (1) methods and techniques for operation of a Franchised Business; (2) advertising and promotion; (3) the establishment of administrative, bookkeeping, accounting and general operating procedures for the proper operation of the Franchised Business; and (4) any changes in the Franchised Business, authorized services, standards or operating procedures we prescribe for Franchised Businesses. Such guidance will be furnished in the Manuals, bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications and/or consultations at our offices or at the Franchised Business. If requested by you, we will provide additional guidance and assistance at the Franchised Business at the per diem fees and hourly charges we establish from time to time, including travel, lodging and per diem expenses for any representatives that travel to you.

H. OPERATING AND TRAINING MANUALS

We will loan you, or provide you with access to, one copy of our Manuals. The Manuals will contain mandatory and suggested specifications, standards, and operating procedures which we prescribe from time to time for Franchised Businesses, as well as information relative to other obligations you have in the operation of the Franchised Business. You agree that your compliance with the Manuals is a condition to your license and to your operation of the Franchised Business, and agree that requirements pertaining to approved, preferred, or designated vendors as contained therein are among these conditions, together with all associated financial obligations by and between you and your vendors, whether approved, preferred, designated, or otherwise. The Manuals may be modified from time to time to reflect changes in the specifications, standards, operating procedures and other obligations in operating Franchised Businesses. You must keep your copy of the Manuals current by immediately inserting all modified pages we furnish to you. We may provide access to the Manuals via a paper hard copy, on a restricted website or intranet or extranet or via other means we specify. If a dispute develops with respect to the contents of the Manuals, the master copy we maintain at our principal office will be controlling. **You agree that you will not at any time copy any part of the Manuals, permit any part of it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating the Franchised Business, or remove it from your office without our permission.**

5. MARKS

A. OWNERSHIP AND GOODWILL OF MARKS

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to your conduct of business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by us from time to time during the Term. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established thereby will inure to our exclusive benefit and you acknowledge that this Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols that we subsequently authorize you to use in conjunction with the Franchised Business. You may not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

B. LIMITATIONS ON YOUR USE OF MARKS

You agree to use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized service or in any other manner not expressly authorized in writing by us. You agree to prominently display the Marks on or in connection with the Franchised Business, contracts, stationery, other forms we designate, and in the manner we prescribe, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of counsel selected by us, be necessary or advisable to protect and maintain our interests in any such litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintain our interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you agree, at your expense, to comply with our instructions within a reasonable time after notice from us.

6. CONFIDENTIAL INFORMATION

A. RECEIPT OF CONFIDENTIAL INFORMATION.

You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, knowhow, and other confidential information relating to the System, our business, our vendor relationships, our facilities (including Hubs, Spokes, and/or Hub Bolt-On), or the

construction, management, operation, or promotion of the Franchised Business (collectively, “**Confidential Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Customer Information (as defined below); and (viii) any other information we reasonably designate from time to time as confidential or proprietary. “Confidential Information” does not include (a) information that is part of the public domain or becomes part of the public domain through no fault of you, (b) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (c) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

B. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.

We and our affiliates own all right, title, and interest in and to the Confidential Information. You will not, nor will you permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Franchised Business or to the extent necessary to comply with applicable laws. You acknowledge that your use of the Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. You will be liable to us for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom you disclose Confidential Information. You will take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third-party beneficiary of such covenants with the independent right to enforce the agreement.

C. CUSTOMER INFORMATION

(1) You must comply with our System Standards, other directions from us, and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Information on your Management Systems or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Information. “Customer Information” means names, contact information, financial information and other personal information of or relating to the Franchised Business’ customers, prospective customers, and Referral Sources. If there is a suspected or actual breach of security or unauthorized access involving your Customer Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Information was compromised or disclosed. You are responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Customer Information in your control or possession.

(2) You agree that all Customer Information that you collect from customers and potential customers in connection with your Franchised Business is deemed to be owned by us, and must be furnished to us at any time that we request it. In addition, we and our affiliates may, through the Management Systems or otherwise, have independent access to Customer Information.

(3) You have the right to use Customer Information while this Agreement or a successor franchise agreement is in effect, but only to market products and services under the Marks to customers in accordance with the policies that we establish periodically and applicable law. You may not sell, transfer, or use Customer Information for any purpose other than marketing products and services under the Marks. We and our affiliates may use Customer Information in any manner or for any purpose, except, during the Term, we and our affiliates will not use the Customer Information that we or they derive from your Franchised Business to market similar products and services for another brand that competes directly with the Franchised Business. You must secure from your customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit Customer Information to us and our affiliates, and for us and our affiliates to use that Customer Information, in the manner that this Agreement contemplates.

7. COVENANTS NOT TO COMPETE

A. DURING TERM

You acknowledge that you will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the 1-800- TEXTILES concept. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity (e.g., through an affiliate, spouse, child, or other relative):

(1) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (a) any other business offering or providing any textile collection, mitigation, cleaning, or processing services, or fire/water/mold/impact/environmental/rug mitigation/rug cleaning/non-textile contents mitigation/residential or commercial moving and/or related construction or (b) any business which franchises or licenses others to offer or provide such services or products (collectively, each, a “**Competitive Business**”) at any location anywhere;

(2) divert or attempt to divert any business or customer or potential business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;

(3) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(4) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Business; or

(5) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.

B. AFTER TERMINATION, EXPIRATION, OR TRANSFER

(1) For two years after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are located within (i) any territory granted to you under this Agreement (whether a Spoke Territory and/or Hub Territory and/or Hub Bolt-On Territory), (ii) any territory granted to another Franchised Business, (iii) a 20-mile radius from the borders of any territory granted to you under this Agreement (whether a Spoke Territory and/or Hub Territory and/or Hub Bolt-On

Territory), or (iv) a 50-mile radius from any Hub and/or Hub Bolt-On operated by us, our affiliates, or our franchisees. With respect to the Owners, the time period in this Section 7.B. will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

C. EXCEPTIONS

Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 7. In addition, you or your Owners, officers, directors, or Managers may not now or in the future be engaged in the business of fire/water/mold/impact/environmental/rug mitigation/rug cleaning/non-textile contents mitigation/residential or commercial moving and/or related construction (a **"Insurance Restoration Business"**), provided that we, in our sole discretion, authorize such activity in writing. If we provide such authorization, (i) any portion of the services offered by the Restoration or Mitigation Business that overlaps with the services provided by the Franchised Business must be performed by the Franchised Business and (ii) we must have access to the books, records, tax returns, and invoices of the Restoration or Mitigation Business to verify compliance with this provision.

D. COVENANTS OF OWNERS AND EMPLOYEES

The Owners personally bind themselves to this Section 7 by signing this Agreement or the attached Guarantee. We may, in our sole discretion, require you to obtain from your officers, directors, Managers, Owners' spouses, and other individuals that we may designate executed nondisclosure and noncompete agreements in the form attached as Exhibit C or in another form that we designate or approve in writing. Such agreements will specifically identify us as having the independent right to enforce them.

E. ENFORCEMENT OF COVENANTS

You and your Owners acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Section 7 are reasonable and necessary for the protection of our legitimate business interests; (ii) you and they have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you or they of your or their personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 12 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 12. You acknowledge that any breach or threatened breach of this Section 12 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 12. Such injunctive relief will be in addition to any other remedies that we may have.

8. INDEMNIFICATION

A. INDEMNIFICATION BY YOU

You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors,

officers, employees, agents, representatives, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the Franchised Business’ operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Franchised Business’ construction, design or operation, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (v) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 8.C. (Willful Misconduct or Gross Negligence). (vi) your plant, property, or employee environmental liabilities/issues. “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants’, arbitrators’, mediators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

B. INDEMNIFICATION PROCEDURE

You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 8.A.(i) through (v) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 8 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 8.C. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8. Your obligations in this Section 8 will survive the expiration or termination of this Agreement.

C. WILLFUL MISCONDUCT OR GROSS NEGLIGENCE

Despite Section 8.A., you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 8.B.) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this Section 8.C. limits your obligation to defend us and the other Indemnified Parties under Section 8.B.

9. FEES AND OTHER CHARGES

A. INITIAL FRANCHISE FEE

You agree to pay to us a nonrecurring initial franchise fee of \$12,500 for Spoke Business or \$45,000 for Hub Business or \$20,000 for a Hub Bolt-On Business (reference Appendix A upon the execution of this Agreement (the “**Initial Franchise Fee**”). The Initial Franchise Fee will be fully earned by us and

nonrefundable when paid except as otherwise provided in this Agreement.

B. BILLING AND COMPENSATION

- 1) Hub and/or Hub Bolt-On Billing. Unless we specify otherwise, you will be the Designated Biller for any Jobs for which you provide the Hub and/or Hub Bolt-On Services. You acknowledge that accurate and appropriately timed invoicing of paying parties is a key System Standard necessary to protect the reputation of Franchised Businesses. As the Designated Biller, you must (a) create accurate inventories of all textiles and accurate invoices for each Job, (b) work with insurance adjusters on processing insurance claims related to Jobs, (c) collect payments owed by customers or their insurance companies, and (d) pay us the Royalty Fees owed related to the Job on the 15th of each month, and pay the Spoke Business that provided the Field Services for such Job the Spoke Share for such Job once per week, as determined by us, upon your receipt of the funds in accordance with the payment methods, standards, guidelines, and deadlines that we specify from time to time. You must keep complete and accurate records of all amounts billed to customers and insurance companies, all revenue collected from customers, and all payments retained by you or paid to Spoke Businesses.
- 2) Spoke Compensation. Your customers must pay all invoices directly to the biller that we designate, which may be us, an affiliate, or the Designated Hub (**the “Designated Biller”**). You may not collect fees or monies directly from any customer. The Designated Biller will pay you 30% of the Gross Sales collected from Jobs for which you provide the Field Services (**the “Spoke Share”**) less the Royalty Fee (which shall be distributed by the Designated Biller to us). The Designated Biller shall pay to the Designated Hub (or, if the Designated Biller is the Designated Hub, retain) 70% of the Gross Sales collected from Jobs for which you provide the Field Services. The Designated Biller will distribute monies to you after each Job is complete and each customer payment has been received in full.
- 3) Gross Sales. **“Gross Sales”** means all revenue generated from, or related to, the operation of the Franchised Business, including (i) all revenue generated from, or related to, any Jobs serviced by the Franchised Business, including all revenue related to both the Field Services and Hub and/or Hub Bolt-On Services for such Job (even if another Franchised Business provides a portion of the services related to such Job, such as the Designated Hub providing the Hub and/or Hub Bolt-On Services for such Job), (ii) any other revenue generated from any products or services offered through the Franchised Business, and (iii) the proceeds from any business interruption insurance or eminent domain recovery that you may receive. Gross Sales shall include sales, rentals, exchanges, services, labor, service charges, service contracts, any other type of remuneration, gift, contra deal, barter of products or services charity, payment in kind, or any other benefit or value that is received or deferred to be received, but shall exclude (a) excise, sales and use taxes, gross receipts taxes or similar taxes paid based on revenues, if those taxes are separately stated when the customer or their insurance company is charged and (b) refunds.

C. POPULATION FEE

- 1) Spoke Population Fee. You must pay a monthly Spoke Population Fee of \$250 for a Spoke Territory with a population less than or equal to 250,000 plus \$0.007 per person over 250,000 in the Spoke Territory (**the “Spoke Population Fee”**). The initial population of the Spoke Population is specified in Appendix A. If our population data provider provides us with updated data for the Spoke Territory, we will notify you of any change in your Spoke Population Fee at least 30 days before you must begin paying the revised Spoke Population Fee. If the population in the Spoke Territory exceeds

250,000, we may split your Spoke Territory into two territories and require you to purchase another Spoke Business in order to continue to operate in the portion of the territory that is removed from your Spoke Territory. The Spoke Population Fee pays for certain support and assistance that we may provide under this Agreement.

