What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Type of Fee[1]	Amount	Due Date	Remarks
	currently $599 per month (the "Technology Fee"). We reserve the right to increase or decrease the Technology Fee at any time upon 30 days' prior written notice to you.		access to and usage of our reservation system, our intranet, any mobile applications we develop, and the System website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. We do not presently expect the Technology Fee to increase more than 25% per year, however, there is no cap on the amount the Technology Fee may be increased. We may increase the fee if we add additional services/products based on the amount of those services and/or our costs to provide and administer those services/products. An increase will be based on the following: cost of inflation, cost of underlying products and services, including development costs of software, mobile applications, websites, costs of software, subscriptions, and related services, and any other products or services added to the technology stack~~.~~ provided that the total cost will be no more than our cost plus 15% for administrative and other burdens. The first month will be assessed pro rata from the date on which you begin offering Approved Products and/or Approved Services. Provided, however, that where a group of Designated Territories are under a single Multi-Unit Addendum, you will be required to pay one Technology Fee for all Designated Territories under that one Multi-Unit Addendum. If you have more than one

Type of Fee[1]	Amount	Due Date	Remarks
	plus any direct out of pocket costs and expenses. We reserve the right to charge up to 10% of the Gross Revenue generated during the time period that we provide temporary management.		
Annual Conference Fee	We host an annual conference (the "Annual Conference") and charge you the then-current Annual Conference fee. The Annual Conference fee is currently $2,000 for up to 2 people to attend. We may charge our then-current fee for additional attendees (currently, $1,000 per additional attendee and $700 per person for social registration). We may offer discounts based on early booking, number of room-nights booked, or other factors. We also may offer the opportunity to pay the Annual Conference fee in advance, in periodic installments. We reserve the right to host up to 2 Annual Conferences per year.	Prior to attending the event.	Payable for you and your employee(s) who attend the Annual Conference that we host. You are responsible for the travel and living expenses of you and your employees. If you do not attend the Annual Conference(s), you must still pay us the Annual Conference Fee, regardless of the cause for non-attendance, unless you receive our advance written approval for such absence. This fee is charged on a per franchisee basis. This fee may change upon notice to you annually depending on the anticipated cost of the Annual Conference. We do not expect this fee to exceed $3,000 for up to 2 people to attend (and $1,500 for each additional attendee, and $1,050 per person for social registration~~),~~ ~~however, there~~ There is no cap on the amount the Annual Conference fee may be increased; however, the increase will not be more than the total estimated cost plus 20% spread out over the number of franchisees required to attend. An increase will be based on the following: cost of inflation, destination/venue costs, entertainment costs, travel costs, size of event, length of event.

10. Initial Inventory. Generally, materials for projects are purchased on a per project basis rather than keeping materials in stock for use on a project. You are required to obtain an initial inventory of materials to meet the demand in your Designated Territory. Initial inventory consists of post caps, gate hardware, bulk nails, and similar items. We recommend that you purchase common project materials (fence posts, pickets, etc.) which costs can range from $25,000 to $50,000. The low end of this estimate represents the minimum amount of inventory and that such inventory will primarily be composed of wood products that we recommend you purchase while the high end of the estimate represents the largest amount of inventory and that such inventory will primarily be composed of vinyl or other more expensive fencing products that we recommend you purchase. ~~Prices may be impacted by supply chain events such as large-scale events (hurricanes) or tariffs, that are not predictable and can significantly increase the cost of inventory for a short term or long term period.~~

11. Technology Fee (3 Months). The Technology Fee currently includes fees related to your access to and usage of our reservation system, intranet, any mobile applications we develop, and the System website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount the Technology Fee may be increased. The first month will be assessed pro rata from the date on which you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.

12. Online Local Presence Fee. The Online Local Presence Fee currently includes the following: website management, development, updating, maintenance, enhancement, and brand reputation management. The first month will be assessed for the month you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.

13. Marketing Management Fee. The Marketing Management Fee currently includes the following localized marketing support: email marketing, social media, promotions and offers, creative support, public relations management, tradeshow support, and paid media support. The first month will be assessed for the month you begin offering Approved Products and/or Approved Services (typically the date you complete Initial Training Program, but could be earlier, which date may or may not be within 3 months of the date you sign a franchise agreement) and collected on the 10th of the following month and paid to us.