2) Hub Bolt-On Population Fee. In addition to the Population Fee for any Spoke Businesses you own, you must pay a monthly population fee of \$500 per month for a Hub Bolt-On Territory with a population less than or equal to 500,000 plus \$0.007 per month per person over 750,000 in the Hub Bolt-On Territory (**the “Hub Bolt-On Population Fee”**). The initial population of the Hub Bolt-On Territory is specified in Schedule A to this Addendum. If the population in the Hub Bolt-On Territory exceeds 750,000, we may split your Territory into two territories and require you to purchase another Hub or Spoke Business in order to continue to operate in the portion of the territory that is removed from your Hub Territory. The Hub Bolt-On Population Fee shall be due and payable in the same manner as the Population Fee.

3) Hub Population Fee. In addition to the Population Fee for any Spoke Businesses you own, you must pay a monthly population fee of \$1,000 per month for a Hub Territory with a population less than or equal to 1,000,000 plus \$0.007 per month per person over 1,000,000 in the Hub Territory (**the “Hub Population Fee”**). The initial population of the Hub Territory is specified in Schedule A to this Addendum. If the population in the Hub Territory exceeds 1,000,000, we may split your Hub Territory into two territories and require you to purchase another Hub and Spoke Business in order to continue to operate in the portion of the territory that is removed from your Hub Territory. The Hub Population Fee shall be due and payable in the same manner as the Population Fee.

D. ROYALTY FEES

- (1) Spokes. You must pay us a royalty fee of 3% of the Spoke Share of Gross Sales (the “Spoke Royalty Fee”), which shall be paid to us on the 15th of each month, after the related Gross Sales are collected by the Designated Biller. The Designated Biller will deduct the Spoke Royalty Fee from the Spoke Share that is distributed to you.
- (2) Hubs and/or Hub Bolt-On. You must pay us a royalty fee of 8% of the Hub and/or Hub Bolt-On Share of Gross Sales (the “Hub Royalty Fee”), which shall be due on the 15th of each month after the related Gross Sales are collected by you or the Designated Biller. The Hub Share of Gross Sales is 70% of the Gross Sales collected from Jobs for which you provide the Hub Services. For any Job in which a Spoke Business owned by you or your affiliate provides the Field Services and you provide the Hub Services, the Hub Royalty Fee shall be 8% of all Gross Sales and no separate Royalty Fee shall be due under the Franchise Agreement for the applicable Spoke Business.

E. OTHER FEES

- 1) Brand Fee. Hubs and/or Hub Bolt-On must contribute an amount that we specify up to 2% of the monthly Gross Sales of the Franchised Business (the “Brand Fee”) to a national Brand Fund that we will administer (the “Brand Fund”). The Brand Fee is in addition to the Local Marketing Obligation that any Spoke Business owned by you or your affiliates are required to spend in their Spoke Territories.

- 2) Technology Fee. Unless we approve your direct payment to vendors, you agree to pay a monthly fee that we specify from time to time for technology products or services that we acquire or develop (the “Technology Fee”). We may change the amount of the Technology Fee and the include products and services, in our sole discretion, from time to time.
- 3) Conference Attendance Fee. You must pay at the time you pay the Initial Franchise Fee a \$1,000 annual conference registration deposit for each Spoke Territory and/or Hub Territory and/or Hub Bolt-On Territory that you own, which will be held by us and applied to the actual attendance fee for you to attend the first annual conference available to you. If any portion of this deposit is not required as part of that annual conference attendance or registration fee, it will be credited to you on your invoice following the annual conference. If you do not attend the conference, the deposit will not be refunded to you. For subsequent annual conferences that we require franchisees to attend, you must pay the registration fee that we specify for such conference, even if you or your representatives do not attend such conference.
- 4) Out of Territory Fee. If you follow a lead into an owned territory, you must report it to us and pay us 5% of the claim, in addition to standard royalty and brand fees, and pay 5% to the owner of the territory. This will be due to us upon payment from client.

F. PAYMENT SCHEDULE

Royalty Fees, Population Fees, Technology Fees, and any other fees due under this Agreement will be due and payable by Electronic Funds Transfer (“EFT”), or such other method as we may prescribe, when payment is received from the client. You must complete a payment authorization form (a “**Authorization Form**”) in which you choose your method of payment. The Authorization Form provides details for when payment will be initiated. We reserve the right to change when and how frequently we require payment. Currently, the Population Fees will be due on the 7th of the month and the other monthly fees will be processed on the 15th of the month. We may require that you authorize us to initiate debit or credit entries and/or credit collection entries to your bank and that you make funds available for withdrawal by EFT no later than the due date for payment. We reserve the right to collect these fees on a weekly basis if you are delinquent on any monthly fee payment three times in any 12-month period, in addition to any other remedies specified in this Agreement. Payments will be due to us via EFT on or before the last day of 120-day period. If we reasonably determine any fee based upon your Gross Sales is not permissible under applicable law, then we and you will negotiate an alternative basis for payment and, if we and you cannot agree, we or you may terminate this Agreement, but all of your post-termination obligations under Section 16 (Obligations Upon Termination or Expiration of the Agreement) shall apply upon any such termination.

G. INTEREST ON LATE PAYMENTS

All amounts which you owe to us will bear interest after the due date at the rate of 5% per month or the highest rate permitted by law, whichever is less. If any payment of any amounts due to us is returned or declined because of insufficient funds in your account, we have the right to charge you \$150 for each returned check or declined withdrawal. You acknowledge that this Section 9.F. does not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to, or otherwise finance your operation of, the Franchised Business. Further, you acknowledge that your failure to pay all amounts when due will constitute grounds for termination of this Agreement, as provided in Section 15 (Default and Termination), notwithstanding the provisions of this Section 9.F.

H. APPLICATION OF PAYMENTS

We will have sole discretion to apply any payments that we receive from you to any of your past due indebtedness for any fees that you owe to us. You must make payments with the approved method of payment, including use of any designated authorization.

I. TAXES

You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of any fees that we charge, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of such fees, not including any tax measured on our income.

10. OPERATING STANDARDS

A. HUB, HUB BOLT-ON, AND SPOKE OPERATING REQUIREMENTS

Hubs and Hub Bolt-Ons:

- (1) In the event that a Hub and/or Hub Bolt-On becomes unable to provide service to Spokes due to uncontrollable reason, i.e., storm damage, fire, flood, etc., we will not be held liable for any loss of revenue. In the circumstance that the Hub closest to Spoke becomes unable to provide service, all affected Spokes will not have to pay the Population Fee until a solution is reached by us. The Spokes will be required to take all inventory to the next closest Hub, or a facility approved exclusively by us.
- (2) Hub and/or Hub Bolt-On Services. You must provide the Hub and/or Hub Bolt-On Services to all Spoke Businesses that operate within your Hub and/or Hub Bolt-On Territory and any other Spoke Businesses that we designate. You acknowledge and agree that we may assign Jobs to you from any Spoke Businesses that we specify, even if they are outside of your Hub and/or Hub Bolt-On Territory, and you must provide the Hub and/or Hub Bolt-On Services for any Job that is assigned to you. You must provide the Hub and/or Hub Bolt-On Services in accordance with our System Standards. You may not provide the Hub and/or Hub Bolt-On Services to any individuals or businesses other than the Spoke Businesses that we designate. You must store all textiles within your Hub and/or Hub Bolt-On in non-mobile, secure, rack, rail and/or conveyor storage systems that are designed in accordance with our specifications. You may not use storage pods or off-site private or public storage units of any kind. You must use Vehicles that comply with the requirements of Section 3.A.1.c. of the Franchise Agreement when delivering textiles back to customers or providing any Field Services.

For Hub Bolt-Ons: You may continue cleaning your existing retail counter, and route customers, as long as they are not existing fire/water mitigation companies and/or subbing from an insurance restoration company/or organization. All fire, water, mold, storm, and impact related work are to be processed under 1-800 Textiles and are subject to royalties owed to us. For the avoidance of doubt, your counter/retail/route business, as long as it is not related to fire, water, mold, storm, and impact claims, will not be subject to royalty payments to us. Processing textiles for the purpose of restoration and not reporting to us may lead to disciplinary actions, including, but not limited to termination of your franchise.

- (3) Field Services. Your Spoke Business must provide Field Services to any customer within the Hub Territory (a) that is located within the Spoke Territory for your Spoke Business, (b) that is located within a territory assigned to another Spoke Business, if such Spoke Business rejects or is unable to

service such Job, or (c) that is located within an Unowned Territory or Excluded Territory, if we assign such Job to you. We will offer you a right of first refusal to provide the Field Services for any Jobs or leads that we identify or receive within an Unowned Territory within the Hub Territory, provided that even if you decline such right of first refusal, you will be required to nonetheless provide such Field Services if no other Spoke Businesses do so. For the avoidance of doubt, if another Spoke Business identifies a Job or lead in an Unowned Territory within the Hub Territory, they may provide the Field Services for such Job without offering your Spoke Business a right of first refusal.

- (4) National or Regional Accounts. Most often, we will provide the Hub and/or Hub Bolt-On with a right of first refusal to provide the Field Services to any NORAs with Jobs within the Hub Territory (if any), provided that you are in full compliance with this Agreement and our System Standards. In the case that a Spoke Business is first onsite, that Spoke will retain the right to provide Field Services on the Job. If we offer you any Jobs within the Hub Territory that originate from NORAs, you must either (i) use your Spoke Business to provide the Field Services for such Job or (ii) refer the Job to the Spoke Business that owns the Spoke Territory in which the Field Services will be provided (or, if the territory is an Unowned Territory, the closest Spoke Business to the Unowned Territory). If no other Spoke Businesses agree to provide the Field Services, you will be required to nonetheless provide such Field Services if no other Spoke Businesses do so.
- (5) Maintenance, Remodeling and Upgrades. You must take, without limitation, the following actions during the Term at your expense: (i) thorough cleaning and repainting of the interior and exterior of the Hub at intervals that we may periodically designate and at our direction; (ii) interior and exterior repair of the Hub as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may periodically specify (or, if we do not specify an interval for replacing any item, as that item needs to be repaired or replaced). Upon our written request, you must refurbish the Hub at your expense to conform to our then-current System Standards. Such refurbishing may include, as we deem necessary, remodeling, redecoration, and other modifications to existing improvements and updating or replacing any Operating Assets. You acknowledge that this obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, the Hub, and/or in your spending substantial amounts for new Operating Assets, and you agree to incur, without limitation, any capital expenditures required in order to comply with this obligation and our requirements (even if those expenditures cannot be amortized over the remaining Term). Within 60 days after receiving written notice from us, you must have plans prepared according to the System Standards we prescribe and, if we require, using architects and contractors we approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify.
- (6) Reports. All reports and financial statements that you are required to submit to us in Section 12.B. (Reports and Tax Returns) of the Franchise Agreement must separately account for sales and expenses related to the operation of the Hub and the provision of the Hub Services.
- (7) Warranty Claims and Customer Complaints. For all Jobs for which you provide the Hub and/or Hub Bolt-On Services, you are responsible for all post-collection customer interactions and must promptly handle all customer warranty claims or customer inquiries or complaints in accordance with our System Standards and any directives we may provide. If any damage occurs to the textiles while in your possession or control, you are responsible for 100% of any related expenses. If any damage occurs to the textiles while in the possession or control of a Spoke Business, the Spoke Business will be responsible for 100% of any related expenses, but you must incur any expenses necessary to remedy the complaint and then must get reimbursed such amounts from the responsible

Spoke Business.

- (8) Pricing. If we determine that we may lawfully require you to charge certain prices for goods or services, certain minimum prices for goods or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. Currently, we require you to provide services to customers based on the prices determined by Xactimate, but we may specify a different pricing method or tool from time to time.

Spokes:

- (9) Designated Hub. You must use the Designated Hub as your exclusive processing facility to clean and store any textiles that you collect from customers, unless we approve or specify otherwise in writing. If you use a facility other than the Designated Hub or a facility that we have approved in writing, you must pay us a non-compliance fee of \$50,000. You acknowledge and agree that (a) Hubs may be operated by us, our affiliates, or our franchisees; and (b) your Designated Hub may provide Hub Services to parties other than you. If your Designated Hub closes or is temporarily unable to provide the Hub Services to you (i.e., as a result of storm damage, fires, floods, etc.), (i) we may designate another Hub in your market to temporarily or permanently serve as your Designated Hub or (ii) we may, at our discretion, arrange for the textiles that you collect to be delivered to a Hub and/or Hub Bolt-On in another market.
- (10) Warranty Claims and Customer Complaints. If any damage occurs to the textiles while in your possession or control, you will be responsible for 100% of any related expenses. The Designated Hub will take any steps necessary to resolve any customer complaint related to such damage, and you must promptly reimburse the Designated Hub for any costs that it incurs in remedying such customer complaints.
- (11) Work Authorization Form. You must require customers to sign a work authorization form that we have prescribed or approved in writing (**the “Work Authorization Form”**). It is solely your responsibility to ensure that any Work Authorization Form template that we provide complies with applicable laws.

B. PRODUCTS AND SERVICES OFFERED

You agree that the Franchised Business must offer all services and products we prescribe for a Franchised Business and will not offer or sell any services or products other than services and products that we have approved in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

C. SOURCING RESTRICTIONS

- (1) We have the right to require that products, supplies, services, and Operating Assets that you purchase for resale or purchase or lease for use in your Franchised Business: (a) meet specifications that we establish from time to time; (b) be a specific brand, kind, or model; (c) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (d) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). Specifications may include minimum standards and requirements for quantity,

design, appearance, function, performance, serviceability and warranties. To the extent that we establish specifications, require approval of suppliers or service providers (including any specialty third-party service provider), or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. You agree to participate in any purchasing or distribution cooperatives that we may establish.

(2) To maintain service quality and consistency across affiliated systems, franchisees are required to utilize designated affiliate brands for specific services. 1-800-Textiles franchisees must use Rubber Ducky for all rug cleaning services and PlumDry for any plumbing or mitigation services needed on claims. PlumDry franchisees must use 1-800-Textiles for all textile cleaning services and Rubber Ducky for rug cleaning. Rubber Ducky franchisees must use 1-800-Textiles for all textile-related services and PlumDry for all plumbing or mitigation services when handling insurance claims. These requirements are mandatory unless otherwise approved in writing by the franchisor. The franchisor reserves the right to update, modify, or expand the list of required affiliate service providers at any time.

(3) If you propose to purchase any brand, type, and/or model of products, supplies, services, and Operating Assets which is not then approved by us, you will first notify us and will submit to us, on our request, sufficient written specifications, photographs, drawings, samples, and/or other information for a determination by us of whether the brand, type, and/or model of products, supplies, services, and Operating Assets complies with our specifications and standards, which determination will be made and communicated to you within a reasonable time. We do not make our criteria for approving suppliers available to franchisees. We may approve or disapprove a supplier or item in our sole discretion. We may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether you may purchase items from such supplier. Upon our approval of your proposed item and/or supplier, we will permit you to contract with the alternative supplier. We may revoke approval of a supplier or a particular item at any time in our sole discretion by notifying you and/or the supplier.

(4) We and our affiliates have the right to receive payments, benefits, or other consideration from suppliers on account of their actual or prospective dealings with you and other franchisees and to use all amounts they receive without restriction for any purposes they deem appropriate. You also understand that, if we or our affiliates sell items to you, we and they may make a reasonable profit on the items.

D. SYSTEM STANDARDS

(1) You acknowledge that the development and operation of the Franchised Business in accordance with our System Standards is essential to preserve the reputation and high standards of quality and service of Franchised Businesses and the goodwill associated with the Marks. You must develop and operate the Franchised Business in accordance with each and every System Standard, as periodically modified or supplemented by us. System Standards may govern any and all aspects of the development and operation of the Franchised Business, including, without limitation, the following:

- (a) design, layout, décor, color schemes, graphics appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn leasehold improvements and Operating Assets; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;
- (b) delivery of services;

- (c) collection and storage of customer's property;
- (d) sale of authorized products;
- (e) approved third-party contractors or vendors (including specialty contractors or vendors who will manage facility set up, plans, modifications, build outs and more);
- (f) appearance of vehicles and Facilities;
- (g) qualifications, training, dress and appearance of Franchised Business employees (subject to applicable law);
- (h) use of the Marks and protection of Confidential Information;
- (i) materials and supplies used in the Franchised Business;
- (j) sales, marketing and promotional materials and programs;
- (k) use of standard formats and similar items;
- (l) use of the Management Systems and other computer software;
- (m) adoption of technological developments or advances;
- (n) the addition or deletion of new products and/or services;
- (o) customer invoicing timing and procedures;
- (p) hours of operation; and
- (q) such other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Franchised Business and other Franchised Businesses.

E. MODIFICATION OF SYSTEM STANDARDS

We periodically may modify System Standards (including modifications that require you to offer additional or different products or services) and any elements of the System and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. You agree to implement any changes in System Standards or the System within the time period we request at the time that the modifications are communicated to you, as if they were part of this Agreement as of the Effective Date.

F. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, workers' compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. We make no

representation to you regarding any legal requirements that you, your Manager or the Franchised Business must satisfy or comply with in connection with the Franchised Business or your business under this Agreement. You shall be solely responsible for investigating and complying with all applicable legal requirements.

(2) In connection with your compliance with applicable legal requirements, you and your Owners certify, represent, and warrant that none of your or any of your Owner's property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term "**Anti-Terrorism Laws**" means any laws against terrorism or terrorist activities or acts of war applicable to the Spoke Territory, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), and the USA PATRIOT Act. You further certify that neither you nor your Owners are listed on the Annex to Executive Order 13244 (the Annex is available at <http://www.treasury.gov>) and will not become so listed, hire any person so listed or have dealings with a person so listed. You agree to immediately notify us if you or any of your Owners become so listed. If you, your Owners, your Manager or your employees violate any of the Anti-Terrorism Laws or become listed on the Annex to Executive Order 13244, we may terminate this Agreement immediately.

(3) All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. You must in all dealings with actual and prospective customers, Referral Sources, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Franchised Businesses.

G. MANAGEMENT OF THE FRANCHISED BUSINESS

If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. If you are an Entity, the Operating Principal must be directly involved in the daily operations of the Franchised Business. In addition, it is recommended that you appoint an operations manager that must successfully complete System/Procedure Training (the "Manager") to supervise the operation of the Franchised Business. The initial Manager is identified on Appendix B of this Agreement. You, your Operating Principal, or your Manager must at all times supervise the on-premises operation of the Franchised Business. You agree that you, your Operating Principal, and your Manager will at all times faithfully, honestly and diligently perform all obligations under this Agreement and will continuously exert your and his or her full time and best efforts to promote and enhance the Franchised Business.

H. INDEPENDENT PROFESSIONAL JUDGMENT OF STAFF

The parties acknowledge and agree that System Standards, Manuals, and any other training, specifications, standards and operating procedures related to the services provided by the Franchised Business are not intended to limit or replace your, your Operating Principal's or your Manager's professional judgment in supervising and performing the services. The Manuals, System Standards and other training, specifications, standards and operating procedures represent only the minimum standards and your Operating Principal, Manager and other professionals are solely responsible for ensuring that the Franchised Business performs services in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate your Operating Principal, Manager or other professionals to perform any act that is contrary to your or their professional judgment; provided, however, that you must notify us immediately upon your

determination that any specification, standard or operating procedure is contrary to your or their professional judgment.

I. INSURANCE

(1) During the Term, you will be required to maintain certain insurance. During the Term, you must maintain in force at your sole expense such insurance as is necessary to comply with all laws and as is customary for similar businesses in the state or jurisdiction in which the Franchised Business operates or as we may reasonably prescribe from time to time, including but not limited to workers' compensation, general liability, business interruption, automobile liability, and optional coverage that may include bailees and umbrella coverages. Such insurance coverage must be maintained under one or more policies of insurance of the types and containing such terms and conditions and minimum liability protection in such amounts, as are specified from time to time by us and issued by insurance carriers rated "A-" by A.M. Best Company. We may from time to time increase the minimum amount of coverage required under any policy, and require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies required hereunder must name us and our officers, directors and employees as additional insureds, contain a waiver by the insurance carrier of all subrogation rights against us and must provide that we will receive 30 days' advance written notice of termination, expiration or cancellation or modification of any such policy. A detailed list of our minimum insurance requirements is included in our Manuals, which we may modify from time to time.

(2) You must furnish to us within 60 days prior to scheduled training and each year thereafter a copy of the certificate of or other evidence of the procurement, renewal or extension of each such insurance policy upon receipt (or binder, pending receipt of each such policy).

(3) Your obligation to obtain and maintain the insurance described above will not be limited in any way by reason of any insurance we maintain, nor will your performance of such obligations relieve you of any obligations under Section 8 (Indemnification) of this Agreement.

J. INNOVATIONS

All ideas, concepts, techniques, or materials relating to a Franchised Business, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to sign, and cause your employees and other agents to sign, whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

K. LEAD GENERATION

While we are obligated to refer leads that we receive from customers in Your Territory (other than NORAs) to you, we make no promises that we will obtain or attempt to obtain any leads whatsoever. You are solely responsible for identifying and securing customers and business for your Franchised Business.

11. ADVERTISING AND PROMOTION

A. ADVERTISING BY FRANCHISEE

(1) During the Term, you are required to annually spend on local advertising and marketing within the Spoke Territory or Unowned Territories at least 2% of the Spoke Share of Gross Sales for the Franchised

Business (the “Local Advertising Obligation”). Your advertising should be tailored to your Spoke Territory. You must assign an employee or member of the business to be dedicated to performing marketing in the local market. We may require you to participate in certain advertising or marketing program at your expense.

(2) You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals and/or bulletins, other written materials, telephone consultations, e-mails, webinars, other electronic communications or consultations at our offices or at the Franchised Business. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

B. COOPERATIVE ADVERTISING

You agree that we may designate a geographic area in which two or more Franchised Businesses are located as a region in order to establish a regional advertising cooperative (a “Cooperative”). We may form, modify, dissolve, or merge any Cooperative at any time. The Cooperative’s members in any area will include all of the Franchised Businesses operating in that area (including us or our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. Each Cooperative shall operate in accordance with our Manuals or a written governing document which we may amend at any time upon written notice to the Cooperative’s members. Each Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. If, as of the time you sign this Agreement, we have established a Cooperative for the geographic area in which the Franchised Business is located, or if we establish a Cooperative in that area during the Term, you agree to sign the documents we require to become a member of the Cooperative and to participate in the Cooperative as those documents require. You agree to contribute to the Cooperative the amounts determined by the Cooperative. Such amounts will not be counted toward your Local Advertising Obligation.

C. OUR ADVERTISING

We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to such advertising materials.

D. ADVISORY COUNCIL

We may, at our option, establish a franchisee advisory council to facilitate communications between us and our franchisees regarding marketing activities. If we elect to establish an advisory council, you agree to participate in its activities and to pay any dues we may assess for administration of advisory council programs, and you will be responsible for your expenses incurred in connection with advisory council programs. You will be permitted to vote for franchisee representatives on the advisory council in accordance with guidelines that we may establish from time to time. Furthermore, we will have the option to modify or eliminate any advisory council that we may establish from time to time.

E. DIGITAL MARKETING

(1) We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, X, TikTok, Instagram, Pinterest, LinkedIn, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (**collectively, “Digital Marketing”**) that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Franchised Business or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time. If in any of your marketing, you create any account or website making use of the Marks, you agree to assign or transfer such to us upon termination of this agreement, and to effectuate and execute any agreements or communications necessary to consummate such assignment or transfer.

(2) As part of our Digital Marketing, we or one of our designees will operate and maintain a system website, which will include basic information related to the Franchised Business. You must promptly provide us with any information that we request regarding your Franchised Business for inclusion on the website.