14. Industry Certifications, Licenses and Training. You must acquire any third-party certifications required by us. You must acquire a general business license, any specialty licenses required by your state or federal agency. If your jurisdiction has additional licensing laws or other laws or regulations that require additional instruction or supervised inspections or other criteria, such as examinations or peer review, that require individualized effort in order to comply with the laws or regulations and we or our affiliate cannot provide such instruction/services to you, you must retain a third-party licensing compliance service provider to assist you in navigating the required criteria. In some jurisdictions, you are required to apprentice for one or more years in order to get a license to perform services. You may incur costs to pay a person who has such a license in order to perform services. These costs can range from $1,000 to $3,500 per month or may be based on a percentage of each project's cost which could be more based on number of projects and project size. In some jurisdictions, industry certifications, licensing, and/or training may not be required, in which case your cost would be $0. Where licensing is required, you may, at your option, choose to engage a national contractor license agency for a one-time fee of $7,500.

15. Professional Fees. This estimate is based on the fees necessary to create a franchisee entity and retain legal counsel and accountants to do initial corporate filings and set up bookkeeping and bank accounts.

16. Insurance Deposit and Initial Premiums. We estimate that your initial insurance deposit and initial premiums will be approximately $2,500 to $5,500. We assume that you will pay monthly or quarterly. The average annual cost is approximately $9,000-$12,500. You should check with your local agent for actual premium quotes and costs, as well as the actual cost of the deposit. ~~The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, your loss experience, your level of sales, and other factors beyond our control.~~ In some states the cost could be higher depending on availability, competition and broker coverage. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry beyond what we require you to obtain.

17. Grand Opening Marketing. In connection with the opening of the Franchised Business, you must spend a minimum of $15,000 for grand opening advertising and promotion in the 30 days prior to opening the Franchised Business and the 60 days after opening the Franchised Business in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations or other advertising firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward your Local Advertising Requirement. You must provide us with supporting documentation evidencing these expenditures upon request. If you enter into Multi-Unit Addendum with us, you will only be required to spend $15,000 in total for Grand Opening Advertising for all Franchised Businesses so long as they are located in contiguous Designated Territories. We reserve the right to increase the required spend to $22,000 as we deem necessary.

18. Additional Funds (3 Months). The estimate of additional funds between $30,000 and $45,000 is for a period of at least 3 months, and is based on our experience in offering and selling franchises, as well as estimates we have received from third party vendors, and information from existing franchisees, for an owner-operated business and does not include any allowance for an owner's draw or salary but does include payroll costs for others. This estimate assumes that you will have 1 to 4 employees consisting of a salesperson and either subcontract service labor or you may hire a crew of 2-3 people. This estimate includes ongoing fees that you will be required to pay throughout your operation of the Franchised Business such as Royalty Fees, local advertising expenses, Call Center Fees, Brand Fund Contributions, etc. This estimate does not include any fees paid for debt services. If you are converting your business to a Franchised Business, you may already have equipment, insurance and other items and this amount may be lower.

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Some suppliers may provide us with test equipment for use in our training center, advertise in our newsletters, and may also sponsor events and/or rent booth space at our Annual Conference or regional meetings.

Approved Suppliers

Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of our trade dress, we approve or designate suppliers (which may be us or an affiliate of ours) from time to time in the Operations Manual and otherwise in writing (each an "Approved Supplier"). You must purchase your initial inventory, Business Management and Technology System, branded items, signage and marketing materials, marketing services (of which we are an Approved Supplier), computer equipment and software, insurance, grand opening marketing, and other ongoing marketing from one of our Approved Suppliers or in accordance with our standards and specifications. We are not currently the only Approved Supplier of any item.

Ownership Interest in a Supplier / Revenue Derived from Regional Franchise Purchases and Leases

Except where we are the approved supplier for items you must purchase, none of our officers own any interest in any supplier with whom you are required or recommended to do business. Franchisor is an approved supplier of marketing services but is not the exclusive approved provider of marketing services.

We may derive income in the form of rebates or marketing allowances paid to us by Approved Suppliers that we require you to use. During our last fiscal year ended December 31, 2024, Franchisor received rebates of $53,311 and Franchisor derived revenue from franchisees' required purchases of Call Center Services and Marketing Fees of $348,298. During the fiscal year ended December 31, 2024, our affiliates did not derive any revenue from our franchisees' required purchases. The total revenue of $401,609 represents ~~7.~~9.8% of Franchisor's total revenue of $4,107,458.

Your obligations to purchase certain products or services from us or our Approved Suppliers and to purchase products, services, supplies, fixtures, equipment, computer hardware and software, training and real estate that meet our specifications are considered "Required Purchases." We estimate that your Required Purchases will account for approximately 70% to 95% of your total purchases and leases incurred in establishing your Franchised Business, and approximately 70% to 95% of your total ongoing purchases and leases to operate the Franchised Business after the initial start-up phase.