F. CO-BRANDED ADVERTISING

(1) You must not advertise your Franchised Business with any other brand or company (including brands or companies that you own), unless you receive our prior written consent. This includes digital marketing, print marketing, video marketing, and all other forms of marketing or advertising.

12. RECORDS AND REPORTS

A. ACCOUNTING AND RECORDS

During the Term, you agree to establish and maintain recordkeeping and accounting systems conforming to the requirements prescribed by us from time to time, including but not limited to all sales checks, purchase orders, invoices and cash receipts. All books and records of the Franchised Business must be maintained at your dedicated office or such other location as we shall approve in writing. All books and records must be managed exclusively through software and systems designated by us from time to time.

B. REPORTS AND TAX RETURNS

(1) You must furnish to us the following reports: (a) concurrently with the payment of Royalty Fees, a statement of the Gross Sales for the preceding month; (b) within 10 days after the end of each calendar month, an unaudited statement of profit and loss and financial condition of the Franchised Business for the preceding month; (c) within 90 days after the end of your fiscal year, a fiscal year-end balance sheet and income statement and statement of changes in financial position of the Franchised Business for such fiscal year, reflecting all year-end adjustments, prepared in accordance with generally accepted accounting principles; (d) within 15 days after the end of each quarter, a quarterly profit and loss report for the Franchised Business; and (e) upon our request, any other periodic reports we prescribe and such other information and supporting records as we from time to time prescribe. If you operate multiple Spoke Businesses, the reports and financial statements that you submit must report sales and expenses for each

Spoke Business separately in accordance with any guidelines we provide. All reports, financial statements (except audited statements), and information must be on forms prescribed or approved by us and shall be verified and signed by you.

(2) You must maintain readily available for inspection by us, and must furnish to us upon our request, exact copies of the electronic file that contains your accounting records in the computer software we require you to use and any state sales tax returns and federal and state income tax returns filed by you that reflect the operation of the Franchised Business.

(3) You must furnish us within 60 days of filing, but in no event later than October 15 of each calendar year, true and correct copies of your federal and state corporate income tax returns for the Franchised Business, if you are an Entity, and true and correct copies of your federal and state personal income tax returns if you are not an Entity.

(4) You must notify us in writing, and provide us with all relevant information, within five days of (a) your receipt of any legal notices, legal claims, legal demands, legal proceedings, legal actions, or other litigation, regulatory or administrative proceedings, or similar matters involving you, the Franchised Business, or otherwise potentially relating to or relevant to us; (b) the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality that may adversely affect us or our affiliates or our franchisees, the Marks, your operation or financial condition, or the Franchised Business; or (c) any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

(5) Failure to deliver any of the required or requested records including books, tax returns, banking or other financial institution statements, records of other businesses owned, records of revenue or business done, invoices, receipts, or other reports will result in you incurring a per-day fee for non-reporting in the amount of \$25 per report or record, per day. When you have made delivery of the requested records or reports, such fee shall cease to be incurred.

13. INSPECTIONS AND AUDITS

To determine whether you are complying with this Agreement, we will have the right at any time during business hours, and upon reasonable notice to you, to (a) inspect your offices or any other facility or vehicles used by you and (b) inspect and audit, or cause to be inspected and audited, the Franchised Business and accounting records, sales and income tax returns, and other records of the Franchised Business and any Insurance Restoration or Mitigation Business and/or textiles (including but not limited to a dry cleaning business) or rugs or contents business in which you have any interest or involvement in whatsoever. You must cooperate with our representatives and any independent accountants hired by us to conduct any such inspection or audit. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. If the inspection discloses an underpayment of 3% or more of the amount due for any period covered by the audit, you shall, in addition reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies we may have.

14. TRANSFER

A. TRANSFER BY FRANCHISOR

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal

successor to our interest in it.

B. TRANSFER BY FRANCHISEE

(1) You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the License to you in reliance upon our perceptions of your or your Owners' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest herein) nor any ownership or other interest in you or the Franchised Business may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "transfer" includes your or your Owners' voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) an ownership interest in you; or (c) the Franchised Business.

(2) An assignment, sale, gift or other disposition includes the following events: (a) transfer of ownership of capital stock, a membership interest, or a partnership interest; (b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you; (c) any issuance or sale of your stock or any security convertible to your stock; (d) transfer of an interest in you, this Agreement or the Franchised Business in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law; (e) transfer of an interest in you, this Agreement or the Franchised Business, in the event of your death or the death of one of your Owners of, by will, declaration of or transfer in trust or under the laws of intestate succession; or (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Franchised Business or your transfer, surrender or loss of possession, control or management of the Franchised Business.

C. CONDITIONS FOR APPROVAL OF TRANSFER

If you and your Owners are in full compliance with this Agreement, then subject to the other provisions of this Section 14 (Transfer), we will approve a transfer that meets all the applicable requirements of this Section. The proposed transferee and its Owners must be individuals of good character and otherwise meet our then applicable standards for Franchised Business franchisees. A sale or transfer of ownership, possession or control of the Franchised Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement, of the Franchised Business or a controlling interest in you ("controlling interest in you" means 33⅓% or more of your voting shares, ownership interests or other voting rights if you are an Entity owned by three or more persons; otherwise, 50% or more of your voting shares or other voting rights or ownership interests), or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement, the Franchised Business or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer, unless waived by us in writing:

- (1) The transferee has sufficient business experience, aptitude and financial resources to operate the Franchised Business and meet our then-current standards for franchisees;
- (2) You have paid all fees, amounts owed for purchases from us, and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;
- (3) The transferee has agreed to complete System/Procedure Training to our satisfaction;
- (4) The transferee has agreed to execute our then-current form of franchise agreement for the remaining term of this Agreement, which may have terms materially different than the terms of this Agreement;

(5) you or the transferee pay us a transfer fee equal to 50% of the then current initial franchise fee (for a Spoke Business or Hub and/or Hub Bolt-On and/or Spoke Business, as applicable), to defray expenses we incur in connection with the transfer;

(6) you and your transferring Owners have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their shareholders, officers, directors, employees and agents;

(7) you and your transferring Owners have executed a non-competition and non-disclosure agreement in favor of us and the transferee agrees to be bound, commencing on the effective date of the transfer, by the restrictions contained in Sections 16.D (Confidential Information) and 16.E (Covenant Not to Compete) of this Agreement; and

(8) you and your transferring Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other Franchised Businesses you own and operate) identify themselves or any business as a current or former Franchised Business or as one of our licensees or franchisees or use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION, PARTNERSHIP LIMITED LIABILITY COMPANY

Notwithstanding Section 14.C (Conditions for Approval of Transfer), if you are an individual and are in full compliance with this Agreement, you may transfer this Agreement to an Entity if (i) the Entity conducts no business other than the Franchised Business and, if applicable, other Franchised Businesses, (ii) you own and control 100% of the equity and voting power of all issued and outstanding capital stock or ownership interests in the Entity, and (iii) you maintain management control of the Entity. Transfers of ownership interests in such Entity will be subject to the provisions of Section 14.C. Notwithstanding any such transfer, you agree to remain personally liable under this Agreement as if the transfer to such Entity had not occurred.

E. YOUR DEATH OR DISABILITY

Upon the death or permanent disability of you or your Operating Principal, the executor, administrator, conservator, guardian or other personal representative of you or the Operating Principal must transfer this Agreement or such Owner's interest to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability and will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer this Agreement or the ownership interest in you within this period of time shall constitute a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or your Operating Principal from managing and operating the Franchised Business for a period of three months from the onset of such disability, impairment or condition in accordance with System Standards.

F. EFFECT OF CONSENT TO TRANSFER

Our consent to a transfer of this Agreement and the Franchised Business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Business or transferee or a waiver of any claims we

may have against you or your Owners or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

G. OUR RIGHT OF FIRST REFUSAL

(1) If you or any of your Owners at any time determine to transfer an interest in this Agreement and the Franchised Business or an ownership interest in you, you (or such Owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and beneficiary of any corporate offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer. We have the right, exercisable by written notice delivered to you or your selling Owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer.

(2) If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of two years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Section 16.E (Covenant Not to Compete).

(3) If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 14.B. (Transfer by Franchisee) and 14.C. (Conditions for Approval of Transfer), provided that, if the sale to such purchaser is not completed within 180 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 180 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

15. DEFAULT AND TERMINATION

A. BY FRANCHISEE

If (i) you are in substantial compliance with this Agreement, (ii) we materially breach this Agreement, and (iii) we fail to cure such breach within 60 days after written notice of that breach is delivered to us or, if such breach cannot reasonably be cured within 60 days after our receipt of such notice, undertake within 60 days after our receipt of such notice, and continue until completion, reasonable efforts to cure such breach, you may terminate this Agreement effective 10 days after delivery to us of notice thereof. Your termination of this Agreement for any reason other than as set forth herein will be deemed a termination by you without cause and a breach of this Agreement.

B. BY FRANCHISOR

We will have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

(1) you fail to maintain any and all licenses or permits required for the Franchised Business or if any such license or permit is suspended or revoked or otherwise not maintained active and in full force and effect;

(2) you fail to begin operating the Hub Franchised Business within 180 days after the execution of this Agreement for Hubs, or 90 days after the execution of this Agreement for Spokes and/or Hub Bolt-Ons;

- (3) your Required Trainees fail to satisfactorily complete System/Procedure Training as provided in Section 4.B (Satisfactory Completion of Training);
- (4) you or any of your Owners make any unauthorized transfer of the Franchised Business or an ownership interest in you or fail to make a required transfer of this Agreement or of an interest in you in connection with a deceased or disabled Owner, as required in Section 14.E. (Your Death or Disability);
- (5) you abandon or fail to actively operate the Franchised Business unless the Franchised Business has been closed for a purpose we have approved;
- (6) you, any Owner, or any of your officers or directors are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the 1-800-TEXTILES® concept (an “Adverse Effect”) or you, any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect;
- (7) you or any of your Owners make any unauthorized use or disclosure of the Confidential Information;
- (8) you fail to maintain accurate books and records or make any misrepresentations or material omissions in any communications with us, including failing to report any jobs;
- (9) you fail to pay any amount due to us or our affiliates under this Agreement and do not correct such failure within 10 days after written notice of such failure is delivered to you;
- (10) you fail to pay any federal or state income, sales or other taxes arising from the operation of the Franchised Business as required by this Agreement;
- (11) you fail to achieve the Spoke Minimum Sales Quota in three consecutive Agreement Years;
- (12) you provide any services or conduct any marketing or advertisements outside of Your Territory, except as otherwise permitted in this Agreement;
- (13) you provide any Hub and/or Hub Bolt-On Services to a person or entity other than a Spoke Business, unless we consent otherwise in writing;
- (14) you provide any Field Services and take the Job to a non-Designated Hub for processing or storage, unless we consent otherwise in writing;
- (15) you fail to comply with any other provision of this Agreement or any System Standard prescribed by us and do not: (a) correct such failure within 5 days after written notice of such failure to comply is delivered to you if such failure relates to the use of any Mark, the quality of the services offered by the Franchised Business or the promotion or sale of services outside Your Territory without our prior written approval; or (b) correct such failure within 30 days after written notice of such failure to comply is delivered to you for any other failure to comply with System Standards not specified in (a), or (c) provide proof acceptable to us of efforts which are reasonably calculated to correct such failure if such failure cannot reasonably be corrected within the applicable time period after written notice of such failure to comply is delivered to you;
- (16) you fail on 3 or more separate occasions within any period of 12 consecutive months to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered

to you;

(17) your actions create a substantial or material hindrance to the performance of the System, or result in a decrease in value of the System or of the Marks;

(18) you or your affiliates default under any other franchise agreement or other agreement between you or your affiliates and us or our affiliates, provided that the default would permit us or our affiliate to terminate such agreement (whether or not we or our affiliates elect to terminate such other agreement); or

(19) you make an assignment for the benefit of creditors or an admission of your inability to pay your obligations as they become due or have a petition filed for corporate or partnership dissolution.

C. OTHER REMEDIES

If any events in Section 15.B. (By Franchisor) occur which give us the right to terminate this Agreement, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of Your Territory or temporarily or permanently suspend your exclusive rights within Your Territory;

(2) temporarily remove information concerning your Franchised Business from the system website and/or stop your or the Franchised Business' participation in any other programs or benefits offered on or through any of our Digital Marketing efforts;

(3) suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement;

(4) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(5) Suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;

(6) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement, in which case you will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty.

(7)

(a) **Hub and Hub Bolt-On:** enter the Franchised Business' premises and assume the management of the Franchised Business ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Business. All funds from the operation of the Franchised Business while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of the Franchised Business will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee up to 50% of the Franchised Business' Gross Sales during the period of management, plus any direct out-of-pocket costs and expenses. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Business incurs, or to any of your creditors for

any products or services the Franchised Business purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Business and may, in our sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Business will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with you.

(b) **Spoke:** enter the Franchised Business' premises and assume the management of the Franchised storage facilities and contents within or appoint a third party (who may be our affiliate) to manage the Franchised Business's storage and contents within. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Franchised Business incurs, or to any of your creditors for any products or services the Franchised Business purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Franchised Business and may, in our sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Our (or our appointee's) management of the Franchised Business will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with you.

D. EXERCISE OF OTHER REMEDIES

Our exercise of our rights under Section 15.C. (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be our sole or exclusive 1-800- Textiles – FA (06/24) 31 1610014982.9 remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under Section 15.C., we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

16. OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

A. PAYMENT OF AMOUNTS OWED TO US

You agree to pay us within 10 days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to us are determined, such ongoing fees, amounts owed for purchases by you from us or our affiliates for the full term of any agreements (e.g. software and system subscriptions), interest due on any of the foregoing, and all other amounts owed to us or our affiliates which are then unpaid.

B. OUR RIGHT TO PURCHASE ASSETS

(1) Upon termination of this Agreement for any reason (other than your termination in accordance with Section 15.A. (By Franchisee)) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within 15 days after the date of termination or expiration (the “Exercise Notice”), to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of the Franchised Business that we designate (the “Purchased Assets”). We have the unrestricted right to exclude any assets we specify relating to the Franchised Business from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect the Franchised Business and its assets, to determine whether to exercise our option under this Section 16.B. If you or one of your affiliates owns a Hub and/or Hub Bolt-On, we may elect to include a fee simple interest in the Hub and/or Hub Bolt-On and its premises as part of the Purchased Assets or, at our option, lease the Hub and/or Hub Bolt-On from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. You (and your Owners) agree to cause your affiliate to comply with these requirements. If you lease the Hub from an unaffiliated lessor, you agree (at our option) to assign the lease to us or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the lease. We may elect, at our option, to perform a site visit in the medium that we designate, including on-site or virtual. If we exercise our option to perform a site visit, it will be completed by us or our designated representative.

(2) While we are deciding whether to exercise our option under this Section 16.B. (Our Right to Purchase Assets), and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of our purchase or our decision not to complete the purchase, you must continue to operate the Franchised Business in accordance with this Agreement. However, we may, at any time during that period, assume the management of the Franchised Business ourselves or appoint a third party (who may be our affiliate) to manage the Franchised Business pursuant to the terms of Section 15.C(7).

(3) If we do exercise our option, the purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business (but not a Franchised Business). The purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, any Confidential Information or our other intellectual property rights, or participation in the network of Franchised Businesses. For purposes of determining the fair market value of all equipment used in operating the Franchised Business, the equipment’s useful life shall be determined to be no more than three years. We, not you, will select an independent appraiser(s), and his or her determination of fair market value will be the final and binding purchase price. The determination of the fair market value will be completed in the medium we choose, not you, including but not limited to a virtual or physical assessment. All assets we choose to purchase must be free of all encumbrances or liens.

(4) If we exercise our purchase option, we will pay the purchase price at the closing, which will take place within 90 days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with the Franchised Business or your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (b) all of the Franchised Business’ licenses and permits which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed

through an escrow. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(5) We may assign our rights under this Section 16.B. (Our Right to Purchase Assets) to any Entity (which may be our affiliate), and that Entity will have all of the rights and obligations under this Section 16.B.

C. DE-IDENTIFICATION

You agree that, upon the termination or expiration of this Agreement, you, unless we specify otherwise in writing:

(1) may not directly or indirectly at any time or in any manner (a) identify yourself or any business as a current or former Franchised Business or as a franchisee or licensee of ours or our affiliates, (b) use any Mark, any colorable imitation thereof or other indicia of a Franchised Business in any manner or for any purpose, or (c) utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliates;

(2) must, at our option, either return to us or destroy all materials and supplies identified by the Marks or otherwise identifying or relating to a Franchised Business at your cost and without any reimbursement for any of these items;

(3) must immediately take all action required (a) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (b) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Franchised Business or the Marks (collectively, "Identifiers"). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 16.C(3), you hereby authorize us and irrevocably appoint us or our designee as your attorney-in- fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer; must immediately provide us with a listing of all Jobs that have not been completed prior to the date of termination or expiration, including information about all contents stored at the Facility. We may require you, in our sole discretion, to (a) complete open Jobs at your expense that are capable of being promptly completed, (b) continue to securely store Textiles at your expense until delivery can be arranged, (c) arrange for the delivery and storage of Textiles at your expense at another secure storage facility that we approve, (d) arrange for the delivery of Textiles to their location at your expense using providers that we approve, and/or (e) if we or our designee assume responsibility for any open Jobs, pay us a liquidated damages fee of \$5,000 per Job in addition to any other actual expenses or damages that we or our designee incur in completing the Job that are in excess of \$5,000;

(4) must, if we do not exercise our right to acquire the lease for the Facility or the Facility, make such modifications or alterations to the Franchised Business immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the site from a Franchised Business, including removing the signs, the Marks, and any trade dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section 16.B(4), we may enter the Franchised Business without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes;

(5) must furnish us, within 30 days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the foregoing obligations.

D. CONFIDENTIAL INFORMATION

Upon termination or expiration of this Agreement, you must cease using the Confidential Information and any and all materials associated with a Franchised Business. You must immediately return to us, at your expense, all copies of the Manuals, Formulas, Programs, Electronic Portals, Technology Access, all Customer Information, and all other Confidential Information (and all copies thereof) in your possession or control. You must cease all communications with our regional or national vendor list and/or accounts. You may not use or access any Confidential Information or sell, trade or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

E. COVENANT NOT TO COMPETE

Unless prohibited by applicable laws, you and your Owners must comply with the non-compete provisions of Section 7.B. (After Termination, Expiration, or Transfer).

F. LIQUIDATED DAMAGES

In addition to any other claims we may have (other than claims for lost future fees), if we terminate this Agreement based on your default or if you terminate this Agreement in violation of its terms, you must pay us liquidated damages calculated as follows: (i) the average of your monthly Royalty Fees and Territory Fees due for the last 36 months (or for such shorter period of time that the Franchised Business has been open) before our delivery of the notice of default, (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current term under Section 2 (Term), and (iii) discounted to present value using the then current prime rate of interest quoted by our principal commercial bank. You acknowledge and agree that the amount of liquidated damages determined in accordance with the preceding formula reasonably represents our monetary losses of Royalty Fees and Territory Fees resulting from the termination of this Agreement.

G. CONTINUING OBLIGATIONS

All obligations of ours and yours which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. DISPUTE RESOLUTION

A. JURISDICTION AND VENUE

You and your Owners must file any suit against us or our affiliates exclusively in the Superior Court of Cherokee County, Georgia. We or our affiliates may file any suit against you, in the Superior Court of Cherokee County, Georgia. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision and submit to the jurisdiction of such Court of exclusive venue.

B. GOVERNING LAW

This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of

Georgia. In the event of any conflict-of-law question, the laws of Georgia shall prevail, without regard to the application of Georgia conflict-of-law rules.

C. WAIVER OF PUNITIVE DAMAGES

Except with respect to your obligation to indemnify us pursuant to Section 8 (Indemnification) and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, we and you and your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

D. WAIVER OF JURY TRIAL

We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us.

E. REMEDIES NOT EXCLUSIVE

Except as provided in Section 17.D. (Waiver of Punitive Damages), no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

F. OUR RIGHT TO INJUNCTIVE RELIEF

Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

G. LIMITATIONS OF CLAIMS

Except for claims arising from your underreporting of Gross Sales or non-payment or underpayment of amounts you owe us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

H. ATTORNEYS' FEES AND COSTS

You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (a) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (b) in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to you by us (whether or not you initiate a legal proceeding, unless you initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings.

18. MISCELLANEOUS

A. ENTIRE AGREEMENT

This Agreement and the documents referred to herein, including the Manuals, constitute the entire agreement between you and us with respect to the Franchised Business and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the appendices, which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that we delivered to you or your representative.

B. AMENDMENTS AND MODIFICATIONS

This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies that we adopt and implement may be changed by us from time to time.

C. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, and any portion of any of them, will be considered severable, and if, for any reason, any such provision is held to be invalid or 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 we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties.

(2) If any covenant herein which restricts competitive activity is deemed unenforceable by 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, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

(3) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal to enter into a successor franchise agreement, 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 other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable.

D. WAIVER OF OBLIGATIONS

Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to

demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

E. FORCE MAJEURE

A party to this Agreement will not be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (a) transportation shortages, inadequate supply of equipment, products, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (b) acts of God; (c) fires, strikes, embargoes, war or riot; or (d) any other similar event or cause. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence.

F. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US

You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder.

G. NO THIRD PARTY BENEFICIARIES

Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

H. BINDING EFFECT

This Agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.

I. ADDITIONAL OR INCONSISTENT TERMS

The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

J. SURVIVAL

Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or transfer of this Agreement will survive such expiration, termination, or transfer, including, but not limited to, Sections 5 (Marks), 6 (Confidential Information), 8 (Indemnification), and 16 (Obligations Upon Termination or Expiration of the Agreement).

K. INDEPENDENT CONTRACTOR RELATIONSHIP

This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, joint employer, partner, employee or servant of each other for any purpose. You must conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of the Franchised Business under a franchise from us and

place such other notices of independent ownership on such forms, stationery, advertising and other materials as we may require from time to time. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation or debt, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Franchised Business, including any personal property, operating assets, or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Franchised Business. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We have no relationship with your employees and you have no relationship with our employees.

L. EXECUTION IN COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

M. CONSTRUCTION

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your actions that require our approval. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The words “include,” “including,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

19. NOTICES AND PAYMENTS

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Manuals will be deemed so delivered (i) at the time delivered by hand; (ii) one business day after transmission by facsimile or e-mail; (iii) one business day after being placed in the hands of a commercial courier service for next business day delivery; or (iv) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Notices to you will be sent to the address set forth on Appendix A. Notices to us must be sent to:

1-800-Textiles Franchises, LLC
110 Bruner Way
Ball Ground, Georgia 30107
Attn: Franchise Development
E-mail: info@1800Textiles.com

Either party may change its mailing address or other contact information by giving notice to the other party. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be deemed delinquent.

20. ACKNOWLEDGEMENTS AND ENTITIES

A. ACKNOWLEDGMENTS

(1) You received a Franchise Disclosure Document (“FDD”) required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required

by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us. If we made any unilateral and material changes to the terms and conditions of the form of this Agreement that was included in the FDD (other than changes that arose out of negotiations that you initiated), you received a revised copy of this Agreement that included such changes and were informed of any material differences between this Agreement and the form included in the FDD at least seven calendar days before you executed this Agreement or any related agreements or paid any consideration to us.