Alternative Product or Supplier Approval

If you wish to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At our request, you must provide us, for testing purposes, a sample of the item you wish to purchase. ~~We~~Approval criteria includes evaluation of the following factors upon which we may base our approval of any such proposed item or supplier ~~on~~: quality, appearance, ability to supply, financial condition, adherence to applicable specifications, considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency and quality of operation we consider necessary or desirable in our System as a whole, our requirements regarding insurance and indemnification as well as the maintenance of our Confidential Information and the administrative burden of managing multiple additional approved suppliers.

You will be required to pay us a $1,000 alternative supplier fee/new product review fee plus our actual cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs to review any alternate supplier. We may but are not obligated to notify you in writing if your request is approved or denied within 30 days of: (i) our receipt of all supporting information from you regarding your request; and (ii) our completion of any necessary inspection or testing associated with your request. If we do not provide written approval within this time period, then your request will be deemed denied.

~~The Franchisor's criteria for approving suppliers is not made available to franchisees.~~

We may reinspect and revoke our approval of particular products or suppliers if we determine that such products or suppliers no longer meet our standards. Once you receive written notice from us that we have revoked our approval, you must immediately cease purchasing products from that supplier.

We do not provide any material benefit to you if you buy from sources we approve.

Approved Location

Upon execution of your Franchise Agreement and for a period of 3 months after the Effective Date of your Franchise Agreement, you may operate the Franchised Business from a home office that is approved by us and otherwise meets our standards and specifications.

After the first 3 months of operation, you must secure a office/warehouse or storage facility within the Designated Territory that meets our standards and specifications and is approved by us. The Approved Location must include a storage space for equipment and inventory and an office unless otherwise approved in writing by us. The Approved Location must typically be between 1,000 and 1,500 square feet plus an outside lay down yard between 5,000 and 10,000 square feet..

We must review and approve any proposed location, as well as any lease associated with the proposed location, prior to your entering into any lease for the proposed location. You must secure the Approved Location within 3 months of executing the Franchise Agreement in the event that you have not already obtained our approval prior to executing the Franchise Agreement. We may provide you with standards and specifications for the design and layout of the premises of the Approved Location.

Advertising and Promotional Materials

We must approve all self-generated advertising materials (advertising materials created by you) prior to publication or use.

Insurance

You must purchase and maintain, at your own expense, insurance covering the operation and location of your Franchised Business as we may require. You must purchase the required insurance at least 30 days before opening your Franchised Business or upon signing a lease for the Approved Location. The limits described in the paragraph below are the minimum amounts that you are required to purchase. If you sign a lease or contract that requires a higher amount than provided below, then you must obtain the higher level of coverage under the terms of the lease or contract. If you sign a lease or contract that does not require as much coverage, you must still purchase enough insurance to meet our requirements.

You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify it. All insurance policies required under your Franchise Agreement and as set forth in the Franchise Agreement (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, and representatives as additional insureds. The insurance policies

Provision	Section In Franchise Agreement	Summary
		operating a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the "Holdover Period") until you and we agree to enter into our then-current form of franchise agreement for a renewal term or until you or we provide the other with written notice of termination, in which case the Holdover Period will terminate 30 days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the Holdover Period as if the Franchise Agreement had not expired, except that the franchise fee during the Holdover Period will be increased to 10% of Gross Revenue for all types of products/services and without any reductions. All obligations and restrictions imposed on you upon expiration of the Franchise Agreement shall take effect upon termination of the Holdover Period.
c. Requirements for franchisee to renew or extend	2.2.1 to 2.2.9	~~You must:~~Renewal is an option to enter into a new franchise agreement at the end of the current term subject to the following terms and conditions:: (i) provide notice of your renewal no fewer than 12 months and no greater than 18 months prior to the end of the term; (ii) demonstrate to our satisfaction that you have the right to operate the Franchised Business at the Approved Location for the duration of the renewal term or, if you are unable to continue operating at the Approved Location, secure a substitute location that is acceptable to us; (iii) complete to our satisfaction, no later than 90 days prior to expiration of your then-current term, any updates to all required equipment, supplies, inventory, hardware and software, and vehicles and all maintenance, refurbishing, renovating, updating and remodeling of the Franchised Business premises, as well as any update to required hardware and software, as necessary to bring the Franchised Business and all equipment into full compliance with our then-current System standards and specifications for new franchisees; (iv) not be in breach of any provision of the Franchise Agreement, or any other agreement with us, our affiliates, or approved/designated suppliers and vendors, and also have been in substantial compliance with these agreements during their respective terms; (v) satisfy all monetary obligations you have to us, our affiliates, and approved or designated suppliers/vendors and also have timely met these obligations throughout the term; (vi) execute our then-current form of franchise agreement, the terms of which may materially vary from the terms of your current Franchise Agreement at least 3 months prior to the expiration of your current Franchise Agreement; (vii) satisfy our then-current training requirements and have obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Approved Products and Approved Services at any location within the Designated Territory; (viii) execute a general release in favor of us and our affiliates in the form we prescribe; and (ix) pay a Renewal Fee equal to $5,000. You will be obligated to pay a Renewal Fee for each Franchised Business you want to renew under the Multi-Unit Addendum. Provided, however, that where a group of territories are under a single Multi-Unit Addendum, the Renewal Fee will be $5,000 for the