(2) The following acknowledgements apply to all franchisees and Franchised Businesses, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

- You have read this Agreement and the FDD and have been given ample opportunity to consult with, and ask questions of, our representatives and your legal counsel and advisors regarding the documents.
- You acknowledge and agree that: (i) you have conducted an independent investigation of the business contemplated by this Agreement, recognize that it involves business risks, and recognize that making a success of a venture is largely dependent on your own business abilities; (ii) no assurance or warranty, express or implied, has been given to you by us or any of our affiliates as to the potential success of any business contemplated by this Agreement or the profits that may be achieved; (iii) there are no promises, commitments, “side deals,” options, rights of first refusal, or other rights or obligations in connection with this Agreement except as expressly provided for in this Agreement; and (iv) the terms and covenants in this Agreement are reasonable and necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Franchised Business, and to protect and preserve the goodwill of the Marks.
- You have no knowledge of any representations made about the franchise opportunity by us, our affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in our FDD or to the terms and conditions of this Agreement. You are not relying on any representations or warranties, express or implied, furnished by us or our representatives other than those expressly set forth in this Agreement and the FDD.
- Except as may be stated in the FDD, neither we, nor any of our affiliates, nor any of our or our affiliates’ officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues, earnings, or profitability of any 1-800-Textiles business or Franchised Business or the anticipated revenues, earnings, or profitability of the business subject to the license or any other business operated by us, our licensees, our franchisees, or our affiliates. Any information you have acquired from other franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information’s accuracy.

(3) The following provision applies only to franchisees and Franchised Businesses that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

B. ENTITIES

If you are now or at any time in the future an Entity, you agree and represent that:

- (1) You have or will have the authority to execute, deliver and perform your obligations under this Agreement and are or will be duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;
- (2) Your organizational documents recite or will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;
- (3) Appendix B to this Agreement, as modified from time to time, will completely and accurately describe your Manager and all of your Owners and their interests in you; and
- (4) Each Owner will execute an agreement in the form that we prescribe undertaking to be bound jointly and severally by all provisions of this Agreement. You and your Owners agree to execute and deliver to us a revised Appendix B as may be necessary to provide or reflect any changes in the information contained in Appendix B and to furnish such other information about your organization or formation as we may request.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

1-800-TEXTILES FRANCHISES, LLC

(IF ENTITY):

By: _____
Name: _____
Title: _____

[Name]

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX A
TO THE
FRANCHISE AGREEMENT**

FRANCHISEE-SPECIFIC TERMS

1. **Agreement Date:**_____

2. **Franchisee's Name:**_____

3. **Franchisee's State of Organization (if applicable):**_____

4. **Franchise is Hub, Hub Bolt-On or Spoke**_____

5. **Your Territory (Section 2.A.):**_____

6. **Initial Franchise Fee (Section 9.A.):** _____

7. **Initial Population (Section 9.B.):**_____

8. **Franchisee's Address and Contact Information for Notices (Section 19):**_____

9. **Additional Terms; Inconsistent Terms (if any) (Section 18.F.):**_____

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

1-800-TEXTILES FRANCHISES, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX B
TO THE
FRANCHISE AGREEMENT**

OWNERS AND MANAGERS

**This Appendix B is current and complete
as of _____, 20__**

The following list includes the full name and mailing address of each person who is an Owner of Franchisee (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest.

Owner's Name and Address

Description of Interest

_____	_____
_____	_____
_____	_____
_____	_____

Manager. The Franchisee's Manager (if any has been appointed) is: _____.

**APPENDIX C
TO THE
FRANCHISE AGREEMENT**

NONDISCLOSURE AND NONCOMPETE AGREEMENT

(attached)

NONDISCLOSURE AND NONCOMPETE AGREEMENT

This Agreement is dated _____ [DATE]. The parties are _____ [NAME OF FRANCHISEE] (referred to as “we”, “us”, and “our”), , and _____ [NAME OF OFFICER, DIRECTOR, EMPLOYEE, SPOUSE, OR INDEPENDENT CONTRACTOR] (referred to as “you,” “your,” or “Covenantor”) residing at _____ [ADDRESS]. You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us or our owners.

BACKGROUND

We are a franchisee of 1-800-Textiles Franchises, LLC (“**Franchisor**”) under a 1-800-Textiles Franchises, LLC Franchise Agreement dated [DATE] (the “**Franchise Agreement**”). We have a license to operate a 1-800-TEXTILES business (a “**Franchised Business**”), which uses certain trademarks designated by Franchisor (the “**Marks**”) and certain policies, procedures, systems, and other Confidential Information developed and owned by Franchisor (the “**System**”). Franchisor recognizes that, in order for us to effectively operate our business, our officers, directors, employees, and independent contractors whom we retain must have access to certain confidential information and trade secrets owned by Franchisor. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm Franchisor, other franchise owners, and us. Accordingly, Franchisor requires us to have you to sign this Agreement.

AGREEMENT

1. Confidential Information. As used in this Agreement, “**Confidential Information**” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, marketing and pricing techniques, and other confidential information relating to the Franchised Business, the System, or Franchisor’s business. In addition, Confidential Information includes, without limitation, all marketing plans, advertising plans, business plans, financial information, customer information, employee information, independent contractor information and other confidential information of Franchisor, Franchisor’s affiliates, or us (collectively, the “**Interested Parties**”) that you obtain during your association with us.

2. Nondisclosure. You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee or as an independent contractor to us. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, Franchisor’s, or Franchisor’s affiliates’ ownership of it. These obligations apply both during and after your association with us.

3. Return of Confidential Information. If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may have in your possession or control. You may not retain any Confidential Information after your association with us ends.

4. Noncompete During Association. You may not, during your association with us, without our prior written consent:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any other business offering or providing services or products competitive with or similar to the services or products offered or provided by Franchised Businesses or (ii) any business which franchises or licenses others to offer or provide such services or products (collectively, each, a

“**Competitive Business**”) at any location anywhere;

(b) divert or attempt to divert any business or customer or potential business or customer of our Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in our Franchised Business; or

5. Noncompete After Association Ends. For two years after your association with us ends for any reason, you may not, without our prior written consent:

(a) directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business located within or serving customers that are located within (i) the territory specified on Exhibit A or any territory of another Franchised Business, (ii) a 50-mile radius from the borders of the territory specified on Exhibit A, or (iii) a 50-mile radius from any 1-800-TEXTILES Hub and/or Hub Bolt-On Production Plant facility operated by Franchisor or its affiliates; or

(b) solicit for employment any person who at any time within the immediate past 12 months has been employed by us, Franchisor or its affiliates, or by any of Franchisor’s franchisees.

6. Remedies. If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

7. Acknowledgements. You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Agreement are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; (iv) you possess skills and abilities of a general nature and have other opportunities for exploiting such skill, such that enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

8. Severability. If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

9. Independent Agreement. The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

10. Third Party Right of Enforcement. You are signing this Agreement not only for our benefit, but also for the benefit of Franchisor and Franchisor’s affiliates. We, Franchisor, and Franchisor’s affiliates have the right to enforce this Agreement directly against you.

11. Not An Employment Agreement. This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or

implied, to continue your association with us for any specified period.

12. Modification and Waiver. Your obligations under this Agreement cannot be waived or modified except in writing.

13. Governing Law. This Agreement is governed by the laws of the state in which our principal office is located.

14. Attorney's Fees. If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorneys' fees, to the extent that we prevail on the merits.

15. Representation. You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

WITNESS

COVENANTOR

**EXHIBIT A
TO THE
NONDISCLOSURE AND NONCOMPETE AGREEMENT**

YOUR TERRITORY

“Your Territory” is:

**APPENDIX D
TO THE
FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

(attached)

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20__, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "**Agreement**") by 1-800-Textiles Franchises, LLC ("**Franchisor**"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Sections 6 and 7 and Section 16.D.

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 Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by an extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this guaranty.

If Franchisor is required to enforce this guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

Guarantor agrees to be personally bound by the dispute resolution obligations under Section 17 of the Agreement.

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

GUARANTORS:

[Signature]

[Print Name]

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT B
TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF
1-800-Textiles Franchises, LLC**

The following are additional disclosures for the Franchise Disclosure Document of 1-800- Textiles Franchises, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently, without reference to these additional disclosures.

ADDENDUM REQUIRED BY THE STATE OF 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 DISCLOSURE DOCUMENT.

2. OUR WEBSITE, www.1800textiles.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

3. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4. The following paragraph is added at the end of ITEM 3 of the Disclosure Document:

Except as disclosed above, neither we nor any person identified in Item 2 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, 15 U.S.C.A. Section 78a et seq., suspending or expelling such person from membership in such association or exchange.

5. The following paragraphs are added at the end of ITEM 17 of the Disclosure Document:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of the franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. These provisions might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

Covenant not to Compete. The Franchise Agreement contains a covenant not to compete which extend beyond the termination of the franchise. This provision may not be enforceable under California law.

Applicable Law. The Franchise Agreement requires application of the laws of the State of Georgia. This provision might not be enforceable under California law.

Litigation. The Franchise Agreement requires litigation in Georgia. 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 Procedure Section 1281) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

1. The “Summary” sections of v of the Franchise Agreement table of the Disclosure Document is amended to read as follows:

All actions must be brought in the State of Illinois.

2. The “Summary” section of w of the Disclosure Document is amended to read as follows:

Illinois law governs.

3. The following language is added at the end of ITEM 17 of the Disclosure Document:

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

4. Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

1. The “Summary” sections of c, entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement table of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The “Summary” section of v, entitled **Choice of Forum**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, which is currently Ball Ground, Georgia, although you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The “Summary” section of w, entitled **Choice of law**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

Georgia law governs, except otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added at the end of ITEM 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

(4) The following language is added at the end of ITEM 13 of the Disclosure Document:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

(5) The following is added at the end of the chart in ITEM 17 of the Disclosure Document:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, 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.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way

abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

- (1) The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT I OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

- (2) The following paragraphs are added at the beginning of ITEM 3, LITIGATION, of the Disclosure Document:

Neither the franchisor, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under the franchisor's principal trademark:

- (3) 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, or any any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

- (4) 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; or
- (5) 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.
- (6) The following paragraph is added at the beginning of Item 4, BANKRUPTCY, of the Disclosure Document:
- Neither the franchisor, its parent, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:
- (7) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (8) obtained a discharge of its debts under the bankruptcy code; or
- (9) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.
- (10) The following paragraph is added at the end of the first paragraph of ITEM 5 of the Disclosure Document:
- We may use the Initial Franchise Fee for any purpose. Currently, we intend to use the Initial Franchise Fee to offset some of the expenses that we will incur when we provide you with pre-opening services and support and some of the expenses that we will incur operating our business and supporting the System.
- (11) The “Summary” section of ITEM 17, *Renewal, Termination*, section d of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:
- The franchisee also may terminate the agreement on any grounds available by law.
- (12) The “Summary” section of ITEM 17, *Renewal, Termination*, section j, *Assignment*, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

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.

- (13) The "Summary" sections of ITEM 17 *Renewal, Termination*, sections v and w of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The foregoing choice of law and forum 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.

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

- (1) The "Summary" sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

- (2) The "Summary" sections of i, entitled **Franchisee's obligations on termination/non-renewal**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

- (3) The "Summary" sections of r, entitled **Non-competition covenants during the term of the franchise**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

- (4) The "Summary" sections of v, entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

- (5) The "Summary" section of w, entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Except for federal law, North Dakota law governs.

- (6) The following is added to the end of ITEM 17:

The North Dakota Securities Commissioner has determined that requiring a franchisee to consent to a waiver of exemplary and punitive damages or a waiver of trial by jury is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and such requirements may not be enforceable. To the extent that any provision of the Franchise Agreement is inconsistent with the Commissioner's determinations and the North Dakota Franchise Investment Law, such provision will be modified to the extent necessary to ensure that the provision is consistent with the Commissioner's determinations and the North Dakota Franchise Investment Law.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

- (1) The "Summary" sections of v, entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, which is currently Ball Ground, Georgia, except that, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

- (2) The "Summary" section of w, entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Illinois law governs except as otherwise required by the Rhode Island Franchise Investment Act.

ADDENDUM REQUIRED BY THE STATE OF VIRGINIA

- (1) In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the "Summary" section of h, entitled **"Cause" defined – non-curable defaults**, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

- (1) The following paragraph is added at the end of ITEM 5 of the Disclosure Document:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

- (2) The following paragraph is added at the end of ITEM 17 of the Disclosure Document:

The State of Washington has a statute, RCW 19.100.180, which might supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede the

Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any litigation involving a franchise purchased in Washington, to the extent required by the Washington Franchise Investment Protection Act, the litigation site shall be in the State of Washington.

In the event of a conflict of laws, to the extent required by the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

To the extent required by the Washington Franchise Investment Protection Act, a release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

To the extent required by the Washington Franchise Investment Protection Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of Illinois and the Franchised Business will be located in Illinois, and/or (b) you are a resident of the State of Illinois.

2. **Waiver of Jury Trial.** The following language is added to the end of the second paragraph of Section 17.D of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

3. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

However, nothing in this Section shall shorten any period within which you may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

4. **Waivers Void.** The following language is added as a new Section 17.A of the Franchise Agreement:

Nothing in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the Franchised Business that you will operate under the Franchise Agreement will be located in Maryland.

2. **Releases.** The following language is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

Any general release signed as a condition to transfer or renewal will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Consent to Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

Nothing in this Agreement shall act to reduce the three (3) year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

6. **Acknowledgements.** The following language is added as a new Section 20.C of the Franchise Agreement:

All representations requiring you 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Franchised Business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **Releases.** The following is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **Renewal and Termination.** The following is added to the end of Sections 2.D and 15.B of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **Consent to Jurisdiction.** The following is added to the end of Section 17.A of the Franchise Agreement:

However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibits us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **Governing Law.** The following is added to the end of Section 17.B of the Franchise Agreement:

However, nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **Limitations of Claims.** The following is added to the end of Section 17.G of the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchise, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Franchised Business in New York.

2. **Releases.** The following language is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer by Franchisor.** The following language is added to the end of Section 14.A of the Franchise Agreement:

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

4. **Termination by Franchisee.** The following language is added to the end of Section 15.A of the Franchise Agreement:

You also may terminate the Agreement on any grounds available by law.

5. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.A and 17.B of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **Limitation of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Franchised Business that you will operate under the Franchise Agreement will be located in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **Releases.** The following is added to the end of Sections 2.D(4) and 14.C(6) of the Franchise Agreement:

Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **Covenant Not to Compete.** The following is added to the end of Section 16.E of the Franchise Agreement:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. **Consent To Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, that to the extent required by applicable law, you may bring an action in North Dakota.

5. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

6. **Waiver of Punitive Damages.** Section 17.C of the Franchise Agreement is hereby deleted.

7. **Waiver of Jury Trial.** Section 17.D of the Franchise Agreement is hereby deleted.

8. **Limitations of Claims.** The following language is added to the end of Section 17.G of the Franchise Agreement:

The time limitations set forth in this Section might be modified by the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Rhode Island and the Franchised Business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **Consent to Jurisdiction.** The following language is added to the end of Section 17.A of the Franchise Agreement:

However, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. **Governing Law.** The following language is added to the end of Section 17.B of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE 1-800-Textiles Franchises, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “Rider”) is made and entered into as of the Agreement Date as stated in the Franchise Agreement (defined below), between you, _____, as Franchisee, and us, 1-800-Textiles Franchises, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____, 20____ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Franchised Business that you will operate under the Franchise Agreement will be located in Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **Addition of Paragraphs.** In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder, the Franchise Agreement shall be modified to add the following:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Agreement Date.

FRANCHISOR

1-800-Textiles Franchises, LLC

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT C
TO THE
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

New FS PEP Holdco, LLC
d/b/a

1-800-Textiles Franchises, LLC

Audited Financial Statements

December 31, 2024

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December 31, 2024

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Independent Auditor's Report

To the Members and Management
New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC

Opinion

We have audited the accompanying financial statements of New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC, which are comprised of the balance sheet as of December 31, 2024, and the related statements of income and member's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New FS PEP Holdco, LLC, d/b/a 1-800-Textiles Franchises, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events considered in the aggregate that raise substantial doubt about New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC's ability to continue as a going concern for a reasonable period of time.

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

Sincerely,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 31, 2025

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
December 31, 2024

Balance Sheet
December 31, 2024

Assets

Current Assets

Cash	\$	3,513
Accounts Receivable		<u>20,714</u>
Total Current Assets		24,227
Property and Equipment, net		<u>13,980</u>
Total Assets	\$	<u><u>38,207</u></u>

Liabilities and Members' Equity

Current Liabilities

Accounts Payable	\$	8,068
Accrued Expenses		3,517
Deferred Franchise Fee Revenue - current		<u>52,050</u>
Total Current Liabilities		63,635

Other Liabilities

Deferred Franchise Fee Revenue		<u>490,963</u>
Total Liabilities		<u>554,598</u>

Members' Equity

Members' Equity		<u>(516,391)</u>
Total Liabilities and Members' Equity	\$	<u><u>38,207</u></u>

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
December 31, 2024

Statement of Income and Members' Equity For the
Year Ended December 31, 2024

Revenue	<u>\$ 164,512</u>
Expenses	
Professional Fees	249,284
Personnel Expenses	146,850
Computer and Internet	95,496
Employee Leasing	84,200
Advertising and Promotional	64,940
Insurance	14,047
Property Taxes	8,406
Office Supplies	5,902
Telephone	5,788
Travel	5,078
Trade Shows	5,000
Bank Charges	2,046
Other Expenses	1,903
Depreciation	<u>482</u>
Total Expenses	<u>689,422</u>
Net Income	(524,910)
Members' Equity	
Beginning Members' Equity	(320,105)
Member Contributions	<u>328,624</u>
Ending Members' Equity	<u>\$ (516,391)</u>

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
December 31, 2024

Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows from Operating Activities	
Net Income	\$ (524,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	482
Change in Accounts Receivable	(20,714)
Change in Accounts Payable and Deferred Revenue	58,342
Change in Accrued Expenses	<u>3,517</u>
Total Adjustments	41,627
Net Cash Provided By Operating Activities	<u>(483,283)</u>
Cash Flows from Financing Activities	
Capital Contributions from Member	<u>328,624</u>
Net Cash Used by Financing Activities	<u>328,624</u>
Cash Flows from Investing Activities	
Assets Purchased	<u>(14,462)</u>
Net Change in Cash	(169,121)
Cash, Beginning of Year	<u>172,634</u>
Cash, End of Year	<u><u>\$ 3,513</u></u>

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
Notes to Financial
Statements
December 31, 2024

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC, (“the Company”), a Delaware limited liability company, is a franchisor of textile restoration, cleaning, and climate-controlled storage businesses under the service mark "1-800-TEXTILES".

The Company, as the franchisor, has various commitments and obligations to franchisees resulting from franchise agreements including:

- Orientation training
- Ongoing guidance and assistance
- Administration of the advertising fund
- Maintaining trademarks

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include certificates of deposit, money market accounts, and highly liquid debt instruments with a maturity of three months or less.

Property, Plant and Equipment

Property and equipment are recorded at cost. The Company has a capitalization threshold of \$5,000. Additions, improvements, renewals, and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Upon retirement or disposal of an asset, the asset and related allowance for depreciation are eliminated.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of the Company's capital assets are estimated to be between 7 and 20 years.

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of earned fees due from multiple franchisees in various locations within the U.S. Management believes that the balance in accounts receivable will be collected, therefore, no allowance for bad debt has been recorded.

The Company does not accrue interest on past due accounts receivable balances. Prepaid Items

Payments made to vendors for services that will benefit a subsequent period are recorded as prepaid expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed when the charge is incurred. Income

Taxes

The Company is taxed as a partnership, and therefore, there is no tax at the company level. The tax is reported on the partner level.

Deferred Revenue

The deferred revenue for the Company consists of deferred franchise fees. The Company adopted ASC No. 2014-09, *Revenue Recognition (Topic 606)*, *Revenue from Contracts with Customers*, and elected to apply ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606-05): Practical Expedient*. The deferred revenue consists of all franchise fees that were not accounted for as a pre-opening, distinct service. The amount of deferred revenue will be amortized over the contract term.

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2024

Note 2 - Cash/Concentrations of Credit Risk

Cash on deposit in financial institutions is comprised of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
HPP	\$ 75	\$ 75
Brand Fund Account	75	75
Operating Account	2,318	2,318
Payroll Account	154	4,178
Population Account	75	75
Royalty Fees Account	680	680
Wire Fee Account	<u>136</u>	<u>136</u>
Total Cash	<u>\$ 3,513</u>	<u>\$ 7,537</u>

The above cash is covered by federal depository insurance.

Note 3 – Revenue

The Company provides standardized textile disaster restoration services nationally under a unique tradename (brand) to franchisees. The franchise agreement includes various deliverables that are provided to the franchisees. Some of the deliverables include functions at the start of the contract, such as training and facility design assistance. The franchise agreement includes the ability to use the brand name and ongoing advertising.

The franchisee pays an upfront fee as well as royalties over the franchise agreement term based on a percentage of sales. Royalty are recognized when the franchisee completes a job.

The Company adopted ASC No. 2014-09, *Revenue Recognition (Topic 606), Revenue from Contracts with Customers*. Under ASU No. 2014-09, revenue is recognized in the amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under ASC Topic 606, franchisors can only recognize the initial franchise fee if any of the upfront activities performed are distinct activities within the context of the franchise agreement (essentially, have stand-alone value). Certain delivered items are part of the brand and cannot be separated, while others are considered distinct.

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2024

The Company elected to apply ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606-05): Practical Expedient*. This standard allows a franchisor that is not a public business entity to elect to account for pre-opening services as a distinct service that can be accounted for separately from the franchise license for accounting purposes (single performance obligation).

The Company's pre-opening services consist of (1) assistance in selection of a site, (2) assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural and engineering services, and lease negotiation, (3) training of the franchisee's personnel or the franchisee, (4) preparation and distribution of manuals and similar material concerning operations, administration, and record keeping, (5) bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business, (6) inspection, testing, and other quality control programs.

Franchise license fees, less pre-opening service revenue recognized, are amortized over the contract term of ten years.

Revenue consists of the following:

Contracts with customers:	
Amortization of initial franchise fees	\$ 130,800
Pre-opening services earned	10,000
Other revenue:	
Fees	23,319
Other income	<u>393</u>
Total revenue	<u>\$ 164,512</u>

New FS PEP Holdco, LLC d/b/a 1-800-Textiles Franchises, LLC
Notes to Financial Statements
December 31, 2024

Note 4 – Property and Equipment

Changes in property and equipment for the year are as follows:

	<u>Balance</u> <u>1/1/2024</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance</u> <u>12/31/2024</u>
Buildings and improvements	\$ -	\$ 14,462	\$ -	\$ 14,462
Furniture and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>-</u>	<u>14,462</u>	<u>-</u>	<u>14,462</u>
Less accumulated depreciation	<u>-</u>	<u>(482)</u>	<u>-</u>	<u>(482)</u>
Net capital assets	<u><u>\$ -</u></u>	<u><u>\$ 13,980</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,980</u></u>

The statement of income and member’s equity includes depreciation expense in the amount of \$482.

Note 5 – Member Interests and Personal Liability

Members of a limited liability company are not personally liable for the liabilities of the entity.

Note 6 - Subsequent Events

Subsequent events have been evaluated through March 31, 2025, the date the financial statements were available to be issued.

EXHIBIT D TO THE
FRANCHISE DISCLOSURE DOCUMENT
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**The Manuals are dynamic resources subject to periodic modifications. Updates may occur without prior notice to franchisees. Franchisees are encouraged to regularly review updates and amendments and adhere to the most recent version of the Manuals.*

The franchisor assumes no liability for any discrepancies or omissions in the Manuals or any adverse consequences resulting from reliance on outdated versions. Franchisees are advised to consult with the franchisor’s designated representatives for clarification on any discrepancies or inquiries regarding Manual updates.

By accepting this FDD and executing the Franchise Agreement, franchisees acknowledge their understanding of the Manuals’ status as living document(s) and agree to abide by the most current version provided by the franchisor.