Table No. 4
Status of Company-Owned Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
TOTAL	**2022**	**0**[1]	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**0**	**0**	**0**	**0**	**0**

(1) In 2022, the founders from which the franchise was developed converted their original stores to franchises. The original stores do not meet the definition of a company owned outlet as the franchisor was not an owner and had no control over the stores. In 2022, 7 locations were converted to franchises in North Carolina, 9 locations were converted to franchises in South Carolina, 5 locations were converted to franchises in TN.

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MULTI-UNIT ADDENDUM

This Multi-Unit Addendum (the "Addendum") is made and entered into on ____________________ (the "Effective Date"), by and between: (i) HFB FenceCo Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 ("Franchisor"); and (ii) ____, a(n) ________________________ with a business address at ___________________________________ ("Franchisee").

BACKGROUND

A. Contemporaneous with the execution of this Addendum, Franchisee and Franchisor entered into _____ (___) franchise agreements TR____ - _____ (collectively, the "Applicable Franchise Agreements") and, under each such Applicable Franchise Agreement, Franchisee obtained the right and undertook the obligation to operate a franchised business under Franchisor's then-current proprietary mark(s) (each, a "Franchised Business").

B. Each Franchised Business has its own Designated Territory wherein Franchisee is required to actively promote and operate the Franchised Businesses (each, a "Designated Territory" and collectively, the "Designated Territories").

C. Franchisor and Franchisee now wish to amend and otherwise clarify certain provisions in the Applicable Franchise Agreements, pursuant to the terms and conditions of this Addendum.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Background; Definitions**.

a. The parties acknowledge and agree that the Background portion of this Addendum, including all definitions, representations and provisions set forth therein, is hereby incorporated by reference as if set forth in this Section.

b. For purposes of this Addendum, if a capitalized term in this Addendum is not specifically defined herein, that term will be given the same definition that the term is afforded in the Applicable Franchise Agreements, as applicable.

2. **Multi-Unit Fee in Lieu of Initial Franchise Fee**. Notwithstanding anything contained in Section 3.1 of the Applicable Franchise Agreements, Franchisee will not be required to pay Franchisor an Initial Franchise Fee under any Applicable Franchise Agreement. Instead, Franchisee must pay Franchisor a lump-sum multi-unit fee amounting to $_____________ (the "Multi-Unit Fee"). There is one Opening Assistance Fee of $5,000 for all Applicable Franchise Agreements under this Multi-Unit Addendum. The entire Multi-Unit Fee and Opening Assistance Fee must be paid upon execution of this Addendum and the Applicable Franchise Agreements, and the Multi-Unit Fee is deemed fully earned and the Multi-Unit Fee and Opening Assistance Fee are non-refundable under any circumstances.

3. **Royalty Fee Structure**. Notwithstanding anything contained in Section 3.2.1 of the Franchise Agreements, Franchisee's Royalty Fee is based upon the aggregated Gross Revenue of all Designated Territories operated together under the MUA:

Monthly Royalty Fee	Aggregated Gross Revenue for Prior Month
7.0%	$0.00 - $100,000.00
6.0%	$100,000.01 - $300,000.00
5.0%	$300,000.01+

4. **Minimum Monthly Royalty Fees**. Notwithstanding anything contained in Section 3.2 of the Applicable Franchise Agreements, Franchisee's Minimum Royalty Fee is based upon the number of Franchised Businesses and the number of months the Franchised Business has been open and operating. The Minimum Royalty Fee is as follows:

For each Franchised Business:

- the First 3 months is 7-5% of Gross Revenue
- 4-12 months is an additional $300 per Franchised Business
- Second Year is an additional $1,500 per Franchised Business
- Third Year + is an additional $2,000 per Franchised Business