EXHIBIT E
TO THE
FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

<p>CALIFORNIA Commissioner of the Department of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677</p>	<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373-7117</p>
<p>ILLINOIS Chief, Franchise Division Attorney General's Office 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>MINNESOTA Securities Unit Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>NEW YORK Office of New York State Attorney General Investor Protection Bureau, Franchise Section 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8236</p>
<p>NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p>VIRGINIA State Corporation Commission Securities and Retail Franchising Division 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p>RHODE ISLAND Department of Business Regulation – Securities Division John O. Pastore Complex 1511 Pontiac Avenue Building 69-1 Cranston, Rhode Island 02902 (401) 462-9500</p>	<p>WASHINGTON Department of Financial Institutions Securities Division - 3rd Floor West 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>

SOUTH DAKOTA

Department of Labor and Regulation
Securities Regulation Office
445 E. Capitol Avenue
Pierre, South Dakota 57501-3185
(605) 773-4823

WISCONSIN

Office of the Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT F
TO THE
FRANCHISE DISCLOSURE DOCUMENT
CURRENT AND FORMER FRANCHISEES

Current Franchisees as of December 31, 2024:

Type	Owners	Address	City	State	Zip	Phone
GEORGIA						
1 Hub and 43 Spokes	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
NORTH CAROLINA						
1 Spoke	Bart Parker, Doc Loner, Ben Looper, Jeff Miller, Kyle Sears, Jeremy Swafford, Trent Anderson	59 Mountain Park Road	Jasper	GA	30143	706-510-9387
1 Hub	Tim Vick	P.O. Box 1482	Kinston	NC	28503	252-559-4040
1 Hub	Ken Clark	5051 Arden Ct	Ramseur	NC	27316	919-325-6200

Franchise Agreements Signed But Franchised Business Not Opened as of December 31, 2024:

Type	Owners	Address	City	State	Zip	Phone
ALABAMA						
1 Hub and 1 Spoke	Brian Howle, David Hewitt	1625 County Road 15	Heflin	AL	36264	256-201-2904
CALIFORNIA						
1 Spoke	Ayal Chavoinik	5978 Vista De La Cruz	Woodland Hills	CA	91367	818-590-5723
FLORIDA						
1 Hub	Scott Echols, Cindy Echols	2560 Fowler St.	Ft. Myers	FL	33901	404-358-1557
1 Spoke	Ashley Gill, Steven Wright	3849 Killlearn Ct., Suite C	Tallahassee	FL	32309	850-755-0622
1 Hub	Ken Clark	5051 Arden Ct	Ramseur	NC	27316	919-325-6200
1 Hub and 1 Spoke	Brian Howle, David Hewitt	1625 County Road 15	Heflin	AL	36264	256-201-2904
ILLINOIS						
1 Hub	Phil Corvino, Robert Corvino	1180 Douglas Rd.	Batavia	IL	60510	630-686-5553
SOUTH CAROLINA						
1 Hub	Parul Dalal, Jay Dalal	3007 Broad River Road	Columbia	SC	29210	803-261-0595
1 Hub and 1 Spoke	Brian Howle, David Hewitt	1625 County Road 15	Heflin	AL	36264	256-201-2904
TEXAS						
2 Hubs	Max Goodgame, Alex Knoop	4601 South Wayside Drive	Houston	TX	77087	713-816-5076
1 Hub	Chris Amani	3908 Wind Cave Den	Irving	TX	75063	214-773-1988
WISCONSIN						

1 Hub and 1 Spoke	Haq Nawaz	1650 Willow Ridge Lane	Brookfield	WI	53005	414-617-0101
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Former Franchisees, exiting our system between January 1, 2024 and December 31, 2024:

Type	Owners	Address	City	State	Zip	Phone
CALIFORNIA						
1 Hub	Brandt Benson	1330 W. 25th St.	San Bernardino	CA	92405	909-915-8630
1 Hub	Todd Tyler, Olivia Huffman	7949 Stromesa Court, Suite X	San Diego	CA	92126	858-951-8008

None

EXHIBIT G
TO THE
FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is executed on _____
by _____
 (“Franchisee”), _____
 (“Guarantors”), _____
 (“Transferee”) as a condition of (1) the transfer of the Franchise Agreement dated [month] [day], [year] between 1-800-Textiles Franchises, LLC (“Franchisor”) and Franchisee (“Franchise Agreement”); or (2) the execution of a successor Franchise Agreement by Franchisee and Franchisor. (If this Release is executed under the conditions set forth in (2) above, all references in this Release to “Transferee” should be ignored.)

1. **Release by Franchisee, Transferee, and Guarantors.** Franchisee and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “Releasors”) freely and without any influence forever release (i) Franchisor, (ii) Franchisor’s past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and (iii) Franchisor’s parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the “Released Parties”), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releasor ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releasor and Franchisor or Franchisor’s parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed Facts.** Franchisee, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **Covenant Not to Sue.** Franchisee, Transferee, and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. **No Prior Assignment and Competency.** Franchisee, Transferee, and Guarantors represent and warrant that: (i) the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releasor has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. **Complete Defense.** Franchisee, Transferee, and Guarantors: (i) acknowledge that the

release in Section 1 shall be a complete defense to any Claim released under Section 1; and **(ii)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

7. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

8. **Capitalized Terms.** Any capitalized terms that are not defined in this Release shall have the meaning given to them in the Franchise Agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, Franchisee, Transferee, and Guarantors have executed this Release as of the date shown above.

FRANCHISEE:

By:

Print Name: _____

Title: _____

Date: _____

TRANSFEREE:

By:

Print Name: _____

Title: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

EXHIBIT H
TO THE
FRANCHISE DISCLOSURE DOCUMENT
STANDARD LEASE RIDER

STANDARD LEASE RIDER

This Standard Lease Rider (this "Rider") is made and entered into on _____, 20__ by _____ and _____ among _____ (the "Landlord"), _____ (the "Tenant"), and 1-800- Textiles Franchises LLC, ("Textiles").

RECITALS

- A. This Rider supplements and forms part of the attached Lease Agreement between Landlord and Tenant dated _____, 20__ (the "Lease") for the premises located at _____ (the "Premises") to be used by the Tenant as a 1-800-Textiles business.
- B. This Rider is entered into in connection with Textiles' approval of the location of the Premises as a "1-800- Textiles" business and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated ___, 20__ (the "Franchise Agreement").
- C. As a condition to Textiles granting a franchise to a franchisee, Textiles requires certain provisions to be contained in the leases entered into by its franchisees, and to evidence Landlord and Tenant's agreement to these terms, the parties hereby enter into this Rider.

THE PARTIES HEREBY AGREE:

1. **TEXTILES' NOTICE AND CURE RIGHTS** Concurrently with giving any Notice of Default to Tenant, Landlord also agrees to send a copy of such Notice to Textiles. In the event Tenant fails to cure any default within the time required in the Lease, Landlord shall promptly give written notice to Textiles specifying the nature of Tenant's defaults and granting Textiles an additional thirty (30) days from the date Textiles receives such notice to exercise its right, in Textiles' sole discretion, to either (a) accept an assignment of the Lease upon the same terms (including all renewals) as apply to this Rider; or (b) assign the Lease to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by Landlord).
2. **ASSIGNMENT OF LEASE** Notwithstanding anything in the Lease to the contrary, Landlord agrees that the Lease and the right, title and interest (including all renewal rights) of the Tenant and any subsequent or successor Tenant thereunder, may be assigned to Textiles or its parents, subsidiaries or affiliates (Textiles, its parents, subsidiaries or affiliates are collectively referred to as "Textiles Entities"), or to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by the Landlord). In the event of an assignment to a Textiles entity, Textiles shall at all times have the right to reassign the Lease, without charge and without Landlord's consent being required to an authorized franchisee of Textiles (provided that such franchisee shall be required to execute any such documentation as required by the Landlord) and Textiles shall thereupon be released from any further liability under the Lease. The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to Textiles or to an authorized franchisee.
3. **USE CLAUSE** Tenant shall only use the Premises for the purpose of operating a "1-800-Textiles" facility that engages in the services authorized in the Franchise Agreement. Landlord agrees that throughout the term of the Lease, including any renewals and extensions and provided Tenant has not experienced any condition of default of the Lease, Landlord shall not permit directly or indirectly, another similar facility to be operated in the surrounding premises owned by Landlord, if any. In the event Landlord breaches such covenant, then Tenant shall be entitled to an immediate reduction of its Rent to One Dollar (\$1.00) per month until such time as this breach is cured if possible or for the remainder of the Lease Term and any renewals if such breach cannot be cured.

4. **SIGNAGE** Tenant has the right to install the customary and usual display signs of Textiles on the building façade as detailed in the signage criteria of the Lease, subject to Landlord’s approval which shall not be unreasonably withheld, and subject to applicable government ordinances and restrictive covenants and the shopping center signage criteria attached as an exhibit to the Lease. All signage requires the Landlord’s prior review and approval before fabrication and installation. Tenant shall be permitted to display signs and promotional items on the inside of the Premises consistent with Textiles’ national standards.

5. **PARKING.** Landlord shall provide adequate parking to serve the Premises in accordance with applicable local ordinances and required parking ratios.

6. **NOTICES.** Landlord agrees to return a fully executed original Lease and this Rider within ten (10) days of execution to Textiles. All notices pursuant to this Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the address as any party to this Rider may, by written notice, instruct that notices be given.

BY EXECUTING THIS RIDER TO LEASE, TEXTILES DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL TEXTILES EXPRESSLY, AND IN A SEPARATE WRITING, AGREES TO ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

Landlord	Tenant	1-800-Textiles LLC	Franchises,
By:	By:	By:	
<hr/>			
Name:	Name:	Name:	
<hr/>			
Title:	Title:	Title:	
<hr/>			

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	4/1/25

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans. In all other states, the effective date of this Disclosure Document is the issuance date of April 2, 2025.

Some of the states listed above require that we give you additional disclosures. The additional required disclosures for these states are in Exhibit B to this Disclosure Document.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1-800-Textiles Franchises, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa and Michigan require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 1-800-Textiles Franchises, LLC 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 E.

This franchise is being offered by the following sellers, all of whom are located at 110 Bruner Way, Ball Ground, Georgia 30107, 770-213-2222 (check all that have been involved in the sales process):

Allie Bunn	John Wendt	Kevin Loner	Bart Parker
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1-800-Textiles Franchises, LLC’s agents authorized to receive service of process are set forth on Exhibit E.

Issuance date: April 2, 2025

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from 1-800-Textiles Franchises, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 2, 2025.

This Disclosure Document included the following exhibits: A. Franchise Agreement; B. State Addenda and Agreement Riders; C. Financial Statements; D. Manuals’ Tables of Contents; E. List of State Agencies/Agents for Service of Process; F. Current and Former Franchisees; G. General Release.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

RETAIN FOR YOUR RECORDS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If 1-800-Textiles Franchise, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa and Michigan require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 1-800-Textiles Franchise, Inc. 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 E.

This franchise is being offered by the following sellers, all of whom are located at 110 Brunas Way, Ball Ground, Georgia 30107, 770-213-2222 (check all that have been involved in the sales process):

<input type="checkbox"/> Allie Bunn	<input type="checkbox"/> John Wendt	<input type="checkbox"/> Kevin Loner	<input type="checkbox"/> Bart Parker
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1-800-Textiles Franchises, LLC’s agents authorized to receive service of process are set forth on Exhibit E.

Issuance date April 2, 2025

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This Disclosure Document included the following exhibits: A. Franchise Agreement; B. State Addenda and Agreement Riders; C. Financial Statements; D. Manuals’ Tables of Contents; E. List of State Agencies/Agents for Service of Process; F. Current and Former Franchisees; G. General Release; and H. Compliance Questionnaire.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

TO BE RETURNED TO:
1-800-Textiles Franchises, LLC
110 Brunas Way
Ball Ground, Georgia 30107

Print Franchisee’s Name (if an Entity)