4. **Brand Fund, Local Advertising Requirement, and Call Center Fee**. Notwithstanding anything contained in Section 3.5, Section 3.6, and Section 3.11 of the Applicable Franchise Agreements, Franchisor and Franchisee acknowledge and agree that for purposes of determining Gross Revenue for the Brand Fund, Local Advertising Requirement, and Call Center Fee, Franchisee may aggregate Gross Revenue of each Franchised Business operating under this Addendum. For purposes of clarification, the Local Advertising Requirement will be the greater of: (a) $36,000 annually for the first Applicable Franchise Agreement plus $18,000 annually for each additional contiguous Applicable Franchise Agreement; or (b) 3% of aggregate Gross Revenue for each Applicable Franchise Agreement under this Addendum. The annual minimum Local Advertising Requirement is based on a monthly spend requirement of $3,000 per month for the first Applicable Franchise Agreement plus up to an additional $1,500 per month for each additional contiguous Applicable Franchise Agreement, but may, with Franchisor's written permission, vary monthly to account for seasonality and other relevant factors. Franchisor can require a minimum monthly Local Advertising Requirement spend of $3,000 per month plus up to an additional $1,500 per month even if the annual minimum dollar amount has been met for the year. If you fail to meet your Local Advertising Requirement in any month, we may require you to pay us the shortfall as an additional advertising fee or to pay us the shortfall for us to spend on local advertising in your Designated Territory.

5. **Technology Fee, Marketing Management Fee, and Online Local Presence Fee**. Franchisor and Franchisee acknowledge and agree that Franchisee will utilize (a) the same technology package for all of its Franchised Businesses, (b) the same marketing materials for all of its Franchised Businesses, and (c) the same website for all of its Franchised Businesses, and Franchisor will only require Franchisee to pay the Technology Fee, Marketing Management Fee, and Online Local Presence Fee as if Franchisee was only operating one Franchised Business.

6. **Approved Location**. Section 1.3 of the Applicable Franchise Agreements is hereby amended to clarify that if Franchisee's Designated Territories under the Applicable Franchise Agreements are contiguous, then Franchisee will only be obligated to secure 1 Approved Location that meets Franchisor's standards and specifications.

MARYLAND ADDENDUM
TO FRANCHISE AGREEMENT AND MULTI-UNIT ADDENDUM

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement~~,~~ or Multi-Unit Addendum (if applicable), to the extent that the Franchise Agreement or Multi-Unit Addendum contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

b. Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

c. Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

d. The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

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

3. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the multi-unit addendum is open.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

(Signature Page Follows)

WASHINGTON ADDENDUM
~~**TO FRANCHISE DISCLOSURE DOCUMENT**~~

TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, MULTI-UNIT ADDENDUM AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights**. RCW 19.100.180 may supersede provisions in the franchise agreement ~~in~~or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may~~that supersede the franchise agreement ~~in~~or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including ~~the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington~~ those summarized in Item 17 of the Franchise ~~Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties~~Disclosure Document, are ~~represented by independent counsel~~subject to state law. ~~Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

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

~~Fee Deferral~~

~~Item 5 and Item 7 of the Franchise Disclosure Document, Section 3.1 of the Franchise Agreement, and Section 2 of the Multi-Unit Addendum are hereby revised to state that payment of all initial fees, including the Initial Franchise Fee, shall be deferred until after all of Franchisor's initial obligations are complete and the Franchised Business is open for business. In addition, the Multi-Unit Fee shall be prorated and collected as each unit under the Multi-Unit Addendum is opened.~~

~~**WASHINGTON ADDENDUM**~~
~~**TO FRANCHISE AGREEMENT, MULTI-UNIT ADDENDUM, AND RELATED AGREEMENTS**~~

~~1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

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

~~b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

3. **Site of Arbitration, Mediation, and/or Litigation**. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release**. A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights~~ to waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rule~~rules or ~~order~~orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees**. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are

represented by independent counsel~~.~~, in accordance with RCW 19.100.220(2).

~~c. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~d. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee~~
11. **Franchisor's Business Judgement**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including ~~an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant~~attorneys' fees, such provision applies only if the franchisor is ~~void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the~~the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants**. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). ~~seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation).~~ As a result, any ~~provisions~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

15. **Nonsolicitation Agreements**. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

~~e.~~ 16. **Questionnaires and Acknowledgments**. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~Section 2.2 of~~

17. **Prohibitions on Communicating with Regulators**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise ~~Agreement is amended by adding the following: Any general release signed by a renewing franchisee does not apply with respect to claims arising under~~Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers**. Under the Washington Franchise Investment Protection Act, ~~RCW 19.100, or the rules adopted thereunder~~a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Section 3.17 is hereby amended by adding the following: The definition of "Business Judgment" in this section and references elsewhere in the Franchise Agreement do not modify the Franchisor's obligation to deal with Franchisee in good faith under RCW 19.100.180(1).

20. Section 13.2 of the Franchise Agreement is hereby amended by adding the following: Notwithstanding the foregoing, Franchisee does not have an obligation to indemnify or hold harmless an Indemnitee for losses to the extent caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

21. Section 14.3.2.3 of the Franchise Agreement is hereby amended by adding the following: Any release signed by a transferring franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

22. Section 22.8 of the Franchise Agreement is amended by adding the following at the end of that section:

> "Franchisees are only responsible for court costs and reasonable attorneys' fees incurred by the franchisor if the franchisor is the prevailing party in any action or arbitration proceeding."

23. Section 22.9 of the Franchise Agreement is amended by adding the following to that section:

> "Provided, however, that any modifications to the Franchise Agreement that purport to change an investor protection included in Washington Franchise Investment Protection Act, RCW 19.100, the rules adopted thereunder, or required as part of the state registration process is specifically excepted from this provision."

~~2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

21. **Fee Deferral**. Item 5 and Item 7 of the Franchise Disclosure Document, Section 3.1 of the Franchise Agreement, and Section 2 of the Multi-Unit Addendum are hereby revised to state that payment of all initial fees, including the Initial Franchise Fee, shall be deferred until after all of Franchisor's initial obligations are complete and the Franchised Business is open for business. In addition, the Multi-Unit Fee shall be prorated and collected as each unit under the Multi-Unit Addendum is opened.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

~~3. Fee Deferral. Item 5 and Item 7 of the Franchise Disclosure Document, Section 3.1 of the Franchise Agreement and Section 2 of the Multi-Unit Addendum (if applicable) are hereby amended to state that all initial franchise fees described in Item 5 of the Franchise Disclosure Document will be deferred until 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. If the Franchisor is selecting a Multi-Unit Offering, the Multi-Unit Fee will be prorated and collected as each unit is opened.~~

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Temp Walls Franchise Management, LLC

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022

Table of Contents

Davies, Goldstein
& Associates CPA's PLLC
Certified Public Accountants

Independent Auditors' Report

To the Management of Temp Walls Franchise Management, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Temp Walls Franchise Management, LLC which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of income, changes in members' equity and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Temp Walls Franchise Management, LLC as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are 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 Temp Walls Franchise Management, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Temp Walls Franchise Management, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

Jones, Goldstein & Associates, CPA's PLLC

Matthews, North Carolina
April 17, 2024

Temp Walls Franchise Management, LLC
Balance Sheets
December 31, 2023 and 2022

ASSETS

	December 31, 2023	December 31, 2022
Current Assets:		
Cash and Cash Equivalents	$ 65,688	$ 1,665,284
Accounts Receivable, net	539,663	100,506
Other Current Assets	67,497	35,083
Total Current Assets	672,848	1,800,873
Long-Term Assets:		
Fixed Assets, net	83,301	-
Accounts Receivable, net of current portion	-	16,633
Intangible Assets, net	106,991	-
Total Long-Term Assets	190,292	16,633
TOTAL ASSETS	**$ 863,140**	**$ 1,817,506**
LIABILITIES & MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	173,798	413,672
Accrued Expenses	823,339	257,563
Line of Credit	825,000	625,000
Contract Liabilities	331,853	118,243
Total Current Liabilities	2,153,990	1,414,478
Contract Liabilities, net of current portion	158,122	280,382
Line of Credit	535,000	-
TOTAL LIABILITIES	2,847,112	1,694,860
MEMBERS' EQUITY	(1,983,972)	122,646
TOTAL LIABILITIES & MEMBERS' EQUITY	**$ 863,140**	**$ 1,817,506**

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

Temp Walls Franchise Management, LLC

Income Statements and Statements of Members' Equity
For the Years Ended December 31, 2023 and 2022

		2023		2022
Revenue				
Initial Franchise Fees, net of deferrals (Note 2)	$	5,057,000	$	434,875
Less: Related Commissions and Fees		(3,568,709)		(382,630)
Net Initial Franchise Fees		1,488,291		52,245
Royalty and Other Fees		403,659		6,187
Total Revenue		1,891,950		58,432
Expenses				
General & Administrative		1,146,403		896,528
Franchise Development		915,863		130,912
Marketing		445,098		30,864
Operations		658,704		39,436
Depreciation and Amortization		10,024		-
Total Expenses		3,176,092		1,097,740
Operating Loss		(1,284,142)		(1,039,308)
Interest Expense		72,476		23,076
Net Loss	$	(1,356,618)	$	(1,062,384)
Members' Equity, January 1st	$	122,646	$	-
Members' (Distributions) Contributions, net		(750,000)		1,185,030
Net Loss		(1,356,618)		(1,062,384)
Members' Equity, December 31	$	(1,983,972)	$	122,646

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

Temp Walls Franchise Management, LLC
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net Loss	$ (1,356,618)	$ (1,062,384)
Depreciation and Amortization	10,024	
Adjustments to reconcile net income		
to net cash used in operating activities:		
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(422,524)	(117,139)
(Increase) in other current assets	(32,414)	(35,083)
(Decrease) Increase in accounts payable	(239,874)	413,672
Increase in accrued expenses	565,776	257,563
Increase in contract liabilities	91,350	398,625
Net cash used in operating activities	(1,384,280)	(144,746)
Cash flows from investing activities:		
Purchase of fixed assets	(88,326)	-
Purchase of website and other intangibles	(111,990)	-
Net cash used in investing activities	(200,316)	-
Cash flows from financing activities:		
Proceeds from Line of Credit	735,000	625,000
Distribution for Canadian Tax	-	(39,970)
Members' (Distributions) Contributions	(750,000)	1,225,000
Net cash (used in) provided by financing activities	(15,000)	1,810,030
Net change in cash and cash equivalents	(1,599,596)	1,665,284
Cash and Cash Equivalents, January 1st	1,665,284	-
Cash and Cash Equivalents, December 31st	$ 65,688	$ 1,665,284
Supplemental Cash Flow Information:		
Cash paid for Interest	$ 15,000	$ -

The accompanying notes are an integral part of the financial statements. 5

Temp Walls Franchise Management, LLC
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 1 - Organization and Business

Temp Walls Franchise Management, LLC (the Company) is a North Carolina limited liability corporation formed in 2022 for the purpose of conducting franchise operations. The Company sells franchise rights to own and operate Temporary Wall Systems franchises which offer the rental of containment solutions for various applications including worksites, hospitals, labs and schools. In addition, the Company provides support services to franchisees. There were 160 franchise territories sold as of December 31, 2023, 108 of which were operational.

Note 2 - Summary of Significant Accounting Policies

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

Cash and Cash Equivalents
Cash and cash equivalents consist of cash in bank deposit accounts. The carrying amount approximates fair value due to the nature of the instruments. At December 31, 2023 the Company's cash balances did not exceed Federal Deposit Insurance Corporation limits of $250,000 per depositor per bank.

Revenue Recognition
The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services utilizing a five-step revenue recognition model, which includes (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as the entity satisfies the performance obligation.

The Company's revenues consist primarily of initial franchise fees charged to franchisees in exchange for the right to own and operate franchises within a certain territory. Once operational, the Company will also receive monthly royalties and other fees from franchisees. ASC 606 did not impact the timing of revenue recognition for the royalties and other fees which are recognized monthly as a percentage of revenue collected by the franchisees.

In applying ASC 606 to initial franchise fees, the Company adopted Accounting Standards Update 2021-02, *Franchisors – Revenue from Contracts with Customers: Practical Expedient*. The amendments allow a practical expedient that simplifies the application of the guidance regarding identification of performance obligations. Franchisors that are not public business entities may account for pre-opening services provided to a franchisee as distinct from the franchise license (if the services are consistent with those included in a predefined list within the guidance) and can be recognized as a single performance obligation.

Lump sum payments are typically due upon execution of a franchise agreement or renewal. The Company recognizes the revenue related to pre-opening services as a single performance obligation in accordance with the guidance. In addition, the Company identified the completion of training as a performance obligation and recognizes revenue related to this upon completion. The remaining initial fee is related to the license to utilize the Company's brand for a specified period of time which is satisfied equally over the life of the agreement. This deferred revenue is recorded as a contract liability and amortized on a straight-line basis over the life of the agreement.

Revenue Recognition (continued)
Franchisees are required to pay a royalty fee of 8% of the monthly gross receipts of the franchised business. Gross receipts are reported by the franchisee a month in arrears. The Company also charges a marketing fee or brand fund fee in addition to a technology fee for each franchisee.

Accounts Receivable
Accounts receivable at December 31, 2023 represent initial franchise fees due at the signing of the franchise agreement which have not yet been collected and royalties and fees owed by the franchisees not yet remitted. The Company recorded accounts receivable of $415,238 and $74,800 as of December 31, 2023 and 2022, respectively. Management reviewed all outstanding fees and determined an allowance for doubtful accounts was not necessary as of December 31, 2023 and 2022.

Fixed Assets
In 2023, fixed assets were purchased with useful lives of 3 to 5 years consisting of software, website, and operation manuals. Depreciation and amortization expense of $10,024 is included in the accompanying financial statements for the year ended December 31, 2023.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications
Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Note 3 – Income Taxes

The Company is a limited liability company which is treated as a partnership for tax purposes. As such, the members report and pay income taxes through their personal tax returns. The Company generally does not pay income taxes. As a result, no provision for income taxes has been included in these financial statements.

The Company follows the guidance in ASC 740-10 as it relates to uncertain tax positions as of December 31, 2023 and has evaluated its tax positions taken for filings with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

Note 4 – Line of Credit

The Company has drawn $825,000 (2022 - $625,000) on a line of credit with a private trust of $825,000 as of December 31, 2023. The line bears interest of 9% and expired on December 31, 2023. Interest payments continue to be made monthly until the principal is fully repaid.

In August 2023, the Company entered into a new line of credit with a private entity of $1,000,000 and has drawn $535,000 as of December 31, 2023. The line bears interest of 9% and matures in December 2025. Only interest payments are required prior to the maturity date.

Note 5 – Related Party Transactions

The lenders of the lines of credit are both private entities and related parties.

All management, research, supervision, financial, accounting, investment, procurement, human resources, legal services, information systems, communications and other required services are provided by DDL Investments, Inc. (DDL), a related party. As of December 31, 2023 there are no employees of the Company as all operational support is provided by DDL or their delegates. Substantially all of the operating expenses of the Company are paid through DDL as part of the management agreement. Approximately $570K (2022 - $520K) is due to DDL as of December 31, 2023 included in accounts payable and accrued expenses.

Guaranteed payments of $114,000 and $24,000 made to 2 of the members of the Company are included in general and administrative expenses as of December 31, 2023 and 2022, respectively. The 5 operating territories in 2022 belong to these members and were not subject to royalty fees during 2022.

Note 6 – Fixed Assets and Intangible Assets

Fixed assets and intangible assets at December 31, 2023 and 2022 consist of the following:

	2023	2022
Software	$88,325	$ -
Less: Accumulated Amortization	(5,024)	-
	$83,301	-
Website and Manuals	118,770	-
Less: Accumulated Depreciation	(11,779)	-
Fixed Assets, net	$106,991	$ -

Note 7 - Subsequent Events

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure April 17, 2024, the date the financial statements were available to be issued. The Company has no knowledge of significant subsequent events as of this date that would require adjustment to or disclosure in the financial statements.

HFB FenceCo Franchising, LLC
Current Franchisees as of December 31, 2024

Territory	Name	Entity	Address	City	State	Terr. State	Zip Code	Phone	Email Address
TR0073*	Fernando Mendoza and Javier Ruiz	RIME Residential & Commercial Services, LLC	4800 Steiner Ranch Blvd. Unit #15-202	Austin	TX	TX	78732	(305) 343-5238	rudy.bennett@toprailfence.com
TR0074*	Fernando Mendoza and Javier Ruiz	RIME Residential & Commercial Services, LLC	4800 Steiner Ranch Blvd. Unit #15-202	Austin	TX	TX	78732	(305) 343-5238	rudy.bennett@toprailfence.com
TR0075*	Fernando Mendoza and Javier Ruiz	RIME Residential & Commercial Services, LLC	4800 Steiner Ranch Blvd. Unit #15-202	Austin	TX	TX	78732	(305) 343-5238	rudy.bennett@toprailfence.com
TR0045*	James Graass	Rankin Capital, LLC	871 Lake Carolyn Parkway Unit 163	Irving	TX	TX	75039	(214) 502-9131	james.graass@toprailfence.com
TR0063*	James Graass	Rankin Capital, LLC	871 Lake Carolyn Parkway Unit 163	Irving	TX	TX	75039	(214) 502-9131	james.graass@toprailfence.com
TR0064*	James Graass	Rankin Capital, LLC	871 Lake Carolyn Parkway Unit 163	Irving	TX	TX	75039	(214) 502-9131	james.graass@toprailfence.com
TR0065*	James Graass	Rankin Capital, LLC	871 Lake Carolyn Parkway Unit 163	Irving	TX	TX	75039	(214) 502-9131	james.graass@toprailfence.com
TR0066*	James Graass	Rankin Capital, LLC	871 Lake Carolyn Parkway Unit 163	Irving	TX	TX	75039	(214) 502-9131	james.graass@toprailfence.com
TR0130*	Jerome Finn and Ursula Finn	FinnWin Corp.	2109 Bellanca Court	Flower Mound	TX	TX	75028	(972) 746-7487	jerry.finn@toprailfence.com
TR0131*	Jerome Finn and Ursula Finn	FinnWin Corp.	2109 Bellanca Court	Flower Mound	TX	TX	75028	(972) 746-7487	jerry.finn@toprailfence.com
TR0132*	Jerome Finn and Ursula Finn	FinnWin Corp.	2109 Bellanca Court	Flower Mound	TX	TX	75028	(972) 746-7487	jerry.finn@toprailfence.com
TR0133*	Jerome Finn and Ursula Finn	FinnWin Corp.	2109 Bellanca Court	Flower Mound	TX	TX	75028	(972) 746-7487	jerry.finn@toprailfence.